Second Quarter Report
December 2006

GHARIBWAL CEMENT LIMITED

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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. M. Ishaque Khokhar
Director

Mr. Aameen Taqi Butt
Director

BANKERS

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
Habib Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
The Bank of Khyber
KASB Bank Ltd.
Faysal Bank Ltd.

REGISTERED OFFICE

3-A/3, Gulberg III, Lahore
Tel: 042-5871057-58
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 Ahmad 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.
Wings Arcade,
1-K, Commercial,
Model Town, Lahore.
Tel: 042-5887262, 5839182
Fax: 042-5869037

Directors' Report to the Members

On behalf of the Board of Directors, I am pleased to present the financial results of Gharibwal Cement Limited for the 2nd Quarter and Half-Year ended on December 31, 2006.

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

	2nd Quarter ended		Half Year ended	
	December 2006	December 2005	December 2006	December 2005
	(In Tonnes)			
Clinker Production	39,965	111,995	133,420	217,925
Clinker Purchased	-	-	1,995	-
Cement;				
- Production	63,575	111,970	157,080	224,360
- Despatches	63,929	110,249	155,965	221,433

Your Company has suffered Loss before Tax of Rs. 88.80 million for 2nd Quarter under review (Rs. 38.82 million profit before tax – 2nd Qtr 2005) and Loss after Tax of Rs. 89.22 million for 2nd Quarter under review (Rs. 36.73 million profit after tax – 2nd Qtr 2005).

In terms of Half-Year results, your Company has suffered Loss before Tax of Rs. 173.57 million for Jul-Dec. 31, 2006, as against Profit before Tax of Rs. 102.33 million for the Jul-Dec. 31, 2005 period. Further, the Loss after Tax suffered by the Company for the half-year under review stood at Rs. 175.75 million as compared to Profit after Tax of Rs. 98.18 million posted by the Company for the comparable half-year of 2005.

The Company's loss for the period under review is largely due to aggressive price cutting policies prevailing in the cement market as well as low production / capacity utilisation. Resultantly, the Company's Net-Retention sale price declined by 40% to Rs. 2,267 / - per ton for 2nd Qtr 2006 (Rs. 3,764 / - per ton for 2nd Qtr 2005) and by 24% to Rs. 2,802 / - per ton for half-year 2006 (Rs. 3,707 / - per ton for half-year 2005).

The very low retention price of cement & high operating costs (due to wet-process technology) forced the management to operate 1 kiln only and to close the remaining 2 kilns during months of October & November 2006, whereas during December 2006, the third kiln's was also stopped and since then all 3 kilns remain closed, as of this date.

This resulting severe cash flow crises (due to aforesaid factors) caused the Company to transfer vital funds from the new project budget to the dividend account in mid-to-late December 2006 in order to process the dividend pay-outs to the shareholders.

We would like to present the following up-date to the stakeholders on the Company's new cement plant of 6,700 tonnes per day (clinker capacity) (as of this date):-

1. 85-90% of the entire new plant & equipment has arrived at works or is in-transit from Karachi port to the works;
2. 60% of the Civil Works of the total project has been completed;

3. 10-15% of the Mechanical Work has been completed and substantial more is in work-in-progress. We thus expect 40% Mechanical Work to be completed by April 2007 whereas the Electrical Work is in process of commencement;
4. The tentative date of completion of the project and commencement of new cement bags production is August / September 2007.

The management has signed a comprehensive Golden Handshake Scheme (GHS) settlement with the CBA of Gharibwal Cement Plant, subsequent to Dec. 31, 2006. This GHS has been firmly accepted by 343 permanent workers. Out of remaining 191 workers, those workers who are competent and well-qualified to work on the new dry-process cement plant, shall be re-trained and posted on duties at the new plant under merit only on fresh terms & conditions of appointment as proposed by management, whereas, the remaining workers (out of 191) who are not competent enough nor selected for the new cement plant are bound to retire under the GHS settlement.

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

For and on behalf of the Board of Directors.

M. TOUSIF PERACHA
(Chief Executive)

Lahore: February 28, 2007

Review Report to the Members

We have reviewed the annexed balance sheet of Gharibwal Cement Limited as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

Section 251 of the Companies Ordinance, 1984 requires the Company to make payment of dividend (Ref. to Note 7) within 45 days of its declaration, which was paid after the prescribed time limit.

