

*Second Quarter Report*  
*December 2005*



*Gharibwal Cement Limited*

# Company Profile

## **BOARD OF DIRECTORS**

Mr. Mohammad Tousif Peracha  
Chairman & Chief Executive

Mr. A. Rafique Khan  
Director

Mrs. Tabassum Tousif Peracha  
Director

Mr. A. Shoeb Piracha  
Director

Mr. M. Saleem Peracha  
Director

Mr. Aameen Taqi Butt  
Director

Mr. M. Ishaque Khokhar  
Director

## **BANKERS**

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

## **REGISTERED OFFICE**

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

## **WORKS**

Ismailwal (Distt. Chakwal)

## **SHARES REGISTRAR**

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

## **AUDIT COMMITTEE**

Mrs. Tabassum Tousif Peracha  
Chairman and Member

Mr. M. Ishaque Khokhar  
Member

Mr. M. Saleem Peracha  
Member

## **CHIEF FINANCIAL OFFICER**

Mr. Zulfiqar A. Choudhry  
(FCA, ACMA)

## **COMPANY SECRETARY**

Mr. Abbas Rashid Siddiqi

## **AUDITORS**

Viqar A. Khan  
Chartered Accountants

## **INTERNAL AUDITORS**

Aftab Nabi & Co.  
Chartered Accountants

## **LEGAL ADVISOR**

International Legal Services

## **COMPANY WEBSITE**

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

## Directors' Report to the Members

On behalf of the Board of Directors, I am pleased to present the financial results of Gharibwal Cement Limited for the 2nd Quarter and Half-Year ended on December 31, 2005.

The 2nd Quarter and first six months data for production and despatches is compiled as under:-

	2nd Quarter ended		Half Year ended	
	December 2005	December 2004	December 2005	December 2004
	( I n T o n n e s )			
Clinker Production	111,995	109,565	217,925	222,670
Cement;				
- Production	111,970	113,090	224,360	240,275
- Despatches	110,249	113,663	221,433	240,806

Your Company has earned Gross Profit of Rs. 70.17 million for the 2nd Quarter ended December 31, 2005, as against the Gross Profit of Rs. 53.49 million for the corresponding quarter of 2004, reflecting an increase of 31% on a comparative basis.

Similarly, the Company has posted Profit Before Taxation of Rs. 38.82 million for the 2nd Quarter under review (December 31, 2004: Rs. 28.30 million) reflecting an increase of 37% over the preceding comparable quarter. Likewise, the Profit After Taxation for the 2nd Quarter under review stands at Rs. 36.73 million (December 31, 2004: Rs. 26.70 million), depicting an increase of 38% over the previous comparable quarter.

In terms of the results of the Company for the first six months of the current and preceding financial years, we are pleased to inform that your Company has earned a Profit Before Taxation of Rs. 102.33 million for the July-December 2005 period (July-December 2004: Rs. 54.09 million) reflecting a significant increase of 89% over the preceding half-year period. Moreover, the Company's Profit After Taxation for the six months ended on December 31, 2005, stands at Rs. 98.18 million (July-December 2004: Rs. 50.60 million), which is a hefty increase of 94% over the previous half-yearly period.

During the 2nd Quarter under review, capacity utilisation improved to 83% from the 81% achieved during the comparable quarter of 2004. The cement plant remained in continuous operation during the period under review whereas its normal maintenance has been carried out.

The issuance of right shares (R-2) successfully concluded in August 2005 has impacted positively upon the debt-equity ratio of the Company and, resultantly, overall Shareholders Equity has grown in strength from Rs. 1,114.74 million (as at June 30, 2005) to Rs. 1,707.24 million (as at December 31, 2005).

The installation of the new dry process cement plant of the Company with the clinker production capacity of 6,700 tonnes per day is currently under process and the new plant is expected to start commercial production latest by July 2007.

The management has also finalized a project to install a dual fuel power plant of 15 megawatt capacity in order to meet the electricity requirements of the up-coming GCL's new dry process cement plant of 6,700 TPD clinker capacity.

Overall, during the second quarter under review and for the first six months of the current financial year, the cement market demonstrated a trend of steady market expansion despite the new cement plant capacities which are gradually coming on-line.

The Board of Directors take this opportunity to thank our customers, dealers, suppliers, executives, staff and workers for their valued co-operation and efforts towards the well-being of the Company. Moreover, a mark of gratitude is again recorded for the financial institutions.

