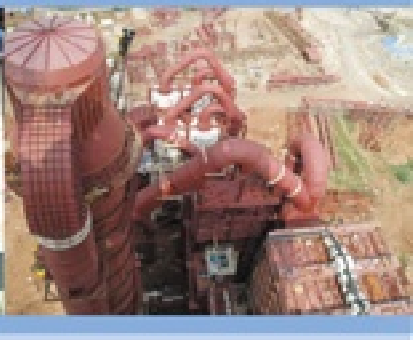
GHARIBWAL CEMENT LIMITED

ANNUAL REPORT

2007



Contents

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

BANKERS

ABN AMRO Bank Ltd.
Saudi Pak Commercial Bank Ltd.
The Bank of Punjab
National Bank of Pakistan
United Bank Limited
MCB Bank Limited.
Citibank N.A
Bolan Bank Limited (My Bank Ltd)
Habib Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited-
(ABN Amro Bank Ltd.)
The Bank of Khyber
KASB Bank Ltd.

REGISTERED OFFICE

34 - Main Gulberg, Lahore.
Tel : 042 - 111-210-310
Fax : 042 - 5871056
E-mail: info@gharibwalcement.com

WORKS

Ismailwal, Distt. Chakwal

COMPANY WEBSITE

www.gharibwalcement.com

AUDIT COMMITTEE

Mrs. Tabassum Tousif Peracha
Chairperson and Member

Mr. Aameen Taqi Butt
Member

Mr. M. Saleem Peracha
Member

CHIEF FINANCIAL OFFICER

Mr. Iqbal Ahmed Rizvi

COMPANY SECRETARY

Mr. Abbas Rashid Siddiqi

AUDITORS

M/s. Viqar A. Khan
Chartered Accountants

INTERNAL AUDITORS

M/s. Aftab Nabi & Co.
Chartered Accountants

LEGAL ADVISOR

M/s. Bandial & Associates, Lahore

SHARES REGISTRAR

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

Vision Statement

GHARIBWAL has been at the forefront in building a strong and solid Pakistan over the past forty five years. Our brand of cement has endured the test of time which is reflected by its performance in the Mangla Dam, the Qadirabad Barrage, the Rasool / Sulemanki Barrage, and so forth.

GHARIBWAL strives to ensure and maintain its excellence in the field of sales, marketing and distribution of cement by a strong focus on customer satisfaction, a good network of cement stockists spanning the Punjab and Azad Kashmir and we greatly value our patrons for their continued preference and loyalty for our cement.

GHARIBWAL's cement plant, situated at a significant location in Punjab province, has embraced the latest cement technology through the establishment of a modern, dry-process cement plant of 6,700 TPD of clinker capacity at its present location, thus, enabling it to achieve greater efficiency, profitability and returns for all stake holders.

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

GHARIBWAL accordingly has a focused vision to rank high in output and performance among Pakistan's top cement producers in the near future.

Mission Statement

GHARIBWAL's mission is to constantly endeavour for excellence in all spheres of business activity and to both secure and enhance its position in key marketing centers of Punjab and Azad Kashmir.

GHARIBWAL's mission is to promote satisfactory relationships with our customers and all other stake-holders by creating value additions for mutual benefit and to construct a strong, durable and forward-moving Pakistan.

Notice of Annual General Meeting

NOTICE is hereby given that the 47th Annual General Meeting of the shareholders of Gharibwal Cement Limited for the financial year ended 30th June 2007 will be held on Wednesday, 31st October 2007, at 11.00 A.M. at the Registered Office of the Company at 34 - Main Gulberg, (Opposite Canal Park), Lahore, to transact the following businesses :

Ordinary Business

1. To confirm the minutes of the last (46th) Annual General Meeting held on 28th October 2006.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2007, together with the Auditors' and Directors' Reports thereon.

3. To appoint the Auditors and to fix their remuneration. The present Auditors, M/s. Viqar A. Khan & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Abbas Rashid

Lahore : October 09, 2007

ABBAS RASHID SIDDIQI

Company Secretary

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, October 18, 2007, to Thursday, October 25, 2007 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Wednesday, October 17, 2007 will be considered in time to attend and vote at the meeting.

2. A member of the Company entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time of the holding of the Meeting. A Member shall not be entitled to appoint more than one proxy. The proxy shall produce his/her original/copy of CNIC card to prove his/her identity.

3. CDC shareholders are requested to bring their original CNIC Card, Account and Participant I.D. Numbers and will further have to follow the guidelines as laid down in SECP's Circular No. 1 dated 26th January 2000 while attending the Meeting for identification.

4. Members are requested to quote their Folio Number in all correspondence and at the time of attending the Meeting.

5. Members are requested to notify any change in their address / contact numbers immediately to our Shares Registrar, M/s. Corplink (Pvt.) Ltd., Wings Arcade, 1-K, Commercial Area, Model Town, Lahore. Tel : 042-5887262, 5839182. Fax : 042-5869037.

Statement of Compliance with the Code of Corporate Governance

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

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

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

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. To the best of our knowledge, all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of the stock exchange.

4. There was no casual vacancy in the Board during the year.

5. The Company has prepared a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of executive directors, have been taken by the Board. No new appointment of CEO was made during the year.

8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In house orientation courses for the directors have been arranged for them in the preceding years to apprise them of their duties and responsibilities.

10. Mr. M. Ishaque Khokhar resigned from the office of CFO during the year on 30th October 2006 and his resignation was duly accepted by the Board on that date, Mr. Iqbal Ahmed Rizvi was appointed as CFO & Chief Accountant in his place on 30th October 2006 by the Board. Whereas, there was no other change of Company Secretary or Head of Internal Audit in the Company during the year.

11. The directors’ report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has out-sourced the internal audit function to M/s. Aftab Nabi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The management of the Company is committed to good corporate governance, and appropriate steps are being taken to comply with the best practices.

(M. TOUSIF PERACHA)
Chief Executive

Dated: October 09, 2007

Statement of Ethics and Business Practices

Intorduction – Gharibwal Cement Limited is commited to all-round excellence in the sphere of business activity. As in the past, we strive to maintain sound ethical, business and legal standards. The Company affirms to observe all prevailing and applicable laws and regulations of the country.

Code of Conduct – Gharibwal Cement Limited steadfastly adheres to implementing transparent, ethical and professional lines of conduct in all business interface with our stakeholders which include government agencies & departments, cement manufacturers' association, stockists and traders, shareholders, and so forth.

Employees – Gharibwal Cement Limited has a historical track record of outstanding mangement-employees relations. The Company is committed to provide a safe, secure, and congenial working environment to all its employees, regardless of rank, caste or creed, thereby, maximizing the employees output and the Company's prosperity.

Our employess have been accorded with on-site school / college facility, a small hospital with dispensary, social club, grant of a certain number of leaves per annum to ensure work-force morale, leisure and fitness. A number of employees have been imparted with computer and IT skills to enhance the factory's productivity in key areas. In return, the employees are expected to perform their duties with diligence, honesty and integrity and to safeguard the Company's valid interests.

Community – Gharibwal Cement Limited observes and pursues good community relations. Usually, the Factory's social, educational, transport, and health facilities are accessible to the staff resident within the Factory premises. The Company has undertaken the leveling and paving of roads in the immediate surroundings to benefit travelers to and fro. Material assistance was accorded from time to time to the villages which sit near our quarry.

Quality Assurance – Gharibwal Cement Limited Produces durable "Ordinary Portland Cement" which conforms with the highest standards in quality. Our cement is backed up with forty-five years of building experience, with projects such as Mangla Dam, Qadirabad Barrage and Rasool Barrage to our credit. In terms of marketing, we demand a fair price for our brand of cement and pursue arm's length and straight forward trading relationships with our stockists and retailers.

Public Relations – Gharibwal Cement Limited is an independent, Public Limited Company, listed on the Karachi and Lahore Stock Exchanges. The Company is neither affiliated nor associated with any political, regional or other vested interests. We do, however, participate in the various forums, within and outside of our industry, to mutually benefit from one another's experience in the business, marketing and corporate realms.

Financial Reporting – Gharibwal Cement Limited deals with all its valued stake-holders, especially with government and financial institutions, on an arm's length basis and on merit. Our Accounting and Finance policies are guided by prevailing Listing Regulations, Companies Ordinance, 1984, and the Code of Corporate Governance. Further, we aim to fully comply with International Accounting Standards (IAS) in the preparation of financial statement whereas any departure there from is adequately disclosed. An internal audit function has been set-up whereas the annual cost audit reporting requirement is also pursued with diligence.

Since August 2005, the shares department function has been out-sourced to our Shares Registrar, M/s. Corplink (Pvt.) Ltd., Lahore, who are performing an excellent service to our shareholders as well as the Company.

Conclusion – Gharibwal Cement Limited shall ensure that this Statement of Ethics & Business Practices is understood and implemented by all concerned individuals in letter and spirit.

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of GHARIBWAL CEMENT LIMITED to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007.

M/S. VIQAR A. KHAN
CHARTERED ACCOUNTANTS

Lahore: October 09, 2007

Directors' Report to the Members

Your Directors have pleasure in submitting the Annual Report along with the audited financial statements of the Company for the year ended June 30, 2007.

Operational Performance & Quantitative Analysis

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

		2007	2006
Clinker Production	M. Tons	162,124	436,335
Cement Production	M. Tons	202,225	428,300
Despatches	M. Tons	201,563	421,437

We would like to inform the members that the above-mentioned clinker and cement production and despatch figures of the Company are attributed to the closure of the old, wet process cement plant for the significant portion of the financial year under review.

Operating Results

During the year under review, the Company suffered Loss before Taxation of Rs. 202.07 million as compared to Profit before Taxation of Rs. 170.25 million (2006). Similarly, the Loss after Taxation of the Company stands at Rs. 222.92 million (2007) as compared to the restated figure of Profit after Taxation of Rs. 279.03 million (2006).

The loss suffered by the Company is due to the following factors mainly:-

1. Decline in production due to shut-down of production in the second half of the financial year. Due to the reduction in the retention price of cement, it was not feasible to operate a wet process cement plant hence all 3 kilns remained shut down for 4 months whereas 2 kilns remained shut down for 8 months during the year under review.

2. The absorption of various operating expenses which was Rs. 80.73 million for the preceding financial year (2006) and reduced to Rs. 65.58 million for the financial year under review (2007).

3. The net sales of the Company decreased from Rs. 1,588.44 million to Rs. 521.72 million (a reduction of 67.16%) whereas Cost of Sales decreased from Rs. 1,313.64 million to Rs. 710.15 million (a reduction of 45.94% only), resulting in gross loss for the year under review.

4. Increased finance cost from Rs. 43.29 million (2006) to Rs. 112.47 million (2007).

The Company has posted Loss Per Share of Rs. 1.30 for the year ended June 30, 2007, as against Restated Earnings Per Share figure of Rs. 1.82 for the year ended June 30, 2006.

Dividends

The Board has not recommended any dividend for the shareholders for the year ended June 30, 2007, on account of loss suffered by the Company and due to cash outflows associated with the new cement project.

Future Prospects

The country's economy continues to move along on a robust trajectory and healthy growth is visible in key sectors such as banking, telecoms, I.T., oil & gas, cement & construction. The government's

announcement to construct dams in the country alongwith other large construction projects, new airports, dry ports, industrial estates, housing schemes, roads & highways in both the public and private sectors are all positive and enabling factors leading to greater and sustained domestic cement consumption in the future.

We are confident that prospects for the cement sector are bright and promising both in the near and distant future in terms of local consumption and promising export potential.

