

## **Pioneer Cement Account 2006**

## Auditors' Report to the Members

We have audited the annexed balance sheet of Pioneer Cement Limited as at June 30, 2006 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 account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended;
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI:  
September 29, 2006

  
CHARTERED ACCOUNTANTS

# Balance Sheet

as at June 30, 2006

	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	7,683,391	6,381,731
Long term loans	6	5,064	6,718
Long term deposits	7	98,809	36,783
		<u>7,787,264</u>	<u>6,425,232</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	8	375,858	287,119
Stock-in-trade	9	96,757	56,825
Assets held for disposal	10	32,847	-
Trade debts - unsecured, considered good		12,490	18,944
Loans and advances	11	13,670	61,652
Deposits and prepayments	12	1,550	1,835
Other receivables	13	1,756	6,533
Taxation - net		10,899	12,246
Cash and bank balances	14	71,905	17,529
		<u>617,732</u>	<u>462,683</u>
<b>TOTAL ASSETS</b>		<u><b>8,404,996</b></u>	<u><b>6,887,915</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital	15	2,500,000	2,500,000
Issued, subscribed and paid-up capital	16	1,624,839	1,547,466
Reserves		697,224	73,643
		<u>2,322,063</u>	<u>1,621,109</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	17	604,342	629,314
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	18	430,663	171,403
Liabilities against assets subject to finance lease	19	454,070	274,644
Long term musharika finance	20	50,000	50,000
Long term deposits	21	5,627	6,647
Long term creditor	22	29,008	-
Deferred liabilities	23	862,867	975,490
Deferred tax liability	24	435,989	196,618
Long term loans	25	1,812,063	1,973,151
		<u>4,080,287</u>	<u>3,647,953</u>
<b>CURRENT LIABILITIES</b>			
Creditors against expansion project	26	298,260	488,772
Trade and other payables	27	368,446	289,668
Interest / mark up accrued		42,463	54,993
Short term borrowings	28	-	20,000
Current portion of long-term financing	18	40,740	19,600
Current portion of long term loans	25	354,170	63,695
Current portion of liabilities against assets subject to finance lease	19	133,585	13,114
Current portion of deferred liabilities	23	130,390	20,967
Sales tax payable		30,250	18,730
		<u>1,100,044</u>	<u>500,767</u>
		<u>1,398,304</u>	<u>989,539</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	29	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,404,996</b></u>	<u><b>6,887,915</b></u>

The accounting policies and explanatory notes from 1 to 51 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

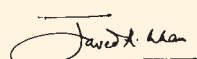
  
CHAIRMAN

# Profit and Loss Account

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>Gross turnover</b>	30	<b>4,153,574</b>	2,800,130
Excise duty		537,546	415,096
Sales tax		489,764	318,649
Commission		22,694	21,258
Freight and handling charges		27,648	35,697
		<u>1,077,652</u>	<u>790,700</u>
<b>Net turnover</b>		<b>3,075,922</b>	2,009,430
Cost of sales	31	1,845,284	1,372,012
<b>Gross profit</b>		<b>1,230,638</b>	637,418
Distribution costs	32	39,220	32,662
Administrative expenses	33	73,999	65,333
		113,219	97,995
Other operating income - net	34	(71,163)	(27,193)
		<u>1,188,582</u>	<u>566,616</u>
Finance costs	35	196,949	120,745
Other operating expenses	36	58,562	51,952
		<u>255,511</u>	<u>172,697</u>
<b>Profit before taxation</b>		<b>933,071</b>	393,919
Taxation	37	257,089	61,830
<b>Profit after taxation</b>		<b>675,982</b>	332,089
		(Rupees)	(Rupees) Restated
<b>Basic and diluted earnings per share</b>	38	<b>4.16</b>	2.33

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# Cash Flow Statement

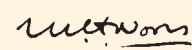
for the year ended June 30, 2006

Note	2006	2005
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	933,071	393,919
Adjustments for non cash and other items:		
Depreciation	277,435	233,339
Realized / (un realized) (gain)/loss on fair value of derivative	(30,716)	30,716
Realized gain on settlement of derivative	(38,250)	-
Provision for gratuity and compensated absences	20,385	17,326
Finance cost	196,949	120,745
Loss / (profit) on disposal of fixed assets	(480)	308
Workers' Profit Participation Fund	49,109	20,732
Exchange loss	7,119	-
	<u>481,551</u>	<u>423,166</u>
	<u>1,414,622</u>	<u>817,085</u>
<b>Cash flow before working capital changes</b>		
<b>Movement in working capital</b>		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(109,718)	(32,239)
Stock-in-trade	(39,932)	(6,016)
Trade debts	6,454	5,768
Loans and advances	47,982	(55,661)
Deposits and prepayments	285	846
Other receivables	4,777	(1,174)
	<u>(90,152)</u>	<u>(88,476)</u>
(Decrease)/increase in current liabilities:		
Creditors against expansion project	(200,880)	488,772
Trade and other payables	66,731	(286,904)
Sales tax payable	7,988	14,475
	<u>(126,161)</u>	<u>216,343</u>
	<u>(216,313)</u>	<u>127,867</u>
<b>Cash generated from operations</b>	<u>1,198,309</u>	<u>944,952</u>
Finance cost paid	(210,680)	(155,474)
Workers' Profit Participation Fund paid	(22,433)	(13,327)
Income tax paid	(12,839)	(10,312)
Gratuity and compensated absences paid	(8,840)	(4,396)
Dividend paid	(30)	(81)
	<u>(254,822)</u>	<u>(183,590)</u>
Decrease in long term loans	1,654	(817)
Decrease in long term deposits - net	(63,046)	(8,801)
<b>Net cash inflow from operating activities</b>	<u>882,095</u>	<u>751,744</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(1,574,195)	(1,523,400)
Proceeds from sale of fixed assets	636	3,600
<b>Net cash used in investing activities</b>	<u>(1,573,559)</u>	<u>(1,519,800)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans	165,943	(71,005)
Long term finance	300,000	50,000
Proceeds from right share issue	-	477,186
Liabilities against assets subject to finance lease - net of repayments	299,897	272,033
Short term borrowings	(20,000)	20,000
<b>Net cash inflow from financing activities</b>	<u>745,840</u>	<u>748,214</u>
<b>Net increase / (decrease) in cash and bank balances</b>	<u>54,376</u>	<u>(19,842)</u>
<b>Cash and bank balances at the beginning of the year</b>	<u>17,529</u>	<u>37,371</u>
<b>Cash and bank balances at the end of the year</b>	<u>71,905</u>	<u>17,529</u>

14

The accounting policies and explanatory notes from 1 to 51 form an integral part of these financial statements.

  
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CHAIRMAN

# Statement of Changes in Equity

for the year ended June 30, 2006

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue reserve Accumulated (loss)/profit	Total reserves	Total equity
	(Rupees in '000')				
<b>Balance as at June 30, 2004</b>	954,371	-	(409,128)	(409,128)	545,243
Issue of right shares	477,186	-	-	-	477,186
Issue of shares against outstanding loan liability	115,909	150,682	-	150,682	266,591
Profit for the year after taxation	-	-	332,089	332,089	332,089
<b>Balance as at June 30, 2005</b>	<b>1,547,466</b>	<b>150,682</b>	<b>(77,039)</b>	<b>73,643</b>	<b>1,621,109</b>
Issue of bonus shares @ 20:1	77,373	(77,373)	-	(77,373)	-
Profit for the year after taxation	-	-	675,982	675,982	675,982
Surplus on revaluation of fixed assets realized through incremental depreciation charged on related assets for the period - net of tax	-	-	24,972	24,972	24,972
<b>Balance as at June 30, 2006</b>	<b>1,624,839</b>	<b>73,309</b>	<b>623,915</b>	<b>697,224</b>	<b>2,322,063</b>

The accounting policies and explanatory notes from 1 to 51 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
CHAIRMAN

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated in Pakistan as a public company limited by shares on February 09, 1986. Its shares are quoted on all stock exchanges in Pakistan. The registered office of the Company is situated at 1st Floor, Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. The principal activity of the Company is manufacturing and sale of cement.
- 1.2 The Company commenced its operation with an installed capacity of 2000 tons per day clinker. During the financial year ended June 30, 2005, the capacity was optimized to 2350 tons per day. During the year, another production line of 4300 tons per day clinker capacity was completed and started commercial operations from April 2006.