For and on behalf of the Board of Directors



M. TOUSIF PERACHA  
(Chief Executive)

Lahore: February 24, 2006

## **Review Report to the Members**

*We have reviewed the annexed balance sheet of Gharibwal Cement Limited as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.*

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

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

**VIQAR A. KHAN**  
CHARTERED ACCOUNTANTS

*Lahore.*  
*Dated: February 24, 2006*

## Balance Sheet

	Note	December 31 2005 (Rupees in thousand)	June 30 2005
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	3	1,718,764	368,764
Share subscription money		-	859,528
General reserve		332,000	332,000
Accumulated loss		(343,523)	(445,549)
		1,707,241	1,114,743
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
		465,104	468,946
<b>NON CURRENT LIABILITIES</b>			
<b>LONG TERM LOANS FINANCES AND OTHER PAYABLES</b>			
		100,538	120,761
<b>LONG TERM FOREIGN CURRENCY LOANS AND OTHER PAYABLES</b>			
		171,750	175,847
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
	4	198,428	90,570
<b>DEFERRED LIABILITIES</b>			
Deferred income		5,366	5,366
Accumulated compensated absences		19,942	17,167
		25,308	22,533
<b>LONG TERM DEPOSITS FROM CUSTOMERS</b>			
		1,310	1,385
<b>CURRENT LIABILITIES</b>			
Trade and other payables		217,475	280,269
Accrued interest / mark-up		14,558	9,133
Short term loans and finances	5	43,858	27,231
Current portion of non-current liabilities		91,926	86,958
Taxes and duties		22,504	23,176
		390,321	426,767
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6	-	-
		3,060,000	2,421,552

The annexed notes 1 to 15 form an integral part of these accounts.



Chief Executive



Chief Financial Officer

## as at December 31, 2005 (Un-audited)

	Note	December 31 2005 (Rupees in thousand)	June 30 2005
<b>NON CURRENT ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets		1,154,320	1,142,201
Capital work-in-progress	7	716,236	238,358
Stores held for capital expenditure		71,485	71,416
		1,942,041	1,451,975
<b>LONG TERM INVESTMENTS</b>	8	162,554	173,281
<b>LONG TERM LOANS AND ADVANCES TO STAFF</b>		8,258	9,108
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>		1,298	1,298
<b>DEFERRED COST</b>		64,110	74,192
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	222,400	131,685
Stock-in-trade		55,714	24,197
Loans and advances	10	84,683	88,046
Trade deposits and short term prepayments	11	22,921	13,382
Accrued interest		9,283	3,541
Other receivables		16,239	33,686
Available-for-sale investment		50,000	100,000
Cash and bank balances		420,499	317,161
		881,739	711,698
		3,060,000	2,421,552

  
 Director

**Profit and Loss Account (Un-audited)**  
For The Second Quarter and Half Year Ended December 31, 2005

	Note	Oct. - Dec. 2005	Oct. - Dec. 2004	July - Dec. 2005	July - Dec. 2004
(Rupees in thousands)					
SALES - Net		414,924	333,212	820,912	691,605
COST OF SALES		344,756	279,725	669,723	595,182
<b>GROSS PROFIT</b>		<b>70,168</b>	<b>53,487</b>	<b>151,189</b>	<b>96,423</b>
GENERAL AND ADMINISTRATIVE EXPENSES	12	33,304	13,962	51,636	27,235
SELLING AND DISTRIBUTION EXPENSES		1,782	1,617	3,829	3,334
OTHER OPERATING EXPENSES		5,733	10,817	8,023	13,523
		40,819	26,396	63,488	44,092
		29,349	27,091	87,701	52,331
OTHER OPERATING INCOME		16,666	15,443	28,872	23,632
		46,015	42,534	116,573	75,963
FINANCE COST		7,191	14,235	14,241	21,868
<b>PROFIT BEFORE TAXATION</b>		<b>38,824</b>	<b>28,299</b>	<b>102,332</b>	<b>54,095</b>
TAXATION - CURRENT		2,098	1,600	4,150	3,500
<b>PROFIT AFTER TAXATION</b>		<b>36,726</b>	<b>26,699</b>	<b>98,182</b>	<b>50,595</b>
<b>EARNING PER SHARE</b>		<b>0.21</b>	<b>0.72</b>	<b>0.73</b>	<b>1.37</b>

The annexed notes 1 to 15 form an integral part of these accounts.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Cash Flow Statement (Un-audited)