Significant Plans & Decisions

(a) Financial

In 2006-2007, the 3rd Right Share (R-3) issue of the Company comprising 60,000,000 ordinary shares of Rs.10/- each was commenced after the Board Meeting in April 2007. This right issue was basically required to fund the additional costs / working capital of the new cement plant of 6,700 tonnes per day (TPD) clinker capacity.

We are pleased to report that the R-3 issue, which has been successfully concluded after the balance sheet date, has improved the equity composition of the Company.

(b) Expansion Project

We are pleased to report that the new dry process cement plant at the existing site of the Company having a capacity of 6,700 metric TPD of clinker production is near to com-pletion. We anticipate that the Kiln will be lighted up by December 2007.

(c) Manpower Transition and Transformation

The management of the Company has endeavoured for technically trained, high morale, qualified manpower to achieve an ideal industrial ambience at our new cement plant to meet modern business challenges. This plant is a modern computerised one with the latest technology in addition to the old wet process plant. Existing workers from the wet process plant do not generally hold the dry process cement experience. To confront this challenge head-on, the management decided to hold direct, bilateral negotiations with the workers' CBA and offered golden hand shake scheme (GHS) to its workers through an agreement in the month of January 2007.

Due to procedural matters, the workers opting for GHS have to hand over assets / factory quarters, etc, to the Company which they are occupying or availing to become eligible for final payment of GHS. Hence, the disbursement of this liability is expected to occur during the current and next financial years. Therefore, no provision for the accrued GHS amount has been accounted for in the accounts for the year under review.

Fixed Assets Register

The management intends to out-source the upgradation of the Company's fixed assets register to reputed professional firms and quotations have been called from them which are presently being reviewed and short listed and a decision shall be made by the management shortly. The management has set itself a target to complete this assignment by the end of the current financial year.

Disinvestment of Dandot Cement Shares by the Company

During June 2007, the Company has sold its entire investment of 10,673,251 Dandot Cement Company Limited shares to Three Star Group of Companies through negotiation. Gain on the sale of shares amounted to Rs. 12.41 per share or an aggregate gain of Rs. 132,434,026/- which has been accounted for in our accounts.

Corporate and Financial Reporting Framework

The management is fully aware of the compliance with Code of Corporate Governance and steps have been taken for its effective implementation since its inception.

Statements as required by the Code are given below:-

1. Presentation of Financial Statements - The financial statements prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows, and changes in equity ;

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

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

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

5. Internal Control System - The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue for improvement ;

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

7. Best Practices of Corporate Governance - There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the Company for the year ended June 30, 2007 ;

8. Financial Highlights - Key operating and financial data of last ten years is annexed;

9. Outstanding Statutory Dues - There are no outstanding payments on account of taxes, duties, levies and charges, which are outstanding as at June 30, 2007, except for those disclosed in the audited financial statements ;

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

    Gratuity Fund as at June 30, 2007 (Un-audited) Rs. 0.578 million.

11. Board Meetings - During the year, six meetings of the Board of Directors were held. Attendance by each Director at the Board Meeting, is as under : -

	No. of Meetings Attended
Mr. M. Tousif Peracha	5
Mr. A. Rafique Khan	6
Mrs. Tabassum Tousif Peracha	3
Mr. A. Shoeb Piracha	6
Mr. M. Saleem Peracha	3
Mr. M. Ishaque Khokhar	6
Mr. Aameen Taqi Butt	6

Note : The Directors who could not attend the Board Meeting were duly granted leave of absence from the Board in accordance with the law and this information was duly noted in the Minutes of Meeting of the Board.

12. Trading in Company's Shares

During the year, shares purchased / sold by Directors, their spouses and minor children are given as under :

		No. of Shares	
		Purchased	Sold
i)	Mr. M. Tousif Peracha (CEO / Chairman / Director)	177,000	-
ii)	Mr. A. Rafique Khan (Director)	500,000	-

13. Pattern of Shareholding

The Pattern of Shareholding and additional information required in this regard is enclosed.

External Auditors

The present auditors, M/s. Viqar A. Khan & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2007-2008. The Audit Committee has recommended their re-appointment.

Acknowledgement

The Board of Directors appreciates the efforts and devotion of the employees, executives and the entire team of management and anticipates that they will contribute towards the advancement and well being of the Company in future with greater zeal and spirit. The Board extends its gratitude to the financial institutions for their valued co-operation for the Company's prosperity.

For and on behalf of the Board.

(M. TOUSIF PERACHA)
Chairman

Lahore: October 09, 2007

Summary of Last Ten Year's Financial Results

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
	(Rupees in Thousands)									
Trading Results										
Turnover	521,716	1,588,439	1,469,504	1,164,889	561,735	936,352	812,227	969,046	755,305	797,528
Gross Profit / (Loss)	(188,432)	274,797	149,619	95,641	(136,565)	1,523	(61,149)	121,134	(57,360)	(43,164)
Operating Profit / (Loss)	(334,508)	183,656	71,299	47,999	(117,239)	(54,311)	(109,613)	70,124	(98,599)	(86,482)
Profit / (Loss) Before Taxation	(202,074)	170,245	196,378	112,894	(260,431)	(162,717)	(243,930)	18,768	(152,909)	(75,823)
Profit / (Loss) After Taxation	(222,916)	167,155	188,878	115,323	(199,765)	(156,916)	(224,169)	44,465	(151,207)	(79,666)
Balance Sheet										
Shareholders Equity	1,678,007	1,880,680	1,114,743	66,875	(257,186)	(487,068)	(330,152)	66,696	22,231	173,438
Operating Fixed Assets	2,416,455	2,520,973	1,142,201	1,173,421	1,222,537	1,318,676	1,347,281	1,015,398	1,083,123	867,731
Net current assets / (liabilities)	131,917	94,570	284,931	(231,768)	(488,610)	(343,124)	(281,081)	128,748	(72,746)	(9,964)
Long term liabilities	4,349,215	450,719	388,563	752,174	667,382	694,130	575,912	443,787	172,775	153,263
Significant Ratios										
Gross Profit Ratio %	(36.12)	17.30	10.18	8.21	(24.31)	0.16	(7.53)	12.50	(7.59)	(5.41)
Net Profit Ratio %	(38.70)	10.52	12.85	9.90	(35.56)	(16.76)	(27.60)	4.59	(20.02)	(9.99)
Fixed Assets Turnover Ratio	0.22	0.63	1.29	0.99	0.46	0.71	0.60	0.95	0.70	0.92
Debt : Equity Ratio	2.50	0.24	0.35	11.25	-	-	-	6.65	7.77	0.88
Current Ratio	1.12	1.14	1.67	0.51	0.32	0.47	0.44	1.21	0.77	0.97
Interest Cover Ratio	(1.97)	5.24	2.57	3.57	(1.65)	(0.35)	(0.57)	1.36	(1.77)	(0.54)

Pattern of Shareholding

As at June 30, 2007

Sr. No	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
1	770	1	100	30231	0.0176%
2	627	101	500	199992	0.1164%
3	450	501	1000	380724	0.2215%
4	727	1001	5000	2017351	1.1737%
5	184	5001	10000	1483265	0.8630%
6	40	10001	15000	532226	0.3097%
7	40	15001	20000	744336	0.4331%
8	21	20001	25000	498889	0.2903%
9	9	25001	30000	256411	0.1492%
10	4	30001	35000	131428	0.0765%
11	9	35001	40000	349005	0.2031%
12	1	40001	45000	41547	0.0242%
13	6	45001	50000	294000	0.1711%
14	3	50001	55000	159337	0.0927%
15	4	55001	60000	238000	0.1385%
16	2	60001	65000	120802	0.0703%
17	2	65001	70000	140000	0.0815%
18	2	70001	75000	145361	0.0846%
19	2	75001	80000	156161	0.0909%
20	3	95001	100000	296000	0.1722%
21	2	100001	105000	203500	0.1184%
22	2	110001	115000	227500	0.1324%
23	1	115001	120000	118328	0.0688%
24	1	120001	125000	123000	0.0716%
25	1	125001	130000	127500	0.0742%
26	1	145001	150000	150000	0.0873%
27	1	180001	185000	183500	0.1068%
28	1	205001	210000	206500	0.1201%
29	1	220001	225000	225000	0.1309%
30	1	295001	300000	297500	0.1731%
31	1	310001	315000	313910	0.1826%
32	1	345001	350000	350000	0.2036%
33	1	350001	355000	355000	0.2065%
34	1	375001	380000	379200	0.2206%
35	1	495001	500000	500000	0.2909%
36	1	545001	550000	546500	0.3180%
37	1	620001	625000	625000	0.3636%
38	1	1030001	1035000	1033500	0.6013%
39	1	1335001	1340000	1339000	0.7790%
40	1	1895001	1900000	1900000	1.1054%
41	1	2320001	2325000	2323000	1.3516%
42	1	2530001	2535000	2533691	1.4741%
43	1	4080001	4085000	4082112	2.3750%
44	1	4280001	4285000	4282112	2.4914%
45	1	9345001	9350000	9348500	5.4391%
46	1	24915001	24920000	24916000	14.4965%
47	1	28430001	28435000	28431174	16.5416%
48	1	78540001	78545000	78540324	45.6958%
TOTAL:	2936			171876417	100.0000%

Categories of Shareholders	Number of Shares Held	Percentage of Shareholding
Directors, Chief Executive Officers, and their spouse and minor childern	132,492,285	77.0858%
Associated Companies, undertakings and related parties. (Parent Company)	8,364,224	4.8700%
NIT and ICP	630	0.0004%
Banks Development Financial Institutions, NonBanking Financial Institutions.	1,376,660	0.8010%
Insurance Companies	53,755	0.0313%
Modarabas and Mutual Funds	500	0.0003%
Share holders holding 10% or more	132,387,498	77.0248%
General Public		
a. Local	28,620,434	16.6518%
b. Foreign		
Others (to be specified)		
1. Joint Stock Companies	909,631	0.5292%
2. Government Authority	14,872	0.0087%
3. Tehrik-i-Jidid	607	0.0004%
4. Sadar Anjuman Ahmdiya Pakistan	24,448	0.0142%
5. The Ahmadiyya Association	934	0.0005%
6. Dacca Benevolent Association	17,437	0.0101%

Pattern of Shareholding

As at June 30, 2007
Additonal Information as Required by the Code of Corporate Governance

	Categories of Shareholders	Number of Shareholders	Number of Shares held
I	Associated Companies, Undertakings & Related Parties	2	8,364,224
i.	M/s. Astoria Investments Limited	1	4,282,112
ii.	M/s. Topaz Holdings Limited	1	4,082,112
II	NIT/ICP	1	630
i.	Investment Corporation of Pakistan	1	630
III	Directors, Chief Executive Officer, their Spouse and Minor Children	9	132,492,285
	Directors		
i.	Mr. A. Rafique Khan	1	28,931,174
ii.	Mr. M. Saleem Peracha	1	7,560
iii.	Mrs. Tabassum Tousif Peracha	1	6,025
iv.	Mr. M. Ishaque Khokhar	1	2,330
v.	Mr. Aameen Taqi Butt	1	2,330
vi.	Mr. A. Shoeb Piracha	1	2,330
	Chief Executive Officer		
i.	Mr. M. Tousif Peracha	1	103,456,324
	Directors' Spouse		
i.	Mrs. Erum Shoeb Peracha W/O Mr. A. Shoeb Peracha	1	8,051
ii.	Mrs. Salma Khan W/O Mr. A. Rafique Khan	1	76,161
IV	Executives	NIL	NIL
V	Public Sector Companies and Corporations	NIL	NIL
VI	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	13	1,376,660
VII	Shareholders Holding Ten Percent or More Voting Interests	2	132,387,498
i.	Mr. A. Rafique Khan	1	28,931,174
ii.	Mr. M. Tousif Peracha	1	103,456,324