## 2. STATEMENT OF COMPLIANCE

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

## 3. ACCOUNTING CONVENTION

These financial statements have been prepared under the 'historical cost' convention, except for revaluation of certain fixed assets, capitalization of borrowing cost and exchange differences and employees' benefits recognized at present value, determined by actuary.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Significant accounting judgments and estimates

Estimates and judgments are continually evaluated by the management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

#### Property, plant and equipment

Estimates with respect to residual values, depreciation method and depreciable lives are based on the recommendation of technical team of the Company and the technical consultants. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

#### Deferred taxation

Deferred tax calculation has been based on future profit projections and management's estimate of export and local sales ratio in future.

#### Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 4.8 to the financial statements for valuation of present value of defined benefit obligations.

### 4.2 Property, plant and equipment

#### Operating fixed assets

##### Owned

These are stated at cost or revalued amount less accumulated depreciation except freehold land which is stated at cost.

Depreciation is calculated at the rates specified in note 5.1 to the financial statements on straight line method except plant and machinery and coal firing system on which depreciation is charged on the basis of units of production method. The net exchange differences relating to an asset at the end of each year are amortised over its remaining useful life. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal. Assets residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

# Notes to the Financial Statements

for the year ended June 30, 2006

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets, if any, are included in the income currently.

## Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. Financial charges are calculated at the interest rate implicit in the lease and are charged to the profit and loss account. Depreciation is charged to income applying the same basis as for owned assets.

## Capital work in progress

These are stated at cost including capitalization of borrowing costs. It consists of expenditures incurred and advances made in respect of fixed assets in the course of their construction and installation.

### 4.3 Stores, spares and loose tools

These are valued at lower of moving average cost and net realizable value, except for furnace oil and coal, which are valued at average cost. Cost comprises invoice value and other direct costs but excludes borrowing costs. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make a sale.

### 4.4 Stock-in-trade

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

- |  |   |  |
|--|---|--|
| i) Raw and packing material            | - | at average cost comprising of quarrying/purchase price, transportation, government levies and other overheads. |
| ii) Work in process and finished goods | - | at average cost comprising direct cost of raw material, labour and other manufacturing overheads.              |

Net realizable value signifies estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

### 4.5 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. A provision for doubtful debts/ other receivables is based on the management's assessment of customers' outstandings and credit worthiness. The amount of the provision is recognised in the income. Trade debts and other receivables are written off when considered irrecoverable.

### 4.6 Cash and cash equivalents

These are defined as cash in hand and cash at bank which are stated at cost.

### 4.7 Long term and short term borrowings

These are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid. Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the instrument.

### 4.8 Employees' benefits

#### Defined benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee, subject to the completion of minimum qualifying period of service. Obligations under the scheme are provided annually.

Actuarial valuation of defined benefit scheme is conducted annually and the most recent actuarial valuation was carried out as of June 30, 2006. The valuation uses projected unit credit method and a discount rate of 9 (2005: 9) percent per annum. It assumes that salaries will increase by 8 (2005: 8) percent per annum.



The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Actuarial gains and losses are accounted for in accordance with the minimum recommended approach under IAS-19 "Employee Benefits".

#### **Defined contribution plan**

The Company also operates an approved contributory provident fund for all its permanent employees and equal monthly contributions are made both by the Company and the employees in accordance with the fund's rules.

#### **Compensated absences**

The Company accounts for compensated absences in the accounting period in which the absences are earned.

### **4.9 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

### **4.10 Provisions**

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

### **4.11 Taxation**

#### **Current**

Provision for current taxation is based on current rates of taxation, after taking into account tax credits and rebates available, if any, or on turnover at the specified rate, whichever is higher.

#### **Deferred**

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profits will be available against which these can be utilised. Further, the Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus. Deferred tax is not booked on the income or loss on export sales which are covered under final tax regime as per the Income Tax Ordinance, 2001.

### **4.12 Foreign currency transactions**

Transactions in foreign currencies are translated into rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees using exchange rates prevailing on the balance sheet date.

Exchange differences are accounted for as follows:

- i) Exchange differences on translation of foreign currency loans utilized for acquisition of fixed assets are added to or deducted from the carrying amounts of the respective assets in case of loans obtained prior to July 05, 2004 and are allowed to be capitalized upto September 30, 2007 in accordance with the Circular no. 1 of 2005 dated January 19, 2005 issued by the SECP; and
- ii) All other exchange differences are taken to the profit and loss account.

### **4.13 Financial instruments**

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

# Notes to the Financial Statements

for the year ended June 30, 2006

## 4.14 Derivative financial instruments

These are recognized in the balance sheet at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

Any gains or losses arising from change in fair value of derivative that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

## 4.15 Offsetting of financial assets and financial liabilities

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

## 4.16 Revenue recognition

Revenue from sale is recognized on dispatch of goods to customers. Return on bank deposits is recognized on time proportion basis.

## 4.17 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalized upto the commencement of commercial production of the respective assets. All other borrowing costs are charged to income as and when incurred.

## 4.18 Impairment

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

## 4.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

## 4.20 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices of these transactions are determined on the basis of admissible valuation methods.

	Note	2006 (Rupees in '000)	2005
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	7,075,726	4,398,164
Capital work in progress	5.2	607,665	1,983,567
		<u>7,683,391</u>	<u>6,381,731</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

## 5.1 OPERATING FIXED ASSETS

2006

Description	Note	COST/REVALUATION			DEPRECIATION			Written down value as at June 30, 2006			
		As at July 1, 2005	Additions	Disposals/Transfers *	As at June 30, 2006	Rate %	As at July 1, 2005		Disposals/Transfers *	For the year	As at June 30, 2006
		(Rupees in '000)			(Rupees in '000)						
<b>Owned</b>											
Freehold land		31,411	-	-	31,411	-	-	-	-	-	31,411
Factory building on freehold land		682,887	374,307	-	1,057,194	5	352,809	-	38,823	391,632	665,562
Office building		14,182	-	-	14,182	10	14,180	-	-	14,180	2
Roads and Quarry Development		-	56,008	-	56,008	20	-	-	2,800	2,800	53,208
Plant and machinery line I	5.1.1	5,007,850	504	34,322 *	4,974,032	Units of production method based on 25 years life	1,194,326	4,546 *	205,340	1,395,118	3,578,914
Plant and machinery line II		-	1,879,300	-	1,879,300	Units of production method based on 20 years life	-	-	3,701	3,701	1,875,599
Coal firing system		217,557	46,532	-	264,089	Units of production method based on 15 years life	30,057	-	1,6311	46,368	217,721
Furniture and fixture		18,539	2,340	52	20,827	10	16,386	20	417	16,783	4,044
Office equipment		9,102	1,101	167	10,036	10	8,190	110	339	8,419	1,617
Computers and accessories		13,931	3,418	125	17,224	33	11,748	123	1,562	13,188	4,036
Vehicles		32,761	7,014	695	39,080	20	14,715	630	5,991	20,077	19,003
		6,028,220	2,370,524	35,361	8,363,383		1,642,411	5,429	275,284	1,912,266	6,451,117
<b>Leased</b>											
Plant and machinery line I		13,000	-	-	13,000	Units of production method based on 25 years life	645	-	512	1,157	11,843
Coal Firing system		-	73,000	-	73,000	Units of production method based on 15 years life	-	-	1,066	1,066	71,934
Plant and machinery line II		-	541,405	-	541,405	Units of production method based on 20 years life	-	-	573	573	540,832
		13,000	614,405	-	627,405		645	-	2,151	2,796	624,609
<b>Total</b>		<b>6,041,220</b>	<b>2,984,929</b>	<b>34,322 *</b>	<b>8,990,788</b>		<b>1,643,056</b>	<b>4,546 *</b>	<b>277,435</b>	<b>1,915,062</b>	<b>7,075,726</b>
			<b>1,039</b>					<b>883</b>			