For The Half Year Ended December 31, 2005

	Note	December 31, 2005	December 31, 2004
(Rupees in thousands)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	13	130,485	206,491
Financial charges paid		(23,108)	(20,582)
Gratuity payments		(5,155)	1,184
Taxes and duties paid		(175,683)	(188,287)
Provision for compensated absences - net		2,775	(451)
Net decrease in long term loans and advances to staff		2,306	435
Net increase in long term deposits and prepayments		-	(89)
Net decrease in long term deposits from customers		(75)	(10)
<b>Net cash outflow from operating activities</b>		<b>(68,455)</b>	<b>(1,309)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(514,372)	(15,489)
Proceeds from sale of certificate of investments		50,000	-
Proceeds from sale of fixed assets		-	1,071
Proceeds from sale of investment		9,166	-
Interest received		9,428	5
Dividend income received		5,429	-
<b>Net cash outflow from investing activities</b>		<b>(440,349)</b>	<b>(14,413)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans and finances		(17,110)	(59,175)
Proceeds from long term loans and finances		136	74,458
Repayment of finance lease liabilities		(12,568)	(8,974)
Proceeds from lease finance		134,586	-
Proceeds of short term finances - net		16,626	318,995
Proceeds from right issue		490,472	-
Repayment of share purchase consideration		-	(2,000)
<b>Net cash inflow from financing activities</b>		<b>612,142</b>	<b>323,304</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>103,338</b>	<b>307,582</b>
<b>CASH AND CASH EQUIVALENTS at the beginning of the year</b>		<b>317,161</b>	<b>6,983</b>
<b>CASH AND CASH EQUIVALENTS at the end of the year</b>		<b>420,499</b>	<b>314,565</b>

The annexed notes 1 to 15 form an integral part of these accounts.

  
Chief Executive

  
Chief Financial Officer

  
Director



## Statement of Changes in Equity (Un-audited)

For The Half Year Ended December 31, 2005

Particulars	Share Capital	Shares Subscription Money	General Reserve	Accumulated Profit/(Loss)	Total
(Rupees in thousands)					
Balance as at June 30,2004	368,764	-	332,000	(633,889)	66,875
Profit for the half year ended December 31, 2004	-	-	-	50,595	50,595
Surplus on revaluation of fixed assets transferred to retained earnings depreciated in current period (net of deferred tax of Rs. 2.215 million)	-	-	-	4,115	4,115
<b>Balance as at December 31, 2004</b>	<b>368,764</b>	<b>-</b>	<b>332,000</b>	<b>(579,179)</b>	<b>121,585</b>
Balance as at June 30, 2005	368,764	859,528	332,000	(445,549)	1,114,743
Share subscription money	-	490,472	-	-	490,472
Issue of 135 million right shares of Rs. 10 each	1,350,000	(1,350,000)	-	-	-
Profit for the half year ended December 31, 2005	-	-	-	98,182	98,182
Surplus on revaluation of fixed assets transferred to retained earnings depreciated in current period (net of deferred tax of Rs. 2.07 million)	-	-	-	3,844	3,844
<b>Balance as at December 31, 2005</b>	<b>1,718,764</b>	<b>-</b>	<b>332,000</b>	<b>(343,523)</b>	<b>1,707,241</b>

  
Chief Executive

  
Chief Financial Officer

  
Director

## Notes to the Accounts (Un-audited)

For The Half Year Ended December 31, 2005

1. **STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES**  
The accounting policies and methods of computation followed in preparation of these interim financial statements are the same as those followed in the preparation of the annual financial statements for the preceding financial year ended June 30, 2005.
2. **BASIS OF PREPARATION**  
These financial statements have been prepared in accordance with the requirements of International Accounting Standard, IAS-34 "Interim Financial Reporting" and are unaudited but have been reviewed by the auditors as required by the Code of Corporate Governance.
3. **ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**  
During the period, the process of issuance of 135 million ordinary shares of Rs. 10 each as Right Issue at an offer price of Rs. 10 each, has been completed and accordingly the Company has made allotment of 135 million ordinary shares.
4. **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**  
During the period, the Company has obtained a further lease finance facility of rs. 150 million (June 30, 2005: 100 million) from the consortium of financial institutions lead by the Orix Investment Bank Pakistan Limited to finance the import value of gas-based electric power generators (Ref. No. 7.3).
5. **SHORT TERM LOANS AND FINANCES**  
These include a running finance facility of Rs. 43 million renewed by the commercial bank during the period.
6. **CONTINGENCIES AND COMMITMENTS**  
There is no significant change in the contingent liabilities and capital commitments of the company since the last annual balance sheet date except for the following:
  - Guarantees given by banks on behalf of the company to Sui Northern Gas Pipelines Limited outstanding as at December 31, 2005 aggregated Rs. 277.265 million (June 30, 2005: Rs. 101.959 million). The company has given counter guarantees to the aforesaid banks of Rs. 205.493 million (June 30, 2005: Rs. 75 million).
  - Commitments in respect of capital expenditure were outstanding on account of the following expansion projects.