(M. TOUSIF PERACHA)
Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of GHARIBWAL CEMENT LIMITED as at JUNE 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984 except for fixed assets register which is being maintained on non-standard format also referred to Note 19.2.1 to the financial statements;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   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) as disclosed in Note 18.6 to the financial statements, the Company has offered a golden handshake scheme (GHS) to its employees during the year and 346 out of 537 employees accepted the offer. Termination benefits under GHS come to Rs. 271 million, which have not been accounted for in the accounts. In our opinion, the aforesaid termination benefits amounting to Rs. 271 million should be recognized as expense immediately in accordance with para 137 of IAS 19. Accordingly, the liabilities, loss for the year and accumulated loss should be increased by Rs. 271 million.

d) in our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of matters referred to in preceding para (c), 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, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

(M/S. VIQAR A. KHAN)
CHARTERED ACCOUNTANTS

Lahore : October 09, 2007

Balance Sheet

	Note	2007	Restated 2006
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorized share capital			
250,000,000 (2006: 250,000,000) ordinary shares of Rs. 10 each		2,500,000	2,500,000
Issued, subscribed and paid up share capital	4	1,718,764	1,718,764
Dividend reserve		-	13,878
General reserve		332,000	332,000
Accumulated loss		(372,757)	(183,962)
		1,678,007	1,880,680
SURPLUS ON REVALUATION OF FIXED ASSETS	5	1,074,419	1,108,540
NON CURRENT LIABILITIES			
Redeemable capital	6	225,000	-
Long term loans, finances and other payables	7	3,594,943	87,077
Long term foreign currency loans	8	188,097	178,578
Liabilities against assets subject to finance lease	9	172,393	183,754
Long term deposits from customers	10	1,225	1,310
Deferred taxation	11	161,836	143,532
Deferred liabilities	12	5,721	18,530
		4,349,215	612,781
CURRENT LIABILITIES			
Trade and other payables	13	572,513	350,329
Accrued interest / mark-up	14	123,834	14,886
Short term loans and finances	15	298,540	218,117
Current portion of non-current liabilities	16	99,325	75,452
Taxes and duties	17	29,804	41,307
		1,124,016	700,091
CONTINGENCIES AND COMMITMENTS	18	-	-
		8,225,657	4,302,092

The annexed notes 1 to 53 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

as at June 30, 2007

	Note	2007	Restated 2006
		(Rupees in thousand)	
PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	19	2,416,455	2,520,973
Capital work-in-progress	20	4,439,639	848,601
Stores held for capital expenditure	21	74,888	74,663
		6,930,982	3,444,237
OTHER NON CURRENT ASSETS			
Long term investments	22	942	963
Long term loans and advances to staff	23	1,710	6,673
Long term deposits and prepayments	24	1,898	1,366
Deferred cost	25	34,192	54,192
		38,742	63,194
		6,969,724	3,507,431
CURRENT ASSETS			
Stores, spares and loose tools	26	176,318	209,505
Stock in trade	27	77,753	135,723
Trade debtors	28	-	-
Loan and advances	29	194,491	101,304
Trade deposits and short term prepayments	30	24,386	25,136
Accrued interest	31	599	4,036
Other receivables	32	31,454	471
Short term investment in associated company	33	-	161,524
Cash and bank balances	34	750,932	156,962
		1,255,933	794,661
		8,225,657	4,302,092

(A. SHOEB PIRACHA)
Director

Profit and Loss Account
for the Year ended June 30, 2007

	Note	2007	Restated 2006
		(Rupees in thousand)	
SALES - NET	35	521,716	1,588,439
COST OF SALES	36	710,148	1,313,643
GROSS PROFIT/(LOSS)		(188,432)	274,796
General and administrative expenses	37	51,957	62,655
Selling and distribution expenses	38	3,375	6,459
Other operating expenses	39	10,425	11,614
		65,757	80,728
		(254,189)	194,068
OTHER OPERATING INCOME	40	32,149	32,879
		(222,040)	226,947
FINANCE COST	41	112,468	43,293
OPERATING PROFIT/(LOSS)		(334,508)	183,654
Termination benefits		-	(16,495)
Gain / (loss) on sale of investment in associates	33	132,434	(2,282)
Income from debt extinguishment	12.1	-	5,366
		132,434	(13,411)
PROFIT/(LOSS) BEFORE TAXATION		(202,074)	170,243
TAXATION			
- Current	17.1	2,538	3,090
- Deferred	11	18,304	(111,877)
		20,842	(108,787)
PROFIT/(LOSS) AFTER TAXATION		(222,916)	279,030
EARNINGS/(LOSS) PER SHARE (RUPEES)	44	(1.30)	1.82

The annexed notes 1 to 53 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Cash Flow Statement

for the Year ended June 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	45	268,656	480,990
Financial charges paid		(4,041)	(51,938)
Taxes and duties paid		(167,950)	(315,104)
Gratuity payments		-	(8,797)
Compensated absences paid		(13,731)	(2,322)
Prior years bonus paid		(11,252)	-
Net decrease in long term loans and advances to staff		6,426	2,694
Net decrease in long term deposits and prepayments		(532)	(68)
Net decrease in long term deposits from customers		(85)	(75)
Net cash inflow from operating activities		77,491	105,380
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,604,801)	(1,139,326)
Proceeds from sale of fixed assets		900	300
Encashment / (Purchase) of Certificate of Investments		-	100,000
Proceeds from sale of investments in associate		293,958	9,167
Dividend income from investments in associate		-	5,715
Interest received		13,621	19,276
Net cash outflow from investing activities		(3,296,322)	(1,004,868)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of right shares		-	490,472
Proceeds from redeemable capital		225,000	-
Repayment of long term loans and finances		(20,638)	(38,921)
Proceeds of long term loans and finances		1,788,966	-
Proceeds of director's loans		1,757,990	137
Repayment of director's loans		(10,170)	(4,900)
Proceeds from lease finance - net		43,229	136,350
Repayment of lease finance liabilities		(38,999)	(34,736)
Dividend paid		(12,999)	-
Short term finances - net		80,423	190,886
Net cash inflow from financing activities		3,812,802	739,288
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		593,971	(160,200)
CASH AND CASH EQUIVALENTS - at the beginning of the year		156,961	317,161
CASH AND CASH EQUIVALENTS - at the end of the year	46	750,932	156,961

The annexed notes 1 to 53 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Statement of Changes in Equity
for the Year ended June 30, 2007

Particulars	Share Capital	Shares Subscription Money	General Reserve	Dividend Reserve	Accumulated Loss	Total
	(Rupees in thousand)					
Balance as at June 30, 2005	368,764	859,528	332,000	-	(445,549)	1,114,743
Bonus paid for prior years (Note 42)	-	-	-	-	(11,252)	(11,252)
Profit for the year ended June 30, 2006	-	-	-	-	279,030	279,030
Cash dividend out of profit for the year (Note 43)	-	-	-	13,878	(13,878)	-
Shares subscription money	-	490,472	-	-	-	490,472
Issuance of 135,000,000 right shares of Rs. 10 each	1,350,000	(1,350,000)	-	-	-	-
Surplus on revaluation of fixed assets transferred: - Incremental depreciation charged during the year [net off deferred tax of Rs. 4.14 million]	-	-	-	-	7,687	7,687
Balance as at June 30, 2006	1,718,764	-	332,000	13,878	(183,962)	1,880,680
Cash dividend out of profit for the year ended June 30, 2006 (Note 43)	-	-	-	(13,878)	-	(13,878)
Loss for the year ended June 30, 2007	-	-	-	-	(222,916)	(222,916)
Surplus on revaluation of fixed assets transferred: - Incremental depreciation charged during the year [net off deferred tax of Rs. 18.37 million]	-	-	-	-	34,121	34,121
Balance as at June 30, 2007	1,718,764	-	332,000	-	(372,757)	1,678,007

The annexed notes 1 to 53 form an integral part of these financial statements.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Notes to the Accounts
for the Year ended June 30, 2007

1. LEGAL STATUS AND OPERATIONS

The company was incorporated in Pakistan on December 29, 1960 as a Public Limited Company; its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in production and sale of cement.

The company has incurred a net loss of Rs. 222.916 million for the year ended June 30, 2007. The accumulated loss at that date was Rs. 372.757 million. The production capacity utilization has substantially declined during the year due to closure of wet process kilns (refer to note 51).

The company is in the process of modernization and replacement of the manufacturing facilities. A cost-effective new dry process grey cement plant of 6,700 TPD clinker capacity is being installed besides the existing expensive wet process plant. Up to the balance sheet date, Rs. 4.4 billion has been incurred on the ongoing expansion projects which is 80% completed as at that date.

The sponsoring directors, their local and foreign associates hold about 90% shareholding of the Company worth to Rs. 1.5 billion. They also have given long term loans amounting to Rs. 1.9 billion to the Company as at June 30, 2007. In this way, their contribution comes to about 48% of the capital employed as at June 30, 2007. Further, the sponsoring directors have also given personal guarantees to financial institutions in connection with loans and finances obtained by the Company from these financial institutions. This shows the commitment of the sponsoring directors in promoting the Company’s objectives in long run.

The further cost of ongoing expansion projects is estimated to Rs. 1.8 billion as at June 30, 2007. The Company has agreed on principles with the banks to obtain various finance facilities aggregating to Rs. 1.1 billion and formalities for disbursement of funds are in process. Balance of the further cost amounting to Rs. 0.7 billion shall be contributed by the sponsoring directors of the Company.

The sponsoring directors of the company are confident that in view of their continuing financial support to the Company and the commissioning of the new dry process grey cement plant of 6,700 TPD clinker capacity in December 2007, the Company will be able to continue in operation for the foreseeable future.

Accordingly, these financial statements have been prepared on a 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 being unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revalued amounts and certain exchange elements referred to in note 3.11 have been incorporated in the cost of relevant assets. Further,

certain investments have been included at their market value and staff retirement benefits for gratuity and compensated absences have been recognized at present value.

3.2 Significant accounting judgments and estimates

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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as under:

a) determining the cost of defined benefit plan by acturial valuation (note 3.4);

b) recognition of taxation and deferred tax (note 3.5);

c) determining the appropriateness of the rate of depreciation, residual value and useful lives of property, plant and equipment (note 3.6);

d) impairment of assets (note 3.7);

e) impairment of inventories / adjustment of inventories to their NRV (note 3.8);

f) impairment of stores / adjustment of stores to their NRV (note 3.9); and

g) impairment of financial assets (note 3.10).

3.3 Standards,interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments to published approved accounting standards are effective for accounting periods beginning July 01, 2007:

i) IAS-1 Presentation of Financial Statements - Capital Disclosures

ii) IFRIC-10 Interim Financial Reporting and Impairment

These standards are not expected to have any material impact on the Company's financial statements other than an increase in disclosures in certain cases.

The other standards, amendments and interpretations effective from the accounting periods beginning on or after July 01, 2007 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's financial statements.

3.4 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 13.2. 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 income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

b) Defined contribution plan

The company also operates a funded contributory provident fund scheme for its employees. Equal monthly contributions are made by the company and the employees to the fund. Contribution of the Company is charged to the income 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 income. Actuarial gains and losses are recognized immediately.