# Notes to the Financial Statements

for the year ended June 30, 2006

2005	Description	Note	COST/REVALUATION			DEPRECIATION			Written down value as at June 30, 2005	
			As at July 1, 2004	Additions/(disposals)/transfers *	Revaluation	As at June 30, 2005	As at July 1, 2004	Disposals/Transfers*		For the year
			(Rupees in '000)			(Rupees in '000)				
	<b>Owned</b>									
	Land - freehold		31,411	-	-	31,411	-	-	-	31,411
	Factory building on freehold land		682,195	692	-	682,887	5	34,122	352,809	330,078
	Office building		14,182	-	-	14,182	10	479	14,180	2
	Plant and machinery	5.1.1, 5.1.2	3,978,328	70,316	959,206	5,007,850	Units of production method based on 25 years life	1,017,074	1,194,326	3,813,524
	Coal firing system		195,985	2,602 10,000*	8,970	217,557	Units of production method based on 15 years life	14,841	13,979	30,057
	Furniture and fixture		17,550	1,049 (60)	-	18,539	10	15,379	(21)	1,028
	Office equipment		8,864	303 (65)	-	9,102	10	7,590	(40)	640
	Computers and accessories		12,120	1,836 (25)	-	13,931	33	10,962	(25)	811
	Vehicles		21,599	17,749 (6,587)	-	32,761	20	13,430	(2,743)	4,028
			4,962,234	94,547 (6,737) 10,000*	968,176	6,028,220		1,411,664	(2,829) 1,237*	232,339
										1,642,411
										4,385,809
	<b>Leased</b>									
	Plant and machinery		13,000	-	-	13,000	Units of production method based on 25 years life	105	-	540
	Coal firing system		10,000	(10,000)*	-	-	Units of production method based on 15 years life	777	(1,237)*	460
			23,000	(10,000)*	-	13,000		882	(1,237)	1,000
			4,985,234	84,547 (6,737)	968,176	6,041,220		1,412,546	(2,829)	233,339
	Total									645
										1,643,056
										4,398,164

# Notes to the Financial Statements

for the year ended June 30, 2006

5.1.1 Additions to plant and machinery are net off exchange gain amounting to Rs. 17.905 million (2005: Rs. 12.212 million - loss) arising on foreign currency loans.

5.1.2 Depreciation for the year has been allocated as follows :

	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
Cost of sales	31	269,459	229,080
Distribution cost	32	1,439	1,311
Administrative expenses	33	3,737	2,948
Raw material consumed	31.1	2,800	-
		<u>277,435</u>	<u>233,339</u>

5.1.3 The following fixed assets were disposed off during the year.

Particulars	Cost	Accumulated depreciation	Book value (Rupees in '000)	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of buyers
<b>Furniture and fixture</b>							
Refrigerator	26	14	12	15	3	Company policy	Mr. Rana Sakhawat Ali, ex-employee
Split Air Conditioner	20	5	15	15	-	Company policy	Mr. Muhammad Waris, ex-employee
Microwave oven	5	1	4	4	-	Company policy	Mr. Muhammad Waris, ex-employee
	51	20	31	34	3		
<b>Office equipment</b>							
Photo copier	167	110	57	19	(38)	Negotiation / trade in	Shirazi Trading Company (Pvt.) Limited
<b>Computers and accessories</b>							
Computer	50	50	-	-	-	Company policy	Mr. Rana Sakhawat Ali, ex-employee
Computer	50	50	-	-	-	Company policy	Mr. Muhammad Waris, ex-employee
Computer	26	23	3	3	-	Company policy	Mr. Yar Muhammad Khan, ex-employee
	126	123	3	3	-		
<b>Vehicles</b>							
Suzuki Khyber	235	208	27	80	53	Company policy	Mr. Haris Faridi, ex-employee
Toyota Corolla	460	422	38	500	462	Insurance Claim	EFU General Insurance Company Limited
	695	630	65	580	515		
Total	1,039	883	156	636	480		

5.1.4 Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been as follows:

	2006 (Rupees in '000)	2005 (Rupees in '000)
Plant and machinery	2,657,451	2,854,318
Cool firing system	209,409	178,530
	<u>2,866,860</u>	<u>3,032,848</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

## 5.2 CAPITAL WORK-IN-PROGRESS

	Note	Opening balance	Additions	Transferred to operating fixed assets	Closing balance
(Rupees in '000)					
<b>Plant expansion</b>					
Plant and machinery	5.2.1				
- owned		1,208,207	902,213	(1,586,865)	523,555
- leased		279,505	261,900	(541,405)	-
		<u>1,487,712</u>	<u>1,164,113</u>	<u>(2,128,270)</u>	<u>523,555</u>
Advance to suppliers		8,581	-	(8,581)	-
Engineering and designing fee		134,418	-	(134,418)	-
Unallocated capital expenditure	5.2.2	60,673	88,763	(149,436)	-
		<u>1,691,384</u>	<u>1,252,876</u>	<u>(2,420,705)</u>	<u>523,555</u>
<b>Factory building</b>					
Civil works		292,183	166,234	(374,307)	84,110
		<u>1,983,567</u>	<u>1,419,110</u>	<u>(2,795,012)</u>	<u>607,665</u>

5.2.1 Includes borrowing costs amounting to Rs. 84.906 million (2005: Rs. 15.225 million), capitalized during the year.

	Note	2006	2005
(Rupees in '000)			
<b>5.2.2 Unallocated capital expenditure</b>			
Staff salaries and benefits		36,342	25,512
Traveling and related expenses		30,205	19,061
Professional consultancy		9,866	9,866
Trial production costs net of trial run sales	5.2.2.1	38,954	-
Freight		6,292	680
Others		27,777	5,554
		<u>149,436</u>	<u>60,673</u>

For the period  
from January 01,  
2006 to March 31,  
2006  
(Rupees in '000')

5.2.2.1 Trial production costs net of trial run sales:

Cost of sales:

Raw material consumed	7,050
Stores and spares consumed	913
Packing material consumed	367
Fuel and power	90,192
Closing work in process	(19,924)
Closing finished goods	(31,443)
	<u>47,155</u>
Gross turnover	11,265
Excise duty	1,595
Sales tax	1,469
	<u>3,064</u>
Net turnover	8,201
	<u>(38,954)</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
<b>6. LONG TERM LOANS - secured, considered good</b>			
House building loan to:			
- Executives	6.1 & 6.3	4,533	5,512
- Employees		1,753	1,942
		<u>6,286</u>	<u>7,454</u>
Motorcycle loan to employees	6.2	292	529
		<u>6,578</u>	<u>7,983</u>
Less: Current portion	11	1,514	1,265
		<u>5,064</u>	<u>6,718</u>

**6.1** House building loans are secured against retirement benefits due to executives and are repayable in 96 monthly installments. These loans carry interest @ 5% per annum. Maximum aggregate amount due from executives at the end of any month during the year was Rs. 7.147 million (2005: Rs. 6.104 million).

**6.2** Motor cycle loans are secured against retirement benefits due to employees and are repayable in 36 monthly installments. These loans carry no interest.

(Rupees in '000)

**6.3** A reconciliation of the house building loans to executives is as follows:

Opening balance	5,512
Additions	197
Repayments	(1,176)
Closing balance	<u>4,533</u>

2006  
(Rupees in '000)

2005

(Rupees in '000)

## 7. LONG TERM DEPOSITS

Security deposits		
- Utilities	35,730	12,480
- Leasing companies	61,766	23,150
- Others	1,313	1,153
	<u>98,809</u>	<u>36,783</u>

## 8. STORES, SPARES AND LOOSE TOOLS

Stores	105,450	70,520
Spares	248,642	209,898
Loose tools	13,233	2,590
	<u>367,325</u>	<u>283,008</u>
Spares in transit	8,533	4,111
	<u>375,858</u>	<u>287,119</u>

## 9. STOCK-IN-TRADE

Raw material	23,609	3,433
Packing material	12,457	7,146
Work in process	44,196	25,053
Finished goods	16,495	21,193
	<u>96,757</u>	<u>56,825</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

## 10. ASSETS HELD FOR DISPOSAL

This includes fuel burner and coal grinding mill from which no future economic benefits are expected from their use. Accordingly the management has decided to dispose off these assets in the next financial year. These assets are carried at lower of their carrying amounts and fair values less costs to sell.

The fair value of these assets is Rs. 35.2 million as valued by an independent valuer.