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

VIQAR A. KHAN
CHARTERED ACCOUNTANTS

Lahore.
Dated: February 28, 2007

Balance Sheet

	Note	December 31 2006	June 30 2006
		(Rupees in thousand)	
SHARE CAPITAL AND RESERVES			
Authorized share capital		2,500,000	2,500,000
Issued, subscribed and paid up share capital		1,718,764	1,718,764
General reserve		332,000	332,000
Accumulated loss		(199,210)	(15,298)
		1,851,554	2,035,466
Surplus on revaluation of fixed assets		1,091,572	1,108,540
NON CURRENT LIABILITIES			
Long term loans, finances and other payables	3	1,538,646	87,077
Term finance certificates	4	225,000	-
Long term foreign currency loans		186,714	178,578
Liabilities against assets subject to finance lease		162,899	183,754
Deferred liabilities		18,496	18,530
Long term deposits		1,300	1,310
		2,133,055	469,249
CURRENT LIABILITIES			
Trade and other payables	5	537,929	341,265
Accrued interest / mark-up		72,814	14,886
Short term loans and finances	6	226,789	218,117
Current portion of non-current liabilities		83,354	75,452
Dividend payable	7	3,878	-
Taxes and duties		40,837	39,119
		965,601	688,839
CONTINGENCIES AND COMMITMENTS	8	-	-
		6,041,782	4,302,094

The annexed notes 1 to 16 form an integral part of these accounts.

M. TOUSIF PERACHA
Chief Executive

IQBAL AHMAD RIZVI
Chief Financial Officer

as at December 31, 2006 (Un-audited)

	Note	December 31 2006	June 30 2006
		(Rupees in thousand)	
NON CURRENT ASSETS			
Operating fixed assets		2,472,185	2,520,975
Capital work in progress	9	2,752,406	848,601
Vehicles in transit		630	-
Stores held for capital expenditures		75,230	74,663
		5,300,451	3,444,239
Long term investments		963	963
Long term loans and advances to staff		3,443	6,673
Long term deposits and prepayments		3,378	1,366
Deferred cost		44,192	54,192
		51,976	63,194
CURRENT ASSETS			
Stores, spares and loose tools	10	167,302	209,505
Stock in trade		91,316	135,723
Loan and advances		106,580	101,304
Trade deposits and short term prepayments		23,454	25,136
Accrued interest		4,019	4,036
Other receivables	11	19,435	471
Investments in associate		161,524	161,524
Cash and bank balances		115,725	156,962
		689,355	794,661
		6,041,782	4,302,094

The annexed notes 1 to 16 form an integral part of these accounts.

A. SHOEB PIRACHA
Director

Profit and Loss Account (Un-audited)

For The Second Quarter and Half Year Ended December 31, 2006

	Note	Oct. - Dec. 2006	Oct. - Dec. 2005	July - Dec. 2006	July - Dec. 2005
			(Rupees in thousands)		
SALES - net		144,976	414,924	437,067	820,912
COST OF SALES		190,514	344,756	525,474	669,723
GROSS PROFIT/(LOSS)		(45,538)	70,168	(88,407)	151,189
General and administrative expenses		11,624	33,304	25,609	51,636
Selling and distribution expenses		441	1,782	1,136	3,829
Other operating expenses		5,068	5,733	7,929	8,023
		17,133	40,819	34,674	63,488
		(62,671)	29,349	(123,081)	87,701
OTHER OPERATING INCOME		6,087	16,666	6,378	28,872
		(56,584)	46,015	(116,703)	116,573
FINANCE COST		32,215	7,191	56,863	14,241
PROFIT/(LOSS) BEFORE TAXATION		(88,799)	38,824	(173,566)	102,332
TAXATION - Current		418	2,098	2,185	4,150
PROFIT/(LOSS) AFTER TAXATION		(89,217)	36,726	(175,751)	98,182
EARNINGS/(LOSS) PER SHARE		(0.05)	0.21	(0.10)	0.73

The annexed notes 1 to 16 form an integral part of these accounts.