3.5 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. 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.

3.6 Property, plant & equipment and depreciation

Owned

Operating fixed assets, except freehold land, are stated at cost or revalued amounts less accumulated depreciation. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost.

Borrowing cost during erection period is capitalized as part of the related assets.

Depreciation is charged at the rates stated in note 19 applying reducing balance method on all operating fixed assets except for plant and machinery on which it is based on straight line method whereby the cost / revalued amount and capitalized exchange fluctuation of an asset are written-off over its estimated useful life. The useful life of major components of fixed assets is reviewed annually to determine that expectations are not significantly different from the previous estimates. Adjustment in depreciation rate for current and future periods is made if expectations are significantly different from the previous estimates.

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

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

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets except for the two gas based power generators which are stated at cost. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in note 19 applying reducing balance method except for plant and machinery on which depreciation is charged on straight line method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of the lease period.

Financial charges and depreciation on leased assets are charged to income currently.

3.7 Impairment of assets

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

3.8 Stock-in-trade

Basis of valuation are as follows:

Particulars	*Mode of valuation*
Raw materials	- At lower of annual average cost and net realizable value.
Work-in-process	- At cost.
Finished goods	- At lower of cost and net realizable value.
Packing materials	- At lower of moving average cost and net realizable value.

Cost in relation to work-in-process and finished goods represents the annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their NRV.

Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

3.9 Stores and spares

These are valued at lower of moving average cost and net realizable value except item-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tool are regularly reviewed by the management to assess their NRV. Provision is made for slow moving items and obsolete stores are written off.

3.10 Investments

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

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

Investments at fair value through profit or loss: All investments classified as investments at fair value through profit or loss, are initially measured at cost being fair value of consideration given. At subsequent reporting date these investments are measured at

fair value (quoted market price), unless fair value could not be measured reliably. The investments, for which quoted market price is not available, is measured at cost as it is not possible to apply any other valuation methodology. Realized and unrealized gains and losses arising from change in fair value are included in the profit or loss for the period in which they arise.

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

Investments held to maturity – Investments with fixed maturity that the management has the intention and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent dates measured at amortized cost using the effective interest rate method.

3.11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date except those covered under forward exchange contracts which are translated at the contracted rates.

All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account except exchange differences arising from translation and repayment of foreign currency loans contracted before July 05, 2004, are capitalized as part of cost of plant and machinery acquired out of the proceeds of such loans subject to the condition that such differences would be capitalized only upto Septyember 30, 2007 and thereafter all exchange differences would be charged to income.

3.12 Cash and cash equivalents

Cash and cash equivalent consist of cash-in-hand and balances with banks.

Cash and cash equivalent included in cash flow statement comprise of cash-in-hand, balances with banks and temporary bank overdrafts.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period of incurrence.

3.14 Provisions

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

3.15 Financial instruments

Financial assets are short term investment, certificate of investments, long term deposits, long term loans and advances to staff, trade debtors, loans and advances and other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are liabilities against assets subject to finance lease, long term loans and finances, long term foreign currency loans, short term loans and finances and trade payables. Mark-up bearing finances are recorded at the gross proceeds received; other liabilities are stated at their nominal value. Financial charges are accounted for on accrual basis.

Equity instruments are recorded at their face value. All incremental external costs directly attributable to the equity transaction are charged directly to equity net of any related income tax benefit.

3.16 Related party transaction

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

3.17 Revenue recognition

- Sales are recorded on dispatch of goods to customers.
- Interest income is accounted for on 'accrual basis'.
- Dividend income is recognized when the company's right to receive payment is established.

3.18 Off setting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.19 Deferred cost

All deferred costs including discount on issue of shares incurred and deferred before July 05, 2004 are amortized over a period of five years in accordance with the provisions of substituted fourth schedule. However, w.e.f. July 05, 2004, no deferred cost is included in the financial statements.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Ordinary shares of Rs. 10 each fully paid:

2007 Nos.	2006 Nos.		2007 (Rupees in thousand)	2006
158,445,000	158,445,000	In cash	1,584,450	1,584,450
13,431,417	13,431,417	As bonus shares	134,314	134,314
171,876,417	171,876,417		1,718,764	1,718,764

4.1 Shares of the Company held by foreign associated undertakings incorporated in Island of Nevis: -

	2007 Nos.	2006 Nos.
Astoria Investment Limited	4,282,112	4,282,112
Topaz Holdings Limited	4,082,112	4,082,112
	8,364,224	8,364,224

4.2 A Right Shares Issue (R-3) of 34.908% (60 million right shares at Rs. 10 per share i.e. at par) has been announced by the Board of Directors of the Company in their meeting held on April 02, 2007 and formalities in this regard are in-process. Once completed, this right issue will lead to an equity injection of Rs. 600 million into the Company to meet the cost of over-run / additional equipment costs & working capital requirements.

	2007	2006
	(Rupees in thousand)	
5. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	1,108,540	468,946
Surplus arose during the year	-	902,690
	1,108,540	1,371,636
Surplus transferred to retained earnings (accumulated loss):		
- Incremental depreciation charged during the year [net off deferred tax of Rs. 18.37 million (2006:Rs. 4.14 million]	(34,121)	(7,687)
- Deferred tax attributable to Incremental surplus	-	(255,409)
	(34,121)	(263,096)
	1,074,419	1,108,540

Revaluations of freehold land, buildings, plant & machinery including heavy vehicles and railway sidings were carried out during June 2006 and March 1993 which produced surplus of Rs. 902.690 million and Rs. 993.804 million respectively, which were credited to 'surplus on revaluation of fixed assets' to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

6. This represents TFCs deposit money received from financial institutions against Privately Placed redeemable capital in the form of Term Finance Certificates (PPTFC) aggregating to Rs. 400 million having face value of Rs. 5,000 each. Certificates for PPTFC shall be issued within one month from the receipt of all proceeds against PPTFC. First Dawood Investment Limited and First Credit & Investment Bank Limited are the arrangers / advisors for the issue. These TFCs will be redeemed in twelve equal quarterly installments within a period of five years including two years grace period from the date of issuance of TFCs and carry profit @ KIBOR (6 months ask rate) plus 3% p.a. Proceeds from this PPTFC shall be used to swap higher interest debts.

This redeemable capital is secured by way of ranking charge on all present and future fixed and current assets of the Company which shall be converted, on the completion of debt swaps, to joint first pari passu mortgage charge on all the present and future company's fixed assets with 25% margin. It is also secured by a corporate guarantee of Rs. 400 million given by a bank on behalf of the Company.

Initially the Company had decided to raise redeemable capital by issuance of listed Term Finance Certificates (TFCs) amounting to Rs. 500 million including a green shoe option of Rs. 100 million. Orix Investment Bank Limited was appointed as arranger / advisor for the issue. However, subsequent to the balance sheet date, the Company has made certain amendments in the plan as described in the preceding Paras.

	Note	2007	2006
		(Rupees in thousand)	
7. LONG TERM LOANS,FINANCES AND OTHER PAYABLES			
Banks and financial institutions - secured			
Saudi Pak Commercial Bank	7.1	32,500	42,250
Saudi Pak Industrial & Agricultural Investment Co.	7.2	16,875	22,500
Orix Investment Bank Pakistan Ltd	7.3	20,526	23,684
First Credit and Discount Corporation Ltd	7.3	5,790	7,895
Syndicate Term Finance	7.5	1,538,966	-
		1,614,657	96,329
Un- secured Loans and other payable			
Director's loans	7.6	1,767,490	19,669
Other	7.7	250,000	-
		3,632,147	115,998
Less:Current portion grouped under current liabilities	16	37,204	28,921
		3,594,943	87,077

7.1 This represents the balance of demand finance limit of Rs. 65 million and is repayable over a period of six years (including one year's grace period) in twenty quarterly installments commencing from December 2004.

7.2 This represents the balance of demand finance limit of Rs. 30 million and is repayable over a period of five years (including one year's grace period) in sixteen quarterly installments to be commenced from September 2005.

The finances at 7.1 and 7.2 above carries mark-up @ KIBOR (six months average ask rate) + 5% p.a. with a floor of 10% p.a. and with no cap. These finances are secured by way of first pari passu mortgage charge on company's fixed and current assets to the extent of Rs. 373.156 million and personal guarantees of the directors.

7.3 These represent the balance of term finance facility aggregating to Rs. 40 million (referred to note 7.4). This finance carries mark up @ KIBOR (six month average ask rate) + 6% with no floor and no cap and is repayable in twenty equal installments over a period of five years.

7.4 During the year ended June 30, 2005, the Company entered into a finance agreement with a consortium of financial institutions lead by Orix Investment Bank Pakistan Ltd. (Orix) in order to obtain funds to finance the import value (which was then estimated to Rs. 326 million) of two gas-based power generators.

According to the agreement, Rs. 320 million has been contributed for the purpose in the following manner: -

- by way of lease finance (note 9)	250,000
- by way of term finance (note 7.3)	40,000
- by the Company	30,000
	320,000

This finance arrangement is secured by way of first pari passu mortgage charge on company's assets to the extent of Rs. 426.67 million.

Rs. 6 million was paid by a foreign associated company to the suppliers of these generators (Refer to Note 8.2).

7.5 This represents disbursements against term finance facility of Rs. 1.548 billion obtained from a consortium of financial institutions lead by Saudi Pak Leasing Co. Ltd. to finance the new dry process grey cement plant of 6,700 TPD clinker capacity project.

This finance carries mark-up @ KIBOR (6 months ask rate) + 5.5% p.a. with floor of 8.5% p.a. and no ceiling. The principal amount shall be repaid in five years including two years grace period from the date of first disbursement. This syndicate term finance is secured by way of joint first pari passu mortgage charge on all the present and future company's fixed assets to the extent of Rs. 2.2 billion and personal guarantees of sponsoring directors.

7.6 These are interest free loan obtained from sponsoring directors of the company. They include Rs. 216 million which is subordinated to the payment of finances obtained from other financial institutions while for the balance amount, the sponsoring directors have confirmed that they would not demand the payment before July 2008.

7.7 This loan is obtained from a past associated company and will be repaid after June 30, 2008. Initially this loan carried a mark-up @ 10% p.a., however, on the request of the Company, the past associated company has agreed not to charge any further mark-up with effect from February 2007.

	Note	2007	2006
		(Rupees in thousand)	
8. LONG TERM FOREIGN CURRENCY LOANS			
Associated undertakings - un-secured			
Infiniti Continental Inc.	8.1	101,449	92,288
Orion Shipping & Trading Limited	8.2	86,648	86,290
		188,097	178,578

8.1 This represents three loans aggregating GBP 833,600 obtained through one of its directors during the year ended June 30, 2002 for the purpose of repaying Pak Rupees loans obtained from financial institutions in Pakistan.

Interest is payable on biannually basis on the outstanding principal amount at the rate of six months LIBOR + 1%. The payment of these foreign currency loans is subordinated to the payment of finances obtained from other financial institutions. Moreover, Infiniti Continental Inc. on the request of the company has agreed to defer the repayment of principal amount till July 2008.

The year-end foreign currency balances of these loans have been translated into Pak Rupees at the exchange rate prevalent at the balance sheet date i.e. 1 GBP = Rs. 121.70 (2006: Rs.110.71).

8.2 This represents US$ 900,000 and US$ 429,828 payable against supply of complete filter press plant & machinery and coal firing system while the remaining US$ 100,000 represents advance payment made by Orion Shipping & Trading Limited on behalf of the Company for gas-based electric power generators (Refer to Note 7.4).