	Note	2006 (Rupees in '000)	2005
<b>11. LOANS AND ADVANCES - considered good</b>			
<b>Loans - secured</b>			
Current portion of long term loans	6	1,514	1,265
<b>Advances - unsecured</b>			
Executives		1,747	1,857
Employees		2,572	2,417
Margin against letters of credit		3,634	42,274
Suppliers, contractors and service providers		4,203	13,839
		<u>12,156</u>	<u>60,387</u>
		<u>13,670</u>	<u>61,652</u>
<b>12. DEPOSITS AND PREPAYMENTS</b>			
Deposits		600	600
Prepayments		950	1,235
		<u>1,550</u>	<u>1,835</u>
<b>13. OTHER RECEIVABLES</b>			
Export rebate		1,194	5,068
Rebate receivable from WAPDA		-	761
Others		562	704
		<u>1,756</u>	<u>6,533</u>
<b>14. CASH AND BANK BALANCES</b>			
<b>With banks:</b>			
<b>Current accounts</b>			
- Local currency	14.1	70,627	16,913
- Foreign currency		57	57
		<u>70,684</u>	<u>16,970</u>
<b>Deposit accounts</b>			
- Local currency		41	41
- Foreign currency		13	13
		<u>54</u>	<u>54</u>
		<u>70,738</u>	<u>17,024</u>
<b>Cash in hand</b>			
		<u>1,167</u>	<u>505</u>
		<u>71,905</u>	<u>17,529</u>

14.1 These carry profit rates ranging from 0.75% to 2.5% (2005: 1% to 3%) per annum.



# Notes to the Financial Statements

for the year ended June 30, 2006

## 15. AUTHORIZED SHARE CAPITAL

2006 No. of Shares in ('000')	2005 No. of Shares in ('000')	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
200,000	200,000	Ordinary shares of Rs. 10/- each	2,000,000	2,000,000
50,000	50,000	Preference shares of Rs. 10/- each	500,000	500,000
<u>250,000</u>	<u>250,000</u>		<u>2,500,000</u>	<u>2,500,000</u>

## 16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

### Ordinary shares of Rs. 10/- each

143,156	143,156	Fully paid in cash	1,431,557	1,431,557
11,590	11,590	Issued as fully paid against outstanding loan liability	115,909	115,909
7,737	-	Issued as fully paid bonus shares	77,373	-
<u>162,483</u>	<u>154,746</u>		<u>1,624,839</u>	<u>1,547,466</u>

16.1 Under the agreement Industrial Development Bank of Pakistan (IDBP) had a right to subscribe for and receive preferential allotment of shares at face value upto 20% of its outstanding loan amount. The SECP (Then CLA) had disallowed to exercise this option in the past.

16.2 76,717,359 (2005: 63,871,742) ordinary shares of Rs.10/- each are held by the related parties as at June 30, 2006.

16.3 The bonus shares were issued during the year to the share holders in the proportion of 5 ordinary shares per 100 ordinary shares held amounting to Rs.77.373 million out of the share premium account under Section 83 (2)(d) of the Ordinance and were approved by the members at the Annual General Meeting held on October 31, 2005.

## 17. SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax

### Gross surplus

	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
Opening balance of surplus on revaluation of fixed assets		968,176	-
Surplus on revaluation booked during the year		-	968,176
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(38,418)	-
		<u>929,758</u>	<u>968,176</u>
<b>Less: Deferred tax liability on :</b>	26		
Opening balance of revaluation		338,862	-
Surplus on revaluation booked during the year		-	338,862
Incremental depreciation charged on related assets		(13,446)	-
		<u>325,416</u>	<u>338,862</u>
Closing balance of surplus on revaluation of fixed assets		<u>604,342</u>	<u>629,314</u>

17.1 The plant and machinery and coal firing system of the Company were valued by an independent valuer M/s Sipra and Company on the basis of professional assessment of present market values in financial year ended June 30, 2005.

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>18. LONG TERM FINANCING - Secured</b>			
<b>From banking companies and other financial institutions:</b>			
Bank of Punjab	18.1	250,000	-
From a Syndicate	18.2	50,000	-
		<u>300,000</u>	<u>-</u>
Bankers Equity Limited-under liquidation (BEL) Term Finance Certificates (TFCs)	18.3	171,403	191,003
Less: Current portion		40,740	19,600
		<u>130,663</u>	<u>171,403</u>
		<u>430,663</u>	<u>171,403</u>

**18.1** Represents financing facility obtained from the Bank of Punjab. Initially the facility was taken for a period of one year and was payable in July 2006 at the markup rate of 2.5% above 6 months KIBOR. However, the said facility was converted into a term finance facility at the mark-up rate of 3.5% above 3 months KIBOR on June 30, 2006 by way of a conversion agreement. The loan is secured by hypothecation over the Company's all present and future current assets and personal guarantees of sponsoring directors. The markup is payable monthly and the principal is repayable through a one bullet payment in December 2007.

**18.2** The syndicate consists of First Credit and Investment Bank Limited and Orix Investment Bank Pakistan Limited both having equal share in the syndicate. The facility is secured by ranking charge by way of hypothecation over the Company's entire present and future current assets, demand promissory note and guarantees of the sponsoring directors in favour of syndicate members. The markup at the rate of 4% above 6 months KIBOR is payable monthly and the principal is repayable through a one bullet payment in September 2007.

**18.3** Following are the terms and conditions of rescheduled loan as approved by the High Court of Sindh in 2004:

Repayment	September 30, 2004 to June 30, 2009
Number of installments	20 quarterly installments
Rate of mark up	4.67% per annum
Delay in payment of installments	Additional mark up at the rate of 12% of the overdue amount

The TFCs are secured by creation of an equitable mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. The construction period mark up and other charges on TFCs (Note 23) have been frozen and will be paid during September 2006 to June 2009.

The original agreement provided that in the event of the rate of return falling below the minimum prescribed percentages, BEL has the option to convert 20% of the outstanding TFCs into fully paid ordinary shares of the Company at par value. This option is no more exercisable as per rescheduling approved by the High Court of Sindh in 2004.

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000')	2005
<b>19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Opening balance		287,758	15,725
Assets acquired during the year		334,900	279,505
		<u>622,658</u>	<u>295,230</u>
Less: Payments made		35,003	7,472
		<u>587,655</u>	<u>287,758</u>
Less: Current portion of the liability		133,585	13,114
		<u>454,070</u>	<u>274,644</u>

	Minimum lease payments	Present value	Minimum lease payments	Present value
	2006		2005	
(Rupees in '000')				
Upto one year	191,271	133,585	19,648	13,114
One year to five years	526,122	454,070	361,093	274,644
	<u>717,393</u>	<u>587,655</u>	<u>380,741</u>	<u>287,758</u>
Less: Finance charges allocated to future periods	129,738	-	92,983	-
	<u>587,655</u>	<u>587,655</u>	<u>287,758</u>	<u>287,758</u>
Less: Current maturity	133,585	133,585	13,114	13,114
	<u>454,070</u>	<u>454,070</u>	<u>274,644</u>	<u>274,644</u>

The minimum lease rental payments under the lease agreements are payable in 36-48 equal monthly/quarterly installments. The present value of minimum lease payments have been discounted at implicit interest rate of 10% to arrive at their present value in case of fixed rate leases. Floating rate leases are based on a rate of 6 months KIBOR plus 350 to 500 basis points with a floor of 9% to 12% per annum. Overdue rental payments are subject to an additional charge upto 3 percent per month. Repairs and insurance costs are to be borne by the Company. The Company intends to purchase these assets at the end of the lease term at residual values. The liability is secured by demand promissory note and in few cases by post dated cheques and personal guarantees of sponsoring directors.

## 20. LONG TERM MUSHARIKA FINANCE

Represents musharika finance facility obtained by the Company from First Dawood Investment Bank Limited, a related party, carrying mark up rate of 15% per annum. The facility is repayable on October 31, 2007 with quarterly payments of profit and is secured by way of hypothecation of stocks in trade and receivables of the Company. Initially the facility was payable by December 31, 2006.

	Note	2006 (Rupees in '000')	2005
<b>21. LONG TERM DEPOSITS</b>			
From employees	21.1	5,007	5,007
From suppliers and distributors		620	1,640
		<u>5,627</u>	<u>6,647</u>

21.1 Represents amount received from employees under car replacement scheme of the Company.

## 22. LONG TERM CREDITOR - unsecured

	Note	2006	2005
Contractor	22.1	35,008	-
Less: Current portion	26	6,000	-
		<u>29,008</u>	<u>-</u>

22.1 Represents payable to contractor of the expansion project. The contractor has agreed to receive its outstanding liability in monthly installments of Rs 0.5 million per month. The said balance is interest free.