	Note	December 2005	June 2005
(Rupees in thousands)			
- Gas-based electric power generators		40,788	178,670
- New dry cement line		2,416,621	2,069,000
		2,457,409	2,247,670
<b>7. CAPITAL WORK-IN-PROGRESS</b>			
Civil works and buildings		1,194	1,785
Coal Mill	7.1	-	32,178
Dry cement plant	7.2	312,308	32,276
Gas based electric power generation plant	7.3	372,877	163,320
Other BMR / Expansion costs		29,857	8,799
		716,236	238,358

- 7.1 This project has been completed and transferred to operating fixed assets.
- 7.2 This includes Rs. 297.2 million (June 30, 2005: Rs. 29.8 million) paid as advance to the foreign supplier (considered good) for the acquisition of the dry cement plant. It further includes an amount of Rs. 10 million (June 30, 2005: Rs. 2.5 million) being the borrowing cost directly attributable to the acquisition of this asset.
- 7.3 This includes Rs. 250 million (June 30, 2005: Rs. 100 million ) being the cost of assets subject to finance lease (Ref. Note 4) and Rs. 13.3 million (June 30, 2005: nil) paid as advances to the suppliers (considered good) for the acquisition of the accessories of the plant. It further includes an amount of Rs. 23.4 million (June 30, 2005: Rs. 10.7 million) being the borrowing cost directly attributable to the acquisition of this asset. Subsequent to the balance sheet date, these generators have arrived at the factory.

**8. LONG TERM INVESTMENT**

During the period, the Company has sold 756,500 ordinary shares of its associated Company M/s Dandot Cement Company Limited (DCCL). The Company owns 10,673,251 shares of DCCL and, accordingly, the Company directly and indirectly controls voting rights associated with these 10,673,251 shares of DCCL constituting 15.73% of the total paid up share capital of DCCL as at December 31, 2005.

The value of the company's investment in DCCL based on published quotations of December 31, 2005, amounted to Rs. 111 million (June 30, 2005: Rs. 102.868 million).

**9. STORES, SPARES AND LOOSE TOOLS**

This includes stores in transit aggregating to Rs. 92.95 million (June 30, 2005: 10.46 million) in respect of fire bricks, steel bars and coal.

**10. LOANS AND ADVANCES**

Temporary advances made to an associated Company M/s Dandot Cement Company limited has been received back in full.

**11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**


This includes guarantee margin deposits aggregating to Rs. 18.20 million (June 30, 2005: Rs. 10.20 million).

**12. GENERAL AND ADMINISTRATIVE EXPENSES**

These include an aggregate amount of Rs. 24.946 million (December 31, 2004: 5.974 million) on account of salaries, wages and other benefits out of which Rs. 16.5 million are dues under golden handshake scheme.

	Note	December 31, 2005 (Rupees in thousands)	December 31, 2004
<b>13. CASH GENERATED FROM OPERATIONS</b>			
Net profit before taxation		102,332	54,095
Adjustments for non cash charges and others			
Depreciation on operating fixed assets		27,060	25,945
Interest on bank deposits		(12,999)	(5)
Dividend income		(5,429)	-
Interest on Certificates of Investment		(2,170)	(16,194)
Profit on sale of fixed assets		-	(698)
(Reversal)/provision for diminution in value of investments		(721)	35
Provision for gratuity		2,148	-
(Gain)/loss due to exchange fluctuation		(4,755)	9,208
Taxes and duties		172,345	185,742
Loss/(Profit) on sale of investment		2,282	-
Amortization of discount on issue of shares		10,082	10,082
Obsolete fixed assets written off		-	1,142
Financial charges		14,241	21,868
		202,084	237,125
		304,416	291,220
Effect on cash flows due to working capital changes 13.1		(173,931)	(84,729)
		130,485	206,491
<b>13.1 Working capital changes</b>			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(90,715)	(36,703)
Stock in trade		(31,517)	1,945
Loan and advances		1,906	(13,238)
Trade deposits and short term prepayments		(9,782)	(2,079)
Other receivables		17,441	(7,715)
		(112,667)	(57,790)
Increase/(decrease) in current liabilities			
Trade and other payables		(61,264)	(26,939)
		(173,931)	(84,729)
<b>14. TRANSACTIONS WITH ASSOCIATED COMPANY</b>			
Expenses incurred		261	610
Inventories transferred		1,742	-
Expenses paid by associated company		-	1,489
<b>15. GENERAL</b>			
<b>15.1</b>	These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on February 24, 2006		
<b>15.2</b>	The figures have been rounded off to the nearest thousand Rupees.		

  
 Chief Executive

  
 Chief Financial Officer

  
 Director