These foreign currency loans are interest free and the payment of these loans is subordinated to the payment of finances obtained from financial institutions.

The year-end foreign currency balances of these credits aggregating US$ 1,429,828 (2006: US$: 1,429,828) have been translated into Pak Rupees at the exchange rate prevalent on the balance sheet date i.e. 1 US$ = Rs.60.60 (2006: Rs. 60.35).

	Note	2007	2006
		(Rupees in thousand)	
9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of future minimum lease payments due:			
not later than one year		62,121	46,531
later than one year and not later than five years		172,393	183,754
later than five years		-	-
		234,514	230,285
Less: Current portion grouped under current liabilities:			
Overdue installments		6,990	46
Installments due within following twelve months		55,131	46,485
	16	62,121	46,531
		172,393	183,754
Reconciliation of MLPs with present value of MLPs:			
Minimum lease payments due:			
not later than one year		101,843	137,463
later than one year and not later than five years		242,325	267,329
later than five years		-	-
		344,168	404,792
Financial charges:			
accrued but not paid		8,799	2,219
allocated to future lease payments		68,999	87,1
		77,798	89,397
		266,370	315,395
Less: Security deposits adjustable on expiry of lease terms		31,856	85,110
Present value of future minimum lease payments		234,514	230,285

Lease finance facility of Rs. 250 million has been obtained to finance the import value of gas based electric power generators (Refer to Note 7.4). The present value of minimum lease payments for this particular lease have been discounted at interest rate calculated at balance sheet date @ KIBOR (six month average ask rate) + 6% p.a. being the effective interest rate of lease. Rentals are payable in quarterly installments in arrears.

For the remaining leases the implicit rate used as discounting factor ranges from 14% to 22% p.a. and these leases are secured against security deposits of Rs. 6.855 million and personal guarantees of some of the directors of the Company. Certain leases are also secured by way of hypothecation of leased asset for a value of Rs. 38.286 million (2006: Rs. 1.286 million).

The company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms.

10. LONG TERM DEPOSITS FROM CUSTOMERS

These represent interest free securities received from dealers which are refundable on terminationof dealerships (Refer to Note. 34.1).

	Note	2007	2006
		(Rupees in thousand)	

11. DEFERRED TAXATION

Deferred tax on taxable temporary differences:			
Accelerated depreciation for tax purposes		415,384	420,704
Leased assets		71,809	93,433
		487,193	514,137
Deferred tax on deductible temporary differences:			
Lease finance liabilities		(82,080)	(80,600)
Provisions		(8,264)	(7,710)
		(90,344)	(88,310)
		396,849	425,827
Deferred tax on available tax losses		(235,013)	(282,295)
Net deferred tax liability / (asset)		161,836	143,532
Deferred tax attributable to incremental revaluation surplus transfer to equity		-	255,409
Deferred tax expense / (gain) transfer to the profit for the year		18,304	(111,877)

The taxable temporary differences increase due to fresh revaluation of fixed assets carried out on June 30, 2006, this has converted unrecognized deferred tax asset into a deferred tax liability. The deferred tax liability is recognized from the last year in accordance with IAS-8.

12. DEFERRED LIABILITIES

	Note	2007	2006
Deferred income	12.1	-	-
Accumulated compensated absences	12.2	3,777	16,586
Frozen termination benefits	12.3	1,944	1,944
		5,721	18,530

12.1 Deferred income

Opening balance		-	5,366
Less: Recognized during the year		-	5,366
		-	-

This represents the balance of waiver on settlement of restructured lease facility by NIB which was recognized as income in last year in accordance with the terms of the agreement entered into with NIB during the year ended June 30, 2004.

	Note	2007	2006
		(Rupees in thousand)	

12.2 Accumulated compensated absences

Net liability at the beginning of the year	16,586	17,167
Expense recognized in income statement	922	1,741
Benefits paid during the year	(13,731)	(2,322)
	3,777	16,586
Reconciliation of the liability recognized in the balance sheet		
Opening balance of PVDBO	16,586	17,167
Interest cost	1,493	1,545
Current service cost	718	817
Actuarial losses / (gains)	(1,289)	(621)
Benefits paid during the year	(13,731)	(2,322)
Closing balance of PVDBO	3,777	16,586
Expense recognized in the profit and loss account		
Current service cost	718	817
Interest cost	1,493	1,545
Actuarial losses / (gains)	(1,289)	(621)
	922	1,741

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2007 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2007	2006
Discount rate	10% p.a.	9% p.a.
Expected rate of future salary increase	9% p.a.	8% p.a.
Average no. of leaves accumulated p.a.	8 days	7 days

PVDBO stands for present value of defined benefit obligations.

12.3 Frozen termination benefits

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

13. TRADE AND OTHER PAYABLES

	Note	2007	2006
Creditors		248,958	90,346
Import bills payable		-	127,413
Retention money		108,154	4,231
Accrued liabilities		157,920	70,526
Advances from customers		10,459	17,422
Due to employees		411	488
Due to directors		160	53
Due to Workers' Profit Participation Fund	13.1	15,178	15,178
Due to gratuity fund trust	13.2	19,834	5,442
Due to provident fund trust	13.3	-	1,334
Unclaimed dividend	13.4	879	-
Bonus payable	42	-	11,252
Interest free deposits:			
Repayable on demand		2,810	2,894
Others		3,053	3,053
		5,863	5,947
Others		4,697	697
		572,513	350,329

	Note	2007	2006
		(Rupees in thousand)	

13.1 Workers'(profit) participation fund

	Note	2007	2006
Opening balance		15,178	10,127
Add: Allocation for the year	39	-	8,702
Interest on funds utilized by the company	41	-	462
		-	9,164
		15,178	19,291
Less: Amount paid during the year		-	4,113
		15,178	15,178

13.2 Due to gratuity fund trust

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

	2007	2006
Movement in the liability recognized in the balance sheet		
Net liability at the beginning of the year	5,442	8,717
Expense recognized in income statement	14,392	5,260
Liability transferred from associated company	-	623
Liability transferred to associated company	-	(361)
Contribution to the fund by the company	-	(8,797)
	19,834	5,442
Reconciliation of the liability recognized in the balance sheet		
Present value of defined benefit obligations	19,694	71,567
Fair value of plan assets	(578)	(67,568)
Unrecognized actuarial gains / (losses)	718	(1,611)
Benefits payable to outgoing employees	-	3,054
	19,834	5,442
Expense recognized in profit and loss account		
Current service cost	4,904	4,512
Interest cost	6,441	6,348
Curtailment or settlement	9,128	-
Expected return on plan assets	(6,081)	(5,600)
	14,392	5,260

Salaries, wages and benefits appearing under heads of cost of sales, general and administrative & selling and distribution expenses include the following amounts on account of gratuity:

	2007	2006
Cost of sales	12,456	3,670
General and Administrative expenses	2,653	1,369
Selling and distribution	282	220
	15,391	5,259

Princi pal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2007 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	Note	2007	2006
		(Rupees in thousand)	
Discount rate		10% p.a.	9% p.a.
Expected rate of future salary increase		9% p.a.	8% p.a.
Expected rate of return		9% p.a.	9% p.a.
Average expected remaining working life time of employees		13 years	11 years
Actual return on plan assets			
Fair value of plan assets - closing balance		578	67,568
Fair value of plan assets - opening balance		(67,568)	(62,221)
Contribution to the fund by the company		-	(8,797)
Benefits paid		65,074	8,797
Loss due to settlement		7,997	-
Expected return on plan assets		(6,081)	(5,600)
		-	(253)

13.3 The company during the year made contributions to provident fund trust aggregating Rs. 3.14 million (2006: Rs.4.29 million).

13.4 This includes zakat amounting to Rs. 0.659 million which was deducted from dividend paid during the year. Subsequent to the balance sheet date, zakat has been deposited into Central Zakat Fund.

14. ACCRUED INTEREST / MARK UP

	2007	2006
Interest / mark-up / profit payable on:		
Redeemable capital	25,655	-
Long term loans and finances	66,300	2,617
Long term foreign currency loans	9,572	2,985
Lease finances	8,812	2,219
Short term borrowings	13,495	7,065
	123,834	14,886

15. SHORT TERM LOANS AND FINANCES

	Note	2007	2006
Banks - secured			
Saudi Pak Commercial Bank	15.1	42,705	50,160
Standard Chartered Bank	15.2	-	37,709
First Credit & Investment Bank Ltd.	15.3	48,000	-
KASB Bank			
Bridge loan	15.4	132,000	-
Running finance I	15.5	59,992	70,748
Running finance II	15.6	-	42,000
		282,697	200,617
Others - unsecured			
Others	15.7	15,843	17,500
		298,540	218,117

15.1 This represents balance of running finance facility of 160 million (2006: 43 million) carrying mark-up @ KIBOR (three months ask rate) + 4% p.a. (2006: KIBOR (six months ask rate) + 5% p.a) payable on quarterly basis. The facility is secured by way of hypothecation of company's moveable and current assets to the extent of Rs. 250 million (2006: Rs. 62 million) and personal guarantee of all directors of the Company.

The following facilities are also available as at the year end from SPCBL:-

	Approved limit		Facility utilized	
	2007 Rs. '000	2006 Rs. '000	2007 Rs. '000	2006 Rs. '000
Letter of credit	80,000	80,000	-	17,492
Letter of guarantee	102,000	102,000	101,959	101,959

These facilities are secured against ten percent cash margin, lien on import document and personal guarantees of directors. These are further secured by securities mentioned in Note 7.1 and Note 7.4 above up to the share of SPCBL. LGs are also secured by counter guarantee of the Company.

15.2 This running finance facility of Rs.57 million (2006: Rs. 57 million) has been settled in full during the year.

15.3 This represents a short term bridge loan carrying mark-up @ KIBOR (six months ask rate) + 3% p.a payable on quarterly basis. The facility is secured by way of ranking charge on plant & machinery to the extent of Rs. 67 million and personal guarantees of sponsoring directors.

15.4 This represents a short term bridge loan carrying mark-up @ KIBOR (three months ask rate) + 5% p.a. The facility is secured by way of ranking charge on plant & machinery to the extent of Rs. 176 million.

15.5 This represents balance of a running finance facility of Rs.100 million (2006: Rs. 100 million) carrying mark-up @ KIBOR (six months average ask rate) + 3% p.a with a floor of 12% p.a. payable on quarterly basis. The facility is secured by way of ranking charge on plant & machinery to the extent of Rs. 482 million (2006: Rs. 482 million).

The following facilities are also available as at the year end from KASB Bank:-

	Approved limit		Facility utilized	
	2007 Rs. '000	2006 Rs. '000	2007 Rs. '000	2006 Rs. '000
Letter of credit	394,670	402,000	40,999	212,997
Letter of guarantee	175,306	175,306	175,306	175,306

These facilities are secured against 5% - 10% cash margin, lien on import document, pledge of imported goods and ranking charge on the plant & machinery to the extent of Rs. 150 million. LGs are also secured by counter guarantee of the Company.

15.6 This running finance facility of Rs.100 million has been settled in full during the year.

15.7 This represents the utilized amount of the total short term finance facility of Rs. 17.5 million (2006:Rs.17.5 million) availed from the Gharibwal Cement Employees Provident Fund Trust. The finance carries mark up at the rate of 10% per annum.