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>23. DEFERRED LIABILITIES</b>			
Deferred interest / mark up			
Bankers Equity Limited - TFCs	18	149,519	144,972
Asian Development Bank	25.1	98,273	101,563
Bankers Equity Limited - LMM	25.3	46,326	48,501
National Bank of Pakistan (Former NDFC)	25.4 & 23.1	577,546	577,546
Industrial Development Bank of Pakistan	25.6	56,886	63,225
Saudi-Pak Industrial & Agricultural Investment Company (Private) Limited	25.7	-	4,901
		<u>928,550</u>	<u>940,708</u>
Less: Current portion		<u>130,390</u>	<u>20,967</u>
		<u>798,160</u>	<u>919,741</u>
Defined benefit plan	23.2	<u>64,707</u>	<u>55,749</u>
		<u>862,867</u>	<u>975,490</u>

**23.1** It carries service fee at the rate of 2% per annum on the total outstanding mark up as at June 30, 2003, payable in semi annual installments till June 30, 2013.

## 23.2 Defined benefit plan

**23.2.1** The amount recognised in the balance sheet is as follows:

Present value of defined benefit obligation	82,560	64,358
Unrecognised actuarial losses	(17,853)	(8,609)
Liability as at year end	<u>64,707</u>	<u>55,749</u>

**23.2.2** Movement in liability recognised in the balance sheet is as follows:

Opening balance	55,749	47,971
Charge for the year	14,812	10,670
	<u>70,561</u>	<u>58,641</u>
Less: Payments during the year	5,854	2,892
Closing balance	<u>64,707</u>	<u>55,749</u>

**23.2.3** The amount recognised in the profit and loss account is as follows:

Current service cost	8,839	6,668
Interest cost	5,973	4,002
	<u>14,812</u>	<u>10,670</u>

## 24. DEFERRED TAXATION

### Credit balance arising due to:

- accelerated tax depreciation	979,145	493,606
- surplus on revaluation of fixed assets	325,416	338,862
	<u>1,304,561</u>	<u>832,468</u>

### Debit balance arising due to:

- available tax losses	(657,978)	(507,660)
- provisions for gratuity and accrued compensated absences	(25,483)	(24,274)
- liabilities against assets subject to finance leases	(185,111)	(100,715)
- others	-	(3,201)
	<u>(759,401)</u>	<u>(635,850)</u>
	<u>435,989</u>	<u>196,618</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

## 25. LONG TERM LOANS - secured

	Note	Installments			2006	2005
		Number	Commencing from	Rate of interest / markup	(Rupees in '000')	
<b>Foreign Currency Loans</b>						
<u>From banking companies and other financial institutions:</u>						
Asian Development Bank (ADB) - Japanese Yen	25.1	9 half yearly	November 15, 2006	1.3% above 6 months LIBOR	<b>585,618</b>	640,826
Asian Finance & Investment Corporation Limited (AFIC) - US Dollar	25.2	23 quarterly	March 31, 2007	2.5% above 3 months LIBOR	<b>232,637</b>	230,825
					<b>818,255</b>	871,651
<b>Local Currency Loans</b>						
<u>From banking companies and other financial institutions:</u>						
BEL - Locally Manufactured Machinery (LMM)	25.3	21 quarterly	September 30, 2004	1.26%	<b>186,897</b>	215,037
National Bank of Pakistan	25.4 & 25.5	30 quarterly	March 31, 2006	2% above 3 months KIBOR	<b>448,553</b>	516,571
National Bank of Pakistan (Former NDFC)	25.4 & 25.8	30 quarterly	March 31, 2006	2% above 3 months KIBOR	<b>313,625</b>	328,219
Industrial Development Bank of Pakistan (IDBP)	25.6 & 25.8	25 quarterly	December 31, 2006	8.62%	<b>69,757</b>	69,757
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	25.7	12 quarterly	May 31, 2006	3% above 6 months KIBOR	<b>100,000</b>	35,611
National Bank of Pakistan	25.9	12 quarterly	May 2006	2.5% above 6 months KIBOR	<b>229,146</b>	-
					<b>1,347,978</b>	1,165,195
					<b>2,166,233</b>	2,036,846
Less: Current portion					<b>354,170</b>	63,695
					<b>1,812,063</b>	1,973,151

- 25.1** The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by ADB, a letter of hypothecation providing first charge over the Company's moveable assets other than book debts and personal guarantees of sponsoring directors of the Company. In the event of default in payments, the Company shall pay liquidated damages at the rate of 1.5% per annum of the overdue amount. Outstanding interest upto September 30, 1999 has been deferred and will be payable in two equal half yearly installments due on November 15, 2008 and May 15, 2009 (Note 23).
- 25.2** The loan is secured by creation of an equitable mortgage over the Company's immovable assets, undertaking by the Company to execute and register further security as may be required by AFIC and a letter of hypothecation providing first charge over the Company's moveable assets other than book debts. In the event of delay in payments, the Company shall pay additional interest at the rate of 1% of the overdue amount.
- 25.3** The loan is secured by creation of a first mortgage and first floating charge on all the properties and assets of the Company ranking pari passu with the mortgages, floating charges and hypothecation created in favour of other lenders. In case of default of any payment by the Company, BEL has irrevocable right to revert the rescheduled loan. Further, the Company shall pay additional mark up at the rate of 12% per annum of the overdue amount. The construction period mark up and other charges have been frozen and will be paid during September 2006 to June 2009 (Note 23).
- 25.4** The outstanding mark up as at June 30, 2003 has been deferred and shall be paid in semi annual installments on step up basis and repayment will commence following the conclusion of grace period and will conclude by December 31, 2011 (Note 23).
- 25.5** The loan is secured by an agreement of hypothecation, floating charge and personal guarantees of the sponsoring directors of the Company.
- 25.6** In case of default in any payment, a penalty at the rate of 0.60 rupee per thousand per day shall be charged on the defaulted amount for the period for which it remains unpaid. The frozen mark up upto June 30, 2001 has been deferred and will be paid in twelve quarterly installments commencing from June 30, 2009 (Note 23).

# Notes to the Financial Statements

for the year ended June 30, 2006

**25.7** Represents a new loan acquired by the Company after adjustment of previous loan disbursed by SAPICO. The loan is secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future fixed assets including plant and machinery and guarantee of sponsoring directors. If the Company does not pay the purchase price on its due date, the Company shall become liable to pay liquidated damages @ 20% of purchase price and in case of delay beyond 7 days additional markup @ 2% on unpaid balance will also be payable to the bank.

**25.8** These loans are secured by creation of an equitable mortgage on the Company's immovable properties including land, building, factory, plant and machinery and equipment ranking pari passu with the charge / mortgage created in favour of other lenders, a floating charge on the business, undertaking and other properties and assets of the Company, pledge/hypothecation of all plant and machinery, equipment, motor vehicles and movable properties of the Company, hypothecation of book debts and all receivables of the Company and in case of NBP (Former NDFC) is secured by personal guarantees of sponsoring directors of the Company.

**25.9** Represents a new loan obtained from NBP amounting to Rs. 250 million for financing expansion project. The loan is secured by creation of a first parri passu charge over entire present and future land, building, plant and machinery and is further secured by hypothecation of present and future plant and machinery and guarantee of sponsoring directors.

	Note	2006 (Rupees in '000)	2005
<b>26. CREDITORS AGAINST EXPANSION PROJECT</b>			
<b>Related party</b>			
DAL Teknik	26.1	207,335	381,357
<b>Other suppliers and contractors</b>		<u>90,925</u>	107,415
		<u>298,260</u>	<u>488,772</u>

**26.1** The above amount is payable in respect of supply of machinery and services rendered and is unsecured and interest free.

## 27. TRADE AND OTHER PAYABLES

Creditors		217,640	128,007
Accrued expenses		47,717	47,531
Advances from customers		23,935	25,946
Marking fee payable		315	457
Payable to provident fund		1,135	688
Deposits		1,580	4,180
Excise duty payable on cement		1,672	-
Royalty and excise duty		5,397	2,409
Negative fair value of derivative		-	30,716
Workers' Profit Participation Fund	27.1	49,109	20,732
Withholding tax		1,961	704
Employees' compensated absences	27.2	16,191	13,604
Unclaimed dividend		1,794	1,824
Other liabilities		-	12,870
		<u>368,446</u>	<u>289,668</u>

### 27.1 Workers' Profit Participation Fund

Opening balance		20,732	13,327
Allocation for the year	36	49,109	20,732
Interest on funds utilized in the Company's business	35	1,701	1,081
		<u>71,542</u>	<u>35,140</u>
Less: Payments made to the trustees of the fund		22,433	14,408
Closing balance		<u>49,109</u>	<u>20,732</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>27.2 Employees' compensated absences</b>			
Opening balance		13,604	8,452
Expense for the year		5,573	6,656
Payment made during the year		(2,986)	(1,504)
Closing balance		16,191	13,604
<b>28. SHORT TERM BORROWINGS - secured</b>			
<b>Related parties</b>			
First Dawood Investment Bank Limited		-	10,000
Guardian Modarba		-	10,000
		-	20,000

The short term borrowings have been repaid by the Company during the year.

## 29. CONTINGENCIES AND COMMITMENTS

### Contingencies

**29.1** The Board of Revenue had raised a demand of Rs.8.842 million for stamp duty on agreements signed with financial institutions. The Company had filed a petition as a result of which the demand was reduced to Rs. 4.412 million by the Board of Revenue. The Company filed a petition against the above decision in the High Court of Sindh which was allowed. The Board of Revenue filed a civil petition against the said decision in the Supreme Court of Pakistan, which is pending. The management anticipates a favorable outcome of this petition, hence no provision has been made against the above demand in these financial statements.

**29.2** Demands of sales tax including additional tax on lime stone and clay amounting to Rs. 16.465 million, Rs 4.518 million and Rs. 8.292 million were raised by the Sales Tax Department. The case for Rs. 16.465 million has been decided by the Supreme Court of Pakistan and remanded back to the Lahore High Court while the case for Rs. 4.518 million is pending in the Lahore High Court. The case for Rs. 8.292 million is pending with Collector (Adjudication), Faisalabad. The management anticipates a favorable outcome of these petitions, hence no provision has been made against the above assets in these financial statements.

**29.3** The Commissioner Social Security raised a demand of Rs. 0.7 million for the non payment of social security during the year 1994. An appeal was filed against the above mentioned decision and the case is pending in the Labour court, Lahore. The management anticipates a favorable outcome of this petition, hence no provision has been made in these financial statements.

**29.4** The Chairman, Area Electricity Board, Faisalabad, charged surcharge of Rs. 2 million. An appeal was filed with Muhtasib and the judgment was made against the Company. Appeal has been filed by the Company in the Lahore High Court against the above decision. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

**29.5** The Collector of Sales Tax, Faisalabad region had levied additional tax on account of advances received from customers amounting to Rs. 7.410 million. The case was decided by the Lahore High Court in the Company's favour. However the Department has filed an appeal against the decision in the Supreme Court of Pakistan which is still pending. Based on the grounds of the case, the management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

**29.6** The Collector of Sales Tax, Faisalabad has disallowed input tax paid on machinery amounting to Rs. 4.178 million. The Company has filed an appeal which is pending in Lahore High Court. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

**29.7** The Collector of Sales Tax, Faisalabad has raised a demand of Rs. 17.202 million as sales tax on lime stone and clay for the period July 1999 to August 2000 and on account of non payment of sales tax on purchase of fixed assets. The case is pending in the Customs Appellate Tribunal, Lahore. The management anticipates a favorable outcome of the case, hence no provision has been made in these financial statements.

### Commitments

**29.8** Commitments in respect of outstanding letters of credit inclusive of capital commitments amount to Rs. 55.847 million (2005: 292.090 million).

**29.9** The outstanding guarantee issued by a bank amounting to Rs. 0.6 million (2005: Rs.0.6 million).

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>30. GROSS TURNOVER</b>			
- Local		3,754,854	2,436,802
- Export		398,720	363,328
		<u>4,153,574</u>	<u>2,800,130</u>
<b>31. COST OF SALES</b>			
Raw material consumed	31.1	145,854	106,379
Packing material consumed		138,757	113,741
Fuel and power		1,002,810	759,156
Stores and spares consumed		53,323	42,789
Salaries, wages and benefits	31.2	150,995	83,929
Travelling and conveyance		9,119	8,722
Insurance		6,072	5,021
Repairs and maintenance		21,472	16,892
Communication		2,141	1,972
Fee and subscription		2,218	2,605
Depreciation	5.1.2	269,459	229,080
Other manufacturing expenses		6,142	3,609
		<u>1,662,508</u>	<u>1,267,516</u>
<b>Work in process</b>			
Opening balance		25,053	23,380
Closing balance of trial production of Line II		19,924	-
Closing balance		(44,196)	(25,053)
		<u>781</u>	<u>(1,673)</u>
<b>Cost of goods manufactured</b>		<u>1,809,143</u>	<u>1,372,222</u>
<b>Finished goods</b>			
Opening balance		21,193	20,983
Closing balance of trial production of Line II		31,443	-
Closing balance		(16,495)	(21,193)
		<u>36,141</u>	<u>(210)</u>
		<u>1,845,284</u>	<u>1,372,012</u>
<b>31.1 Raw material consumed</b>			
Opening balance		3,433	2,163
Quarrying / transportation / purchases (net of consumption charged to trial runs)	5.1.2	168,848	114,663
		172,281	16,826
Closing balance		(23,609)	(3,433)
		<u>148,672</u>	<u>113,393</u>
Duty drawback on exports		(2,818)	(7,014)
		<u>145,854</u>	<u>106,379</u>
<b>31.2 Includes staff retirement benefits as follows:</b>			
Defined contribution plan		2,318	1,294
Defined benefit plan		7,850	8,251
		<u>10,168</u>	<u>9,545</u>



# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>32. DISTRIBUTION COSTS</b>			
Salaries, wages and benefits	32.1	20,983	16,448
Travelling and conveyance		711	680
Vehicle running expenses		2,527	1,679
Communication		2,169	1,974
Printing and stationery		848	743
Rent, rates and taxes		2,152	1,929
Utilities		1,649	1,616
Repairs and maintenance		1,448	1,906
Legal and professional charges		1,733	1,055
Insurance		371	403
Fee and subscription		1,151	944
Advertisements / sales promotion		936	1,082
Entertainment		1,096	846
Depreciation	5.1.2	1,439	1,311
Miscellaneous		7	46
		<u>39,220</u>	<u>32,662</u>
<b>32.1</b> Includes staff retirement benefits as follows:			
Defined contribution plan		776	601
Defined benefit plan		2,074	764
		<u>2,850</u>	<u>1,365</u>
<b>33. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	33.1	41,966	36,942
Travelling and conveyance		3,129	2,338
Vehicle running expenses		3,220	2,286
Communication		3,057	2,864
Printing and stationery		1,769	1,362
Rent, rates and taxes		4,176	3,216
Utilities		1,991	1,886
Repairs and maintenance		1,540	1,791
Legal and professional charges		3,436	4,204
Insurance		597	536
Auditors' remuneration	33.2	1,136	928
Fee and subscription		1,547	2,236
Depreciation	5.1.2	3,737	2,948
Entertainment		1,985	1,396
Miscellaneous		713	400
		<u>73,999</u>	<u>65,333</u>
<b>33.1</b> Includes staff retirement benefits as follows:			
Defined contribution plan		1,436	1,153
Defined benefit plan		4,888	1,650
		<u>6,324</u>	<u>2,803</u>
<b>33.2 Auditors' remuneration</b>			
Annual audit fee		500	400
Fee for special certifications including half yearly review fee		520	462
Out of pocket expenses		116	66
		<u>1,136</u>	<u>928</u>

# Notes to the Financial Statements

for the year ended June 30, 2006

	Note	2006 (Rupees in '000)	2005
<b>34. OTHER OPERATING INCOME - net</b>			
Exchange gain		-	24,532
Reversal of unrealized loss on fair value of derivative		30,716	-
Gain on settlement of derivative		38,250	-
Profit on bank deposits		711	2,397
Interest on long term loans		278	269
Scrap sales		488	405
Gain / (loss) on disposal of fixed assets	5.1.3	480	(308)
Others		240	(102)
		<u>71,163</u>	<u>27,193</u>
<b>35. FINANCE COSTS</b>			
<b>Mark-up on:</b>			
Long term financing		13,176	13,311
Long term loans - local currency		121,899	71,193
Lease financing		14,607	1,074
		<u>149,682</u>	<u>85,578</u>
<b>Interest on:</b>			
Long term loans - foreign currency		30,362	18,213
Workers' Profit Participation Fund	27.1	1,701	1,081
Provident fund		-	75
		<u>32,063</u>	<u>19,369</u>
<b>Fee, charges and commission</b>			
Service charges		11,551	11,551
Bank charges		2,438	3,327
Others		1,215	920
		<u>15,204</u>	<u>15,798</u>
		<u>196,949</u>	<u>120,745</u>
<b>36. OTHER OPERATING EXPENSES</b>			
Unrealized loss on fair value of derivative		-	30,716
Workers' Profit Participation Fund	27.1	49,109	20,732
Exchange loss		5,104	-
Donations	36.1	883	504
Surcharge on royalty		3,466	-
		<u>58,562</u>	<u>51,952</u>
<b>36.1</b>	No directors or sponsors have any interest in any donee to whom donations were made.		
<b>37. TAXATION</b>			
Current	37.1	17,718	11,331
Deferred		239,371	50,499
		<u>257,089</u>	<u>61,830</u>
<b>37.1 Current</b>			
	In view of taxable loss for the year, provision for minimum taxation has been made at 0.5% of turnover under section 113 of the Income Tax Ordinance, 2001.		
	No numeric tax rate reconciliation is given as the Company is liable for turnover tax.		