	Note	2007	2006
		(Rupees in thousand)	
16. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term loans, finances and other payables	7	37,204	28,921
Liabilities against assets subject to finance lease	9	62,121	46,531
		99,325	75,452
17. TAXES AND DUTIES			
Provision for taxation	17.1	10,439	29,861
Excise duty	18.1	1,760	1,760
Local taxes		5,773	5,773
Excise duty on cement		-	753
Sales tax payable		-	163
Income tax deducted at source payable		10,014	2,025
Excise duty on raw material		75	228
Royalty on raw material		1,743	744
		29,804	41,307
17.1 Provision for taxation - net			
Opening balance		29,861	13,955
Provision made during the year			
- Current year	(b)	2,646	8,050
- Prior years’		(108)	(4,960)
		2,538	3,090
		32,399	17,045
Less: Payment of advance tax / tax deducted at source		21,960	8,105
Refund during the year		-	(20,921)
		21,960	(12,816)
		10,439	29,861

(a) Income tax assessments of the company have been completed upto the income year ended June 30, 2006 (tax year 2006).

(b) In view of available tax losses, provision for current year taxation represents minimum tax payable under Section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of the turnover of the company.

(c) Tax charge reconciliation

	2007	2006
Profit / (loss) before taxation	(202,074)	170,243
Tax at the applicable income tax rate of 35% (2006: 35%)	-	59,585
Tax effects of amounts that are:		
Deductible for tax purposes	(43,989)	(59,866)
Not deductible for tax purposes	57,973	36,103
Tax effect of unused tax losses	(235,013)	(282,295)
	(221,029)	(246,473)
Minimum tax liability provided in accounts as per Income Tax Ordinance, 2001	2,646	8,050

18 . CONTINGENCIES AND COMMITMENTS

18.1 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.

18.2 The company filed a writ petition in the Lahore High Court (the Court) against imposition of export tax on raw materials by District Council, Chakwal (the Council) and refund of amounts already paid on this account. The Court vide its judgment dated February 18, 1997 directed the Council to refrain from collecting export tax on raw materials brought by the company from this quarries to its factory.

The Court further directed the Council to refund to the Company the sum of Rs.45.948 million recovered from it during the period from 1985-86 to 1996-97.

The Lahore High Court Rawalpindi Bench vide its order dated March 17, 1997 on a revision application by the Council, suspended the operation of the judgment dated February 18, 1997. The matter is still pending for adjudication with the Lahore High Court - Rawalpindi Bench.

18.3 District Council - Chakwal served notices dated July 25, 1998 and August 05, 1998, whereby the company has been directed to deposit an amount of Rs. 5.4 million being ‘exit tax’ pertaining to the year 1996-97 and also for the deposit of such tax on the prescribed rate in future. The Supreme Court of Pakistan has issued a stay order in respect of the payment of Rs.5.4 million as demanded by the District Council.

18.4 The company, through a writ petition, challenged the refusal of IESCO in accepting the decision by the Electric Inspector and Advisory Board in favour of the company wherein it was held that with effect from May 1999, the company be treated as permanently disconnected from IESCO and no bill be issued to the company by IESCO after May 1999. The Lahore High Court, vide its order dated October 24, 2000, allowed the company’s petition and declared the action of IESCO, that is, issuing bills after May 1999 to be without lawful authority and of no legal effect.

IESCO, however, has filed civil petition for leave to appeal along with application for suspension of operation of the aforementioned order of the Lahore High Court, but Supreme Court of Pakistan so far has not passed any stay order. The company has filed a petition with the Lahore High Court for initiating contempt proceedings against IESCO. The Lahore High Court has directed IESCO to submit its report and para-wise comments to the company’s petition.

18.5 The company has also filed an appeal before the Secretary Industries and Mineral Development against imposition of 5% penalty on outstanding royalty in respect of mining a limestone lease.

18.6 The Company has offered golden handshake scheme (GHS) to its employees during the year ended June 30, 2007 and 346 employees out of 537 have accepted this offer. Termination benefits under GHS come out to Rs. 271 million. GHS scheme is in the phase of implementation, this process will be accomplished by the end of July 2008.

18.7 Counter guarantees given by the company to financial institutions has not been renewed and, therefore, balance outstanding as at June 30, 2007 aggregated to Nill (2006: Rs. 20.634 million).

18.8 Guarantees given by banks on behalf of the company to Sui Northern Gas Pipelines Limited outstanding as at June 30, 2007 aggregated to Rs. 277.265 million (2006: Rs. 277.265 million). The company has given counter guarantees to the aforesaid banks of an equivalent amount.

18.9 Corporate guarantees given by commercial banks on behalf of company in connection with issuance of PPTFC outstanding as at June 30, 2007 aggregated to Rs. 400 million (2006: Rs. 400 million). The Company has given counter guarantee to the aforesaid banks of an equivalent amount.

18.10 Guarantee given by a commercial bank on behalf of the Company to Sindh High Court outstanding as at June 30, 2007 aggregated Rs. 41.76 million. This facility is secured by way of security deposit of Rs. 15 million (Refer to Note 34.3) and personal guarantees of sponsoring directors.

18.11 Commitments in respect of capital expenditure were outstanding on account of:

	Note	2007	2006
		(Rupees in thousand)	
a) New dry process cement project		1,302,950	3,199,021
b) Dual fuel electric power generators	18.11.1	479,159	460,845
		1,782,109	3,659,866
Commitments in respect of non-capital expenditure		-	16,975

18.11.1 A commercial bank has opened 720 days LC amounting to € 5,985,000 (refer to note 20.4). This facility is secured by way of mortgage of fixed assets of the Company to the extent of Rs. 651 million and deposit of Rs. 200 million under lien with the bank (Refer to Note 34.2).

19. OPERATING FIXED ASSETS - TANGIBLE

Particulars	COST / REVALUATION				Rate %	DEPRECIATION				Written down Value as at 30-06-2007
	As at 01-07-2006	Additions during the year	Disposals during the year	As at 30-06-2007		Accumulated as at 01-07-2006	Charge for the year	Adjustment on disposals/ transfer	Accumulated as at 30-06-2007	
										(Rupees in thousand)
Owned assets										
Land - freehold										
Cost	42,872	9,720	-	52,592		-	-	-	-	52,592
Revaluation	529,623	-	-	529,623		-	-	-	-	529,623
	572,495	9,720	109,615	582,215		-	-	-	-	582,215
Buildings & foundations on freehold land										
Cost	194,033	-	-	194,033	5-10	111,481	8,004	-	119,486	74,547
Revaluation	268,688	-	-	268,688	5-10	148,124	10,949	-	159,073	109,615
	462,721	-	-	462,721		259,605	18,953	-	278,559	184,162
On leasehold land										
Cost	3,424	-	-	3,424	5-10	3,206	21	-	3,227	197
Revaluation	14,616	-	-	14,616	5-10	8,115	648	-	8,763	5,853
	18,040	-	-	18,040		11,321	669	-	11,990	6,050
Heavy Vehicles										
Cost	99,591	-	-	99,591	20	94,934	466	-	95,400	4,191
Revaluation	62,790	-	-	62,790	20	32,952	2,984	-	35,936	26,854
	162,381	-	-	162,381		127,886	3,450	-	131,336	31,045
Plant and machinery										
Cost	972,673	-	108,000	1,080,673	5	510,286	32,033	16,200	558,519	522,154
Revaluation	1,000,136	-	-	1,000,136	5	270,115	37,654	-	307,769	692,367
	1,972,809	-	108,000	2,080,809		780,401	69,687	16,200	866,288	1,214,521
Railway sidings										
Cost	889	-	-	889	7	858	31	-	889	-
Revaluation	8,450	-	-	8,450	7	4,731	260	-	4,991	3,459
	9,339	-	-	9,339		5,589	291	-	5,880	3,459
Roads	4,847	-	-	4,847	5	2,620	111	-	2,731	2,116
Loose tools	1,403	-	-	1,403	10	1,287	11	-	1,298	105
Furniture, fixtures and other office equipment	37,768	3,013	-	40,781	10	25,485	1,433	-	26,918	13,863
Transport assets	30,301	1,058	1,794	33,153	20	25,270	1,384	874	27,528	5,625
	3,272,104	13,791	109,794	3,395,689		1,239,465	95,989	17,074	1,352,528	2,043,161
Assets subject to finance lease:										
Plant and Machinery	494,271	-	(108,000)	386,271	5	19,419	19,314	(16,200)	22,533	363,738
Heavy Vehicles	4,495	-	-	4,495	20	1,618	575	-	2,193	2,302
Vehicles	13,948	-	(3,000)	10,948	20	3,344	1,813	(1,463)	3,694	7,254
	512,714	-	(111,000)	401,714		24,381	21,702	(17,663)	28,420	373,294
TOTAL 2007	3,784,818	13,791	(1,206)	3,797,403		1,263,845	117,691	(589)	1,380,948	2,416,455
TOTAL 2006	2,350,075	1,436,366	(1,623)	3,784,818		1,207,874	57,456	(1,485)	1,263,845	2,520,973

19.1 vehicles subject to finance lease include vehicles of Rs. 2.78 million (2006: Rs. 2.78 million) transacted benami in the name of four employees of the company.

19.2 During the year, a car was disposed off on being totally damaged in an accident. It's cost was Rs. 1.21 million and written down value was Rs. 0.62 million. An insurance claim of Rs. 0.9 million was received.

19.2.1 The process of reconstuction of the fixed asets register is initiated, the management intends to complete the assignment by June 2008.

19.3 A fresh revaluation of the Company's freehold land, building, railway siding, heavy vehicles and plant and machinery situated at its plant site, was made as at June 30, 2006 by an independent valuers M/S Hamid Mukhtar & Co. (Pvt) Ltd Lahore. The revaluation exercise was carried out on the basis of depreciated replacement cost except freehold land which was revalued on the basis of reassessed replacement cost. This fresh revaluation has produced incremental revaluation surplus of Rs. 902.69 million.

	Note	2007	2006
		(Rupees in thousand)	
19.4 Depreciation has been allocated as under			
Cost of sales	36	66,234	32,764
Cost of sales - fuel & power (electricity)		47,546	21,504
General and administrative expenses	37	2,352	1,998
Selling and distribution expenses	38	471	670
Capital work in progress - Dry cement plant		1,088	520
		117,691	57,456

19.5 The following assets have been transferred to owned assets on expiry of the lease term during the period mentioned there against. However, transfer of ownership of the assets in the company's name could not be effected till June 30, 2007:

19.6 The process of re-construction of the Fixed Asset Register is initiated, management intends to complete the assignment by out sourcing.

	Year of expiry of lease	Cost	Acc. Dep.	Carrying value
		(Rupees in thousand)		
Plant & machinery	June 30, 2001	20,633	12,182	8,451
Vehicle	June 30, 2004	1,206	588	618
Plant & machinery	June 30, 2004	20,900	10,248	10,652
Vehicles	June 30, 2005	2,641	1,289	1,352
Plant & machinery	June 30, 2005	183,988	80,777	103,211
Plant & machinery	June 30, 2007	108,000	16,200	91,800
Vehicles	June 30, 2007	1,794	875	919

20. CAPITAL WORK-IN-PROGRESS

	Note	2007	2006
		(Rupees in thousand)	
Civil works and buildings		1,663	1,663
Dry cement plant			
Civil works		1,035,859	219,244
Plant & machinery	20.1	2,842,970	125,155
Borrowing cost	20.2	219,349	16,787
Advances to suppliers- considered good		104,008	420,213
Other BMR/Expansion costs	20.3	120,625	12,599
		4,322,811	793,998
Dual fuel electric power generation plant			
Civil works		4,070	-
Plant & machinery	20.4	5,172	-
Borrowing cost		51,988	950
Advances to suppliers- considered good		51,937	51,937
Other BMR/Expansion costs	20.3	1,998	53
		115,165	52,940
		4,439,639	848,601

20.1 This includes plant and machinery in transit amounting to Rs. 13.91 million (2006: Rs. 101.44 million) and LCs in progress amounting to Rs. 3.1 million (2006: Rs. 12.7 million).