# Notes to the Financial Statements

for the year ended June 30, 2006

## 37.2 Prior

The return of income for tax year 2005 has been filed by the Company. The said return, as per the provisions of section 120 of the Income Tax Ordinance, 2001, has been taken as assessment order passed by the Commissioner of Income Tax. The Company had filed appeals for grant of taxable losses amounting to Rs. 585.907 million for assessment year 1997-1998 through 1999-2000. The relief has been granted by Income Tax Appellate Tribunal. However, the appeal effect of the same is pending.

	2006	2005 Restated
<b>38. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation (Rupees in '000)	<u>675,983</u>	<u>332,089</u>
Number of ordinary shares in issue (in '000')	<u>162,484</u>	<u>142,738</u>
Basic earnings per share (Rupees)	<u>4.16</u>	<u>2.33</u>

**38.1** In the year 1994-95, the Corporate Law Authority (now SECP) disallowed IDBP to exercise option of converting its outstanding loan amount into ordinary shares of the Company and in 2004 the Company reached a rescheduling agreement with BEL which was approved by the High Court of Sindh whereby the option of converting its loan amount into ordinary shares has ceased. The Company therefore considers that there is no diluting effect on the earnings of the Company and accordingly has not calculated and disclosed diluted earnings per share in these financial statements.

## 39. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, staff retirement fund, directors and key management personnel. Transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Relationship with the Company	Nature of transactions	2006	2005
		(Rupees in '000')	
<b>Associated Companies</b>			
First Dawood Investment Bank	Arrangements under lease financing	-	160,000
	Repayment of lease financing	4,216	-
	Long term musharika finance obtained	-	50,000
	Short term borrowings repaid	10,000	-
	Short term borrowings obtained	-	10,000
	Underwriting commission paid	-	1,193
	Profit received on bank deposit	-	1,442
	Finance cost paid	25,032	8432
BRR International Modaraba	Repayment of lease financing	4,169	-
	Finance cost paid	3,999	1,995
Guardian Modaraba	Arrangements under lease financing	50,000	-
	Repayment of lease financing	3,578	-
	Short term borrowings obtained	10,000	10,000
	Short term borrowings repaid	20,000	-
	Finance cost paid	2,282	-
DAL Teknik, Turkey	Payment against purchase of plant and machinery	329,455	-
DAL Elektrik, Turkey	Payment against purchase of plant and machinery	68,833	-
FL Smidth, Denmark	Payment against purchase of plant and machinery	-	90,827
	Engineering and designing fee	-	26,422
<b>Retirement benefit fund</b>			
Provident Fund	Contribution	4,530	3,785
<b>Other related parties</b>			
Mr. Manzoor Hayat Noon	Issuance of shares	-	22,229
Mr. Javed Ali Khan	Deposit received against Car	-	4,895

Bonus shares have also been issued to related parties during the year in addition to the above transactions.

# Notes to the Financial Statements

for the year ended June 30, 2006

**39.1** There are no transactions with key management personnel other than under the terms of employment which has been disclosed in note 45 to the financial statements.

**39.2** The related party status of outstanding receivables and payables as at June 30, 2006 are disclosed in respective notes to the financial statements.

## 40. LIQUIDITY RISK

During the year in April 2006, the Company has started commercial production at its new production facility Line II. The Company has acquired long term finances and entered into lease arrangements for the financing of this expansion project. Due to this situation the working capital of the Company is negative as at the balance sheet date. The revenue generated from the enhanced capacity have started to flow, the management feels that no liquidity risk arising out of this situation. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the said negative working capital position will become favorable during the next year due to increased revenues from the expanded production capacity.

## 41. YIELD / MARK-UP RATE RISK

Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/mark-up rate risk in respect of the following:

	2 0 0 6				Not exposed to yield / mark up rate risk
	Total	Maturity upto one year	Maturity after one year	Sub-total	
	(Rupees in '000)				
<b>Financial Assets</b>					
Loans	10,212	1,514	4,772	6,286	3,926
Deposits	62,366	-	-	-	62,366
Trade debts	12,490	-	-	-	12,490
Other receivables	1,756	-	-	-	1,756
Cash and bank balances	71,905	40,188	-	40,188	31,717
<b>Total</b>	<b>158,729</b>	<b>41,702</b>	<b>4,772</b>	<b>46,474</b>	<b>112,255</b>
<b>2005</b>	<b>51,589</b>	<b>1,265</b>	<b>6,718</b>	<b>7,983</b>	<b>43,606</b>
<b>Financial Liabilities</b>					
Term Financing	471,403	40,740	430,663	471,403	-
Liabilities against assets subject to finance lease	587,655	133,585	454,070	587,655	-
Long term musharika finance	50,000	-	50,000	50,000	-
Deposits	5,627	-	-	-	5,627
Long Term Creditor	29,008	-	-	-	29,008
Deferred Liabilities	993,257	77,006	500,540	577,546	415,711
Long term loans	2,166,233	354,170	1,812,063	2,166,233	-
Creditors against expansion project	298,260	-	-	-	298,260
Trade and other payables	287,729	1,135	-	1,135	286,594
Interest / mark up accrued	42,463	-	-	-	42,463
<b>Total</b>	<b>4,931,635</b>	<b>606,638</b>	<b>3,247,336</b>	<b>3,853,972</b>	<b>1,077,663</b>
<b>2005</b>	<b>4,347,842</b>	<b>117,097</b>	<b>2,996,744</b>	<b>3,113,841</b>	<b>1,234,001</b>

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

# Notes to the Financial Statements

for the year ended June 30, 2006

## 42. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

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

## 43. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payables exists due to the transactions with foreign undertakings. The Company is exposed to foreign exchange risk with respect to foreign currency loans payable amounting to Rs. 818.255 million (2005: Rs.871.651 million) and interest payable on foreign currency loans amounting to Rs.103.996 million (2005: Rs.113.035 million) as disclosed in notes 23 to the financial statements. Foreign currency liabilities are also exposed to risk amounting to Rs. 207.335 million (2005: Rs. 381.357 million) as shown in Note 26 to the financial statements. The management has assessed that arranging foreign currency hedging by paying exchange risk fee will be more expensive than self assuming the risk. This risk management strategy is reviewed each year on the basis of market conditions.

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## 45. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year are as follows:

	Chief Executive		Executives	
	2006	2005	2006	2005
Total number	1	1	13	10
(Rupees in '000')				
Basis salary	3,929	3386	15,973	11,448
Contribution to provident fund trust	393	338	1,597	1,145
Contribution to gratuity	508	409	1,930	1,383
Allowances & benefits:				
- House rent	1,768	1,524	7,188	5,152
- Utilities	560	491	2,027	1,476
- Cost of living allowance	-	-	50	29
- Medical	560	491	2,397	1,716
- Leave fare assistance	508	409	1,935	1,428
- Bonus / ex gratia	376	355	1,706	1,341
- Others	-	-	1,473	735
	<b>8,602</b>	<b>7,403</b>	<b>36,276</b>	<b>25,853</b>

In addition, the chief executive and all the executives of the Company have been provided with free use of Company owned and maintained cars and other benefits in accordance with their entitlements as per rules of the Company.

	Mt. Tons	Note	2006 Mt. Tons	2005
<b>46. PRODUCTION CAPACITY</b>				
Rated capacity - clinker				
- Line I (after optimization)		46.1	705,000	600,000
- Line II			1,290,000	-
			<b>1,995,000</b>	<b>600,000</b>

46.1 The increase in production capacity is due to optimization of Line I from 2000 tons per day clinker to 2350 tons per day clinker.