20.2 This includes interest amounting Rs. 37 million paid on short term finance obtained through a sponsoring director to meet the liquidity needs towards new project. It further includes Rs. 3 million paid to a past associated undertaking on long term loan (Refer note 7.7)

20.3 These represent management and other directly attributable capital expenditures incurred in connection with their respective heads.

20.4 This represents LC in process opened for the import of three dual fuel electric power generators from Wartsila Finland (note 18.11.1).

21. STORES HELD FOR CAPITAL EXPENDITURE

This includes an aggregate amount of Rs. 74.888 million (2006: Rs. 74.40 million) being the cost of filter press machinery acquired to convert the present manufacturing process from wet to semi dry and includes stores valuing Rs. 6 million (2006: Rs. 6 million) presently lying under the control of custom authorities at their bonded custom warehouse. Exchange loss of Rs. 0.225 million (2006: Rs. 0.423 million) has been capitalized in the cost of this machinery during the year.

22. LONG TERM INVESTMENTS	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
In associated company - at cost			
Dandot Cement Company Limited			
Equity held Nil (2006:15.73%)		-	161,524
Less: transfer to current assets	33	-	161,524
		-	-
In other companies - Investments at fair value through profit or loss			
Cost of acquisition		1,161	1,161
Less: Provision for diminution in value		219	198
Fair value		942	963
		942	963

23. LONG TERM LOANS AND	Note	2007	2006
Advances to staff - considered good			
Directors	23.1	360	360
Employees	23.2	2,149	8,575
		2,509	8,935
Less: Current portion shown under current assets	29	799	2,262
		1,710	6,673

Reconciliation of the carrying amount of loans to directors and executives

	2007		2006	
	Directors	Executives	Directors	Executives
	(Rupees in thousand)			
Opening balance	360	-	425	488
Disbursement	-	-	-	-
Repayments	-	-	(65)	(488)
Closing balance	360	-	360	-

23.1 These represent loans given for the purposes of house building and emergency loans. House building loans are secured against charge and lien on provident fund balances, lien on gratuity and personal/third party guarantees and is repayable in 120 equal monthly installments. Interest on house building loans is charged @ 5% p.a. Emergency loans are unsecured and interest free and are repayable in 20 equal monthly installments.

23.2 These represent loans given for the purposes of house building, purchase of motor cars / motor cycles, house repair loans and emergency loans. House building and vehicle loans are secured against charge and lien on provident fund balances, lien on gratuity and personal/third party guarantees and are repayable in 96 to 240 equal monthly installments. Interest on house building loans is charged @ 3% - 5% p.a. Emergency and house repair loans are unsecured and interest free and are repayable in 15 - 125 equal monthly installments.

23.3 Maximum aggregate balances due from the directors and executives during the year were Rs. 360 thousand and Nil (2006: directors Rs. 425 thousand and executives Rs. 488 thousands) respectively.

	Note	2007	2006
		(Rupees in thousand)	
24. LONG TERM DEPOSITS & PREPAYMENTS			
Security deposit - rented premises		88	513
Security deposits - trade		1,466	514
Other deposits		344	339
		1,898	1,366
25. DEFERRED COST			
Discount on issue of shares		100,000	100,000
Less: Amortized during the year	37	20,000	20,000
Amortized during previous year		45,808	25,808
		65,808	45,808
		34,192	54,192

25.1 During the year 2004, the company issued 20 million ordinary shares of Rs. 10 each at a discounted price of Rs. 5 each which resulted into a discount of Rs. 100 million.

	Note	2007	2006
26. STORES, SPARES AND LOOSE TOOLS			
Stores	26.1	114,570	145,873
Spares		61,085	62,980
Loose tools		663	652
		176,318	209,505

26.1 Stores include stores-in-transit valuing Rs. 26.62 million (2006: 97.69 million).

	Note	2007	2006
27. STOCK-IN-TRADE			
Raw materials	36.1	11,701	3,866
Work-in-process	36	30,967	102,991
Finished goods	36	34,652	26,180
Packing materials		433	2,686
		77,753	135,723
28. TRADE DEBTORS - unsecured			
Considered doubtful		442	442
Less: Provision for doubtful debts		442	442
		-	-

	Note	2007	2006
		(Rupees in thousand)	
29. LOANS AND ADVANCES - unsecured,considered good			
Advances to staff			
Advances for expenses		3,220	4,836
Advances against salary		918	1,073
Advances for wheat purchase		1,165	3,792
Other advances		874	245
		6,177	9,946
Advances to suppliers	29.2	187,515	89,096
Current portion of long term loans and advances to staff	23	799	2,262
		194,491	101,304

29.1 Advances for expenses include an amount of Rs.272 thousand (2006: Rs. 242 thousand) due from directors, whereas advance against salary and advance for wheat purchase include Nil (2006: Rs. 57 thousand) and Nil (2006: Rs. 10 thousand) respectively due from executives.

29.2 Advances to suppliers include an amount of Rs.15 million paid as advance to an associated company M/S Baluchistan Glass Limited against supply of specified glasses and other table wares.

	Note	2007	2006
30. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Guarantee margin deposits		19,726	19,726
Prepaid guarantee commission		886	2,836
Prepaid rent		2,746	2,025
Other prepayments		1,028	549
		24,386	25,136
31. ACCRUED INTEREST			
On:			
- Bank deposits		35	1,981
- Employees' loan		564	2,055
		599	4,036
32. OTHER RECEIVABLES			
Sales tax input claimable	32.1	25,567	-
Advisory fee receivable	32.2	4,219	-
Insurance receivable		350	-
Prepaid rent receivable		510	-
Security for rented premises receivable		425	-
Others		383	471
		31,454	471

32.1 This represents sales tax input to be claimed as and when respective sales tax invoices are available and within one year from the date of respective sales tax invoices U/S 7 of the Sales Tax Act, 1990.

32.2 This fee was paid to Orix Investment Bank Limited for advisory and arrangement of the proposed TFCs issue of Rs. 1.548 billion. However, the said transaction is not executed, therefore, this fee shall be refunded to the Company. Subsequent to the balance sheet date this fee is adjusted against the lease rentals payable to Orix.

33. During the year, the Company sold 10,673,251 shares of M/S Dandot Cement Company (DCCL) having carrying value of Rs. 161.524 million to M/S Three Stars Cement (Pvt.) Ltd. at an aggregate gain of Rs. 132.434 million. In this way the Company has disinvested the whole investment in its associated company DCCL in order to meet its short term liquidity needs towards the new dry process cement plant.

34. CASH AND BANK BALANCES

	Note	2007	2006
		(Rupees in thousand)	
With banks			
- on current accounts		10,525	28,591
- on escrow account		312	-
- on special account	34.1	1,369	1,341
- on deposit account	34.2	200,000	40,000
- on saving accounts	34.3	34,999	73,163
- on dividend account		879	-
		248,084	143,095
Cash in hand	34.4	502,848	13,867
		750,932	156,962

34.1 This represent the amount kept under a saving account received from customers as security deposit. (Refer to Note 10).

34.2 This represent the Fixed Deposit made with a bank having short term maturity of six months. This is withheld by a commercial bank under lien in connection with a facility for opening of letter of credit (Refer to Note 18.11.1). Subsequent to balance sheet date, this deposit has been pre-matured. Fixed deposit of Rs. 40 million has been matured during the year and utilized to settle the running finance facility in full (Refer to Note 15.6).

34.3 These include 15 million (2006: Rs. 42 million) withheld by banks under lien in connection with a letter of guarantee given by a commercial bank on behalf of the Company (Refer to Note 18.10). Saving accounts with banks carry interest ranging from 4% to 8% p.a.

34.4 Cash in hand includes cheques in hand amounting to Rs. 502.75 million (2006: 13.7 million) which were duly deposited and cleared in Company's bank accounts subsequent to the balance sheet date.

35. SALES - net

	2007	2006
Cement sales	771,759	2,209,038
Less: Sales tax	100,664	288,136
Excise duty	141,872	316,078
Discount/Rebate to dealers	7,507	16,385
	250,043	620,599
	521,716	1,588,439

	Note	2007	2006
		(Rupees in thousand)	
36. COST OF SALES			
Raw materials consumed	36.1	80,741	134,501
Packing materials consumed		37,699	77,404
Stores and spares consumed		12,734	56,889
Salaries, wages and benefits		87,084	83,385
Fuel, and power consumed			
Electricity consumed		102,799	267,837
Coal consumed		126,490	294,429
Sui gas - Kiln		137,677	427,484
		366,966	989,750
Rent, rates and taxes		1,402	3,669
Repair and maintenance		34,762	39,067
Insurance		1,938	2,327
Vehicle running & traveling		2,340	2,408
Other expenses		1,400	1,565
Depreciation	19.5	66,234	32,764
		693,300	1,423,729
Adjustment of work-in-process inventory			
Opening		102,991	13,595
Closing	27	(30,967)	(102,991)
		72,024	(89,396)
Cost of goods manufactured		765,324	1,334,333
Adjustment of finished goods inventory			
Opening		26,180	5,490
Closing	27	(34,652)	(26,180)
		(8,472)	(20,690)
		756,852	1,313,643
Cement consumed in CWIP - new cement plant		(46,704)	-
		710,148	1,313,643
36.1 Raw materials consumed			
Opening stock as at July 01		3,866	2,422
Cost of raw materials:			
- Outside purchases and transportation cost		22,690	34,447
- Explosives		1,816	2,688
- Royalty		3,488	9,063
- Excise duty		723	2,822
		28,717	49,020
Salaries, wages and benefits		44,861	45,858
Repair and maintenance		7,630	23,407
Stores and spares		4,245	14,166
Insurance		830	1,045
Vehicle running & traveling		1,435	1,484
Other overheads		858	965
		92,442	138,367
Closing stock as at June 30	27	(11,701)	(3,866)
		80,741	134,501

	Note	2007	2006
		(Rupees in thousand)	

37. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2007	2006
Salaries, wages and benefits		18,507	21,175
Vehicles' running and maintenance		1,119	1,502
Traveling and conveyance		1,027	2,264
Legal and professional charges		1,878	3,215
Auditors' remuneration	37.1	657	466
Postage, telegram and telephone		484	1,060
Printing and stationery		330	706
Insurance		277	287
Rent, rates and taxes		2,715	2,994
Fee and subscription		936	3,864
Entertainment		345	503
Utilities		448	963
Advertisement		288	312
Repair and maintenance		479	1,298
Discount on issue of shares amortized	25	20,000	20,000
Miscellaneous		115	48
Depreciation	19.4	2,352	1,998
		51,957	62,655

37.1 Auditor's remuneration

	2007	2006
Viqar A. Khan		
- Audit fee	250	125
- Half year review fee	63	63
- Corporate consultancy	50	120
- Certification and others	140	90
- Out-of-pocket expenses	35	29
	538	427
Rahman Sarfraz & Co.		
- Cost audit fee	35	35
- Out-of-pocket expenses	4	4
	39	39
Aftab Nabi & Co.		
- Internal audit fee	80	-
	657	466

38. SELLING AND DISTRIBUTION EXPENSES

	Note	2007	2006
Salaries, wages and benefits		911	1,854
Vehicles' running and maintenance		559	751
Postage, telegram and telephone		254	277
Electricity		170	453
Advertisement & sale promotion		80	571
Insurance		160	153
Miscellaneous	38.1	770	1,730
Depreciation	19.4	471	670
		3,375	6,459

38.1 Expense for the year includes Rs. 0.45 million (2006: 1.2 million) being marking fee paid to Pakistan Standards and Quality Control Authority.