# Notes to the Financial Statements

for the year ended June 30, 2006

	2006 Mt. Tons	2005 Mt. Tons
Actual production - clinker		
- Line I	709,702	690,529
- Line II	59,694	-
	769,396	690,529
Sales - cement		
- Local	716,728	553,461
- Export	118,028	166,486
	834,756	719,947

## 47. RECENT ACCOUNTING DEVELOPMENTS

Following amendments to existing standards applicable to the Company have been published that are mandatory for the Company's accounting periods beginning on or after January 01, 2006:

IAS-19	(Amendments) - Employee Benefits	Effective from January 01, 2006
IAS-39	Financial Instruments: Recognition and Measurement - Fair Value Option	Effective from January 01, 2006
IAS-1	Presentation of Financial Statements - Capital Disclosures	Effective from January 01, 2007

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by IASB. Out of these, following four IFRSs have been adopted by Institute of Chartered Accountants of Pakistan (ICAP), however since these have not been notified by the SECP, therefore do not form part of the approved local financing reporting framework.

IFRS-2 (Share based Payments)  
IFRS-3 (Business Combinations)  
IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and  
IFRS-6 (Exploration for and Evaluation of Mineral Resources)

The Company expects that the adoption of the pronouncements mentioned above will have no significant impact on the Company's financial statements in the period of initial application.

## 48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 29, 2006 by the Board of Directors of the Company.

## 49. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified where necessary for the purposes of comparison. Major changes made during the year were as follows:

- Freight and handling charges have been reclassified from distribution costs and shown as deduction from turnover in line with the industry practice.
- Current portion of deferred liabilities has been reclassified from interest / mark-up accrued and shown separately on the face of the balance sheet.

## 50. DIVIDENDS AND APPROPRIATIONS

The Board of Directors in their meeting held on September 29, 2006 proposed:

- i) a final dividend of Rs. 1 per share for the year ended June 30, 2006, amounting to Rs. 162.48 million; and
- ii) issue of bonus shares in the proportion of 4.51 ordinary shares per 100 ordinary shares held amounting to Rs. 73.309 million out of the share premium account under section 82(2)(d) of the Ordinance for approval of the members at the Annual General Meeting to be held on October 30, 2006.

These financial statements do not reflect these appropriations and the dividend payable.

## 51. GENERAL

Figures have been rounded off to the nearest thousand rupees.

  
CHIEF EXECUTIVE

  
CHAIRMAN

# Pattern of Holding of Shares

as at June 30, 2006

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	%
	FROM	TO		
1565	1	100	46,896	0.03
2130	101	500	525,545	0.32
1683	501	1000	1,186,531	0.73
1641	1001	5000	3,388,347	2.09
264	5001	10000	1,869,351	1.15
87	10001	15000	1,056,774	0.65
54	15001	20000	958,858	0.59
23	20001	25000	539,217	0.33
23	25001	30000	627,641	0.39
16	30001	35000	529,344	0.33
9	35001	40000	347,951	0.21
4	40001	45000	164,995	0.10
14	45001	50000	679,935	0.42
9	50001	55000	471,153	0.29
6	55001	60000	346,779	0.21
6	60001	65000	380,336	0.23
5	65001	70000	335,601	0.21
5	70001	75000	366,018	0.23
4	75001	80000	313,850	0.19
4	80001	85000	332,290	0.20
1	85001	90000	90,000	0.06
4	90001	95000	370,009	0.23
7	95001	100000	697,500	0.43
1	100001	105000	102,375	0.06
1	105001	110000	108,000	0.07
1	115001	120000	115,500	0.07
2	125001	130000	255,780	0.16
1	130001	135000	133,747	0.08
1	140001	145000	145,000	0.09
1	145001	150000	146,500	0.09
2	150001	155000	302,050	0.19
3	155001	160000	471,364	0.29
1	170001	175000	175,000	0.11
1	180001	185000	182,475	0.11
3	195001	200000	596,550	0.37
2	210001	215000	425,500	0.26
1	215001	220000	219,125	0.13
2	220001	225000	448,175	0.28
1	225001	230000	226,500	0.14
2	230001	235000	466,245	0.29
1	235001	240000	239,412	0.15
1	260001	265000	262,500	0.16
1	270001	275000	275,000	0.17
1	310001	315000	313,000	0.19
1	320001	325000	323,400	0.20
2	325001	330000	656,500	0.40
1	340001	345000	344,590	0.21
1	345001	350000	350,000	0.22
1	350001	355000	350,610	0.22
1	370001	375000	373,000	0.23
1	380001	385000	383,250	0.24
1	385001	390000	389,500	0.24
2	495001	500000	1,000,000	0.62
1	500001	505000	502,600	0.31
2	545001	550000	1,098,500	0.68

## Pattern of Holding of Shares

as at June 30, 2006

NUMBER OF SHAREHOLDERS	NUMBER OF SHARES		TOTAL SHARES HELD	%
	FROM	TO		
1	630001	635000	632,100	0.39
1	730001	735000	732,725	0.45
1	805001	810000	808,317	0.50
1	830001	835000	832,550	0.51
1	890001	895000	895,000	0.55
1	935001	940000	940,000	0.58
1	1035001	1040000	1,038,950	0.64
1	1040001	1045000	1,042,175	0.64
1	1325001	1330000	1,329,259	0.82
1	1345001	1350000	1,347,000	0.83
1	1370001	1375000	1,374,000	0.85
1	1405001	1410000	1,406,500	0.87
1	1800001	1805000	1,801,500	1.11
1	1930001	1935000	1,934,350	1.19
1	1980001	1985000	1,981,500	1.22
1	1985001	1990000	1,989,289	1.22
1	2100001	2105000	2,102,080	1.29
1	2360001	2365000	2,362,500	1.45
1	2860001	2865000	2,862,650	1.76
1	3085001	3090000	3,088,037	1.90
1	3115001	3120000	3,115,726	1.92
1	3655001	3660000	3,655,500	2.25
1	6435001	6440000	6,435,552	3.96
1	7310001	7315000	7,314,087	4.50
1	7735001	7740000	7,738,500	4.76
1	9995001	10000000	10,000,000	6.15
1	16260001	16265000	16,264,500	10.01
1	16585001	16590000	16,590,000	10.21
1	33860001	33865000	33,862,859	20.84
<b>7637</b>			<b>162,483,875</b>	<b>100.00</b>

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, Chief Executive Officer, and their spouse and minor children	72,744,340	44.77
Associated Companies, undertakings and related parties	3,115,726	1.92
NIT	2,602,080	1.60
ICP	105,319	0.06
Banks Development Financial Institution Non Banking Financial Institutions	16,216,051	9.98
Insurance Companies	394,755	0.24
Modarabas and Mutual Funds	4,923,714	3.03
Share holders holding 10%	76,713,359	47.21
General Public		
a: Local	22,415,210	13.80
b: Foreign	94,816	0.06
OTHERS	39,871,864	24.54
Joint Stock Companies / Cooperative Societies / Trusts / Govt. Institutions		



# Form of Proxy

Registered Folio No./

CDC Account No. \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **PIONEER CEMENT LIMITED** hereby appoint

\_\_\_\_\_

Name

of \_\_\_\_\_

Address

or failing him \_\_\_\_\_

Name

of \_\_\_\_\_

Address

(also being a member of the company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 20th Annual General Meeting of the Company to be held on Monday, October 30th, 2006 at 11:30 a.m. at 66, Garden Block, New Garden Town, Lahore and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

\_\_\_\_\_  
Signature of Shareholder

Revenue  
Stamp

## Witness 1

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC \_\_\_\_\_

## Witness 2

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC \_\_\_\_\_

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

SECP's circular no.1 dated January 26th, 2000 is on the reverse side of this form.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
**PIONEER CEMENT LIMITED**  
66, Garden Block, New Garden Town,  
Lahore.  
Phone: (042) 5831462-63

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
State Life Building 7, Blue Area, Islamabad.

January 26, 2000

**Circular No. 1 of 2000**

**Sub: GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES**

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guideline for the convenience of the listed companies and the beneficial owners are laid down:

**A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:**

- (1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.
- (2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- (3) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

**B. Appointment of Proxies**

- (1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.
- (2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- (3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (4) The proxy shall produce his original NIC or original passport at the time of the meeting.
- (5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.