	Note	2007	2006
		(Rupees in thousand)	
39. OTHER OPERATING EXPENSES			
Donations (without directors' interest)		121	1,111
Exchange fluctuation loss on translation of foreign currency long term loans - net		10,264	1,787
Provision for diminution in value of investments		20	-
Zakat		20	14
Contribution towards WPPF		-	8,702
		10,425	11,614
40. OTHER OPERATING INCOME			
Profit / mark-up on:			
Bank deposits		7,624	16,762
Available for sale investment - short term		-	2,170
Employee's loans		172	256
Temporary advances to past associated company		2,388	583
		10,184	19,771
Provision for diminution in value of investments - written-back		-	655
Dividend		-	5,715
Unclaimed balances written-back		2,080	531
Profit on disposal of fixed assets		282	162
Scrap sales		2,842	5,808
Gain on sale of store		16,107	-
Others		654	237
		32,149	32,879
41. FINANCE COSTS			
Interest / mark-up on:			
Redeemable capital		27,953	-
Long term loans and finances		13,532	11,602
Long term foreign currency loans		6,092	5,000
Short term finances		19,724	2,133
Employees' provident fund		1,750	1,750
Workers' (profit) participation fund		-	462
Lease finance charges		33,721	9,215
Advisory fee and other charges	41.1	2,297	8,015
Commission on bank guarantees		6,040	3,334
Bank charges and others		1,359	1,782
		112,468	43,293

41.1 This represents expenses incurred in connection with redeemable capital and include Rs. 1.6 million paid to the advisors and arrangers for issuance of redeemable capital.

42. During the year, the Company has paid bonus amounting to Rs. 11.252 to its workers for the years ended June 30, 2004 and June 30, 2005. Opening balance of accumulated loss is adjusted in accordance with IAS-8.

43. The Company in its annual general meeting held on October 28, 2006, approved 5% cash dividend (Re. 0.50 per share) amounting to Rs. 13.878 million to the minority shareholders of the Company (excluding sponsoring directors, their spouses and their local and foreign associates) out of the profit earned during the year ended June 30, 2006 in order to comply with the Listing Regulations of Karachi Stock Exchange. Income tax withheld on dividend amounting to Rs. 1.1 million has been deposited into government treasury.

During the year, the dividend has been paid in full, however, subsequent to the time frame prescribed by Section 251of the Companies Ordinance, 1984 because of liquidity pressure towards the new dry process cement project.

44. EARNINGS/(LOSS) PER SHARE

		2007	Restated 2006
		(Rupees in thousand)	
Basic earnings / (loss) per share			
Profit / (loss) for the year attributable to ordinary shareholders	Rupees in thousand	(222,916)	279,030
Weighted average number of ordinary shares outstanding during the year	Numbers	171,876,417	153,013,403
Earnings / (loss) per share	Rupees	(1.30)	1.82

Diluted earnings per share
There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

45. CASH GENERATED FROM OPERATIONS

	Note	2007	2006
		(Rupees in thousand)	
Net profit / (loss) before taxation		(202,074)	170,243
Adjustments for non cash charges and others:			
Depreciation on operating fixed assets		117,691	57,456
Profit on sale of fixed assets		(282)	(162)
Profit / Interest income for the year		(10,184)	(19,771)
Provision for compensated absences		922	1,741
(Reversal) / provision for diminution in value of investments		20	(655)
Provision for gratuity		14,392	5,260
Financial charges		112,468	43,293
Loss due to exchange fluctuation		10,264	1,787
Income from debt extinguishment		-	(5,366)
Dividend income		-	(5,715)
Taxes and duties		146,083	327,963
Amortization of discount on issue of shares		20,000	20,000
Loss / (Gain) on sale of investments in associated		(132,434)	2,282
		278,940	428,113
		76,866	598,356
working capital changes	45.1	191,790	(117,366)
		268,656	480,990

45.1 Working capital changes

	2007	2006
(Increase) / decrease in current assets		
Stores, spares and loose tools	33,187	(77,820)
Stock in trade	57,970	(111,526)
Loans and advances	(94,650)	(13,517)
Trade deposits and short term prepayments	750	(11,983)
Other receivables	(30,983)	33,209
	(33,726)	(181,637)
Increase / (decrease) in current liabilities		
Trade and other payables	225,516	64,271
	191,790	(117,366)

	Note	2007	2006
		(Rupees in thousand)	

46. CASH AND CASH EQUIVALENTS

	Note	2007	2006
Cash and bank balances	34	750,932	156,962
Temporary bank overdrafts		-	-
		750,932	156,962

47. FINANCIAL INSTRUMENTS

47.1 Interest rate risk

The Company's exposure to interest rate risk on its financial assets and liabilities as at the balance sheet date, are summarized as under:

	Interest /mark-up bearing			Non-interest /mark-up bearing			Total 2007	Total 2006
	Maturity upto one year	Maturity after one year and upto five years	Sub Total	Maturity upto one year	Maturity after one year and upto five years	Sub Total		
	(Rupees in thousand)							
Financial assets								
Investments	-	-	-	-	942	942	942	162,487
Loans and advances to staff	717	1,711	2,428	6,259	-	6,259	8,687	18,881
Long term deposits and prepayments	-	-	-	-	1,898	1,898	1,898	1,366
Loans and advances	-	-	-	-	-	-	-	-
Trade deposits and short term prepayments	-	-	-	19,726	-	19,726	19,726	19,726
Accrued interest	-	-	-	599	-	599	599	4,036
Other receivables	-	-	-	5,504	-	5,504	5,504	471
Cash and bank balances	236,368	-	236,368	514,564	-	514,564	750,932	156,962
	237,085	1,711	238,796	546,652	2,840	549,492	788,288	363,929
Financial liabilities								
On balance sheet								
Long term loans, finances and other payables	37,204	1,577,453	1,614,657	-	2,017,490	2,017,490	3,632,147	115,997
Long term foreign currency loans and other payables	-	101,449	101,449	-	86,648	86,648	188,097	178,578
Liabilities against assets subject to finance lease	62,121	234,514	296,635	-	-	-	296,635	230,285
Long term deposits from customers	-	-	-	-	1,225	1,225	1,225	1,310
Short term loans & finances	298,540	-	298,540	-	-	-	298,540	218,117
Trade and other payables	-	-	-	526,163	-	526,163	526,163	299,701
Accrued interest	-	-	-	123,834	-	123,834	123,834	14,886
	397,865	1,913,416	2,311,281	649,997	2,105,363	2,755,360	5,066,641	1,058,874
Off balance sheet								
Guarantees	-	-	-	441,760	235,505	677,265	677,265	1,076,919
Commitments (Refer note 18.11)	-	-	-	1,302,950	479,159	1,782,109	1,782,109	3,676,841
	-	-	-	1,744,710	714,664	2,459,374	2,459,374	4,753,760
	397,865	1,913,416	2,311,281	2,394,707	2,820,027	5,214,734	7,526,015	5,812,634

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

47.2 Foreign exchange risk management:

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risk are not covered through any forward foreign exchange contracts or through hedging.

47.3 Concentration of credit risk:

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties completely failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risks. However, to manage any possible exposure to credit risk, the company applies approved credit limits to its customers and also obtains collaterals.

47.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

48. REMUNERATION OF CHIEF EXECUTIVE,DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Dirctors		Executives	
	2007	2006	2007	2006	2007	2006
			(Rupees in thousand)			
Managerial Remuneration	705	780	1,676	2,125	4,888	5,125
Perquisites and benefits						
House rent	351	351	890	1,324	1,116	1,371
Personal staff salary	-	96	154	212	166	281
Entertainment	-	195	334	450	78	805
Utilities and others	75	78	455	590	2,203	187
	426	720	1,833	2,576	3,563	2,644
Contribution to:						
Gratuity Fund Trust	-	-	-	109	-	777
Provident Fund Trust	-	-	112	52	78	245
	1,131	1,500	3,621	4,862	8,529	8,791
Number of persons	1	1	3	4	8	11

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

49. TRANSACTIONS WITH RELATED PARTIES

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

	2007	2006
	(Rupees in thousand)	
Dandot Cement Company Limited a past associated company		
Sale of stores (including sales tax)	134,274	59,756
Purchase of stores (including sales tax)	18,996	346
Interest charged	2,388	583
Dividend received	-	5,715
Expenses incurred	4,000	8,043
Expenses paid by DCCL	-	1,314

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 48.

50. NUMBER OF EMPLOYEES

	2007 Nos.	2006 Nos.
Number of permanent employees at balance sheet date	271	642

51. CAPACITY AND PRODUCTION - TONNES

	Clinker		Cement	
	2007	2006	2007	2006
Plant capacity	540,000	540,000	568,420	568,420
Actual production	155,190	436,335	202,225	428,300

Decline in production is due to shut down of production in second half of the financial year. Due to reduction in retention price of cement, it would not be feasible to operate expensive wet process cement plant and all three kiln remained shut down for four months while one of them remained shut down for eight months during the year.

52. GENERAL

These financal statements have been authorized for issue by the Board of Directors of the Company in its meeting concluded on October 09, 2007.

53. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for he purpose of comparison. Following material rearrangement and reclassification are made in these financial statements: -

a) Sales tax payable and income tax deducted at source payable are grouped in 'TAXES AND DUTIES' instead of 'TRADE PAYABLE AND OTHERS'.

b) In 'COST OF SALES' following expenses are clubbed to determine the cost of electricity: -

- Salaries, wages and benefits	5,747
- Rent, rates and taxes	1,622
- Repair and maintenance	1,666
- Depreciation	21,503

c) Establishment charges being various benefits to employees are clubbed into salaries, wages and benefits.

Following restatements are made in the corresponding figures: -

a) Obligation for bonus for prior year is recognized in 'TRADE PAYABLE AND OTHERS' in accordance with IAS-8 (note 42).

b) Deferred tax liability is recognized in accordance with IAS-8 (note 11). Following restatements are made in the corresponding figures: -

- In balance sheet, deferred tax liability of Rs. 143.532 million is recognized.
- In profit and loss account, deferred tax gain of Rs. 111.877 million is recognized.
- EPS increases from Rs. 1.09 to Rs. 1.82.
- In statement of changes in equity, deferred tax attributable to incremental revaluation surplus nullifies the transfer of deferred tax attributable to incremental revaluation surplus from 'Surplus on revaluation of fixed asset' amounting to Rs. 255.409 million.

(M. TOUSIF PERACHA)
Chief Executive

(A. SHOEB PIRACHA)
Director

Form of Proxy

The Secretary
Gharibwal Cement Limited
34 - Main Gulberg,
LAHORE.

I/We ______________________ of ______________________ being a member of

Gharibwal Cement Limited, and holder of __________ Ordinary Shares as per Shares Register

Folio No. ______________ hereby appoint Mr./Mrs./Ms. ______________________

of ____

Folio No. ______________ who is also a member of Gharibwal Cement Limited as my/our proxy to attend and vote for and on my / our behalf at the 46th Annual General Meeting of the Company to be held on Wednesday, October 31, 2007 at 11.00 a.m.at the registered office of the Company (34-Main Gulberg, Lahore) and at any adjournment threof.

As witnessed given under my / our hand (s) ______________ day of October, 2007.

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.