M. TOUSIF PERACHA
Chief Executive

IQBAL AHMAD RIZVI
Chief Financial Officer

A. SHOEB PIRACHA
Director

Cash Flow Statement (Un-audited)

For The Half Year Ended December 31, 2006

	Note	December 31, 2006	December 31, 2005
		(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	12	339,337	130,485
Financial charges paid		830	(23,108)
Gratuity payments		(1,058)	(5,155)
Prior year's bonus paid		(11,252)	-
Taxes and duties paid		(121,753)	(175,683)
Provision for compensated absences (net)		(35)	2,775
Net decrease in long term loans & advances to staff		492	2,306
Net increase in long term deposits and prepayments		(2,012)	-
Net decrease in long term deposits from customers		(10)	(75)
Net cash inflow/(outflow) from operating activities		204,539	(68,455)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,914,297)	(514,372)
Proceeds from sale of certificate of investments		-	50,000
Proceeds from sale of investment		-	9,166
Interest received		6,231	9,428
Dividend income received		-	5,429
Net cash outflow from investing activities		(1,908,066)	(440,349)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans and finances		(13,557)	(17,110)
Proceeds from long term loans and finances		1,470,252	136
Repayment of finance lease liabilities		(18,077)	(12,568)
Proceeds from lease finance		-	134,586
Proceeds of short term finances - net		8,672	16,626
Proceeds from right issue		-	490,472
Proceeds from TFCs		225,000	-
Dividend paid		(10,000)	-
Net cash inflow from financing activities		1,662,290	612,142
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(41,237)	103,338
CASH AND CASH EQUIVALENTS - at the beginning of the year		156,962	317,161
CASH AND CASH EQUIVALENTS - at the end of the year		115,725	420,499

The annexed notes 1 to 16 form an integral part of these accounts.

M. TOUSIF PERACHA	IQBAL AHMAD RIZVI	A. SHOEB PIRACHA
Chief Executive	Chief Financial Officer	Director

Statement of Changes in Equity (Un-audited)

For The Half Year Ended December 31, 2006

Particulars	Share Capital	Shares Subscription Money	General Reserve	Accumulated Loss	Total
	(Rupees in thousands)				
Balance as at June 30, 2005	368,764	859,528	332,000	(445,549)	1,114,743
Share subscription money	-	490,472	-	-	490,472
Issuance of 135 million right shares of Rs. 10 each	1,350,000	(1,350,000)	-	-	-
Profit for the half year ended December 31, 2005	-	-	-	98,182	98,182
Surplus on revaluation of fixed assets transferred to retained earnings depreciated in current period (net of deferred tax of Rs. 2.07 million)	-	-	-	3,844	3,844
Balance as at December 31, 2005	1,718,764	-	332,000	(343,523)	1,707,241
Balance as at June 30, 2006	1,718,764	-	332,000	(15,298)	2,035,466
Correction of error - prior years bonus (Note 13)	-	-	-	(11,252)	(11,252)
Dividend payable (Note 7)	-	-	-	(13,878)	(13,878)
Loss for the half year ended December 31, 2006	-	-	-	(175,751)	(175,751)
Surplus on revaluation of fixed assets transferred to retained earnings depreciated in current period (net of deferred tax of Rs. 9.136 million)	-	-	-	16,969	16,969
Balance as at December 31, 2006	1,718,764	-	332,000	(199,210)	1,851,554

M. TOUSIF PERACHA
Chief Executive

IQBAL AHMAD RIZVI
Chief Financial Officer

A. SHOEB PIRACHA
Director

Notes to the Accounts (Un-audited)

For The Half Year Ended December 31, 2006

1. STATEMENT OF CONSISTENCY IN ACCOUNTING POLICIES

The accounting policies and methods of computation followed in preparation of these interim financial statements are the same as those followed in the preparation of the annual financial statements for the preceding financial year ended June 30, 2006.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Accounting Standard, IAS-34 “Interim Financial Reporting” and are unaudited but have been reviewed by the auditors as required by the Code of Corporate Governance.

The company has incurred a net loss of Rs. 175.751 million for the period ended December 31, 2006. The accumulated loss at that date was Rs. 199.210 million and current liabilities exceeded current assets by Rs. 276.246 million. The production capacity utilization has substantially declined during the period due to closure of two out of three wet process kilns.

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 August / September 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.

	Note	December 31, 2006	December 31, 2005
		(Rupees in thousand)	
3. LONG TERM LOANS AND ADVANCES			
Saudi Pak Commercial Bank		39,000	42,250
Saudi Pak Industrial and Agricultural Investment Co.		20,625	22,500
Orix Investment Bank Pakistan Ltd.		22,105	23,684
First Credit and Discount Corporation Ltd.		6,842	7,895
Syndicate Term Finance	3.1	1,285,664	-
		1,374,236	96,329
Directors’ loan - unsecured & interest free		198,456	19,669
		1,572,692	115,998
Less: Current portion under current maturity		34,046	28,921
		1,538,646	87,077

3.1 This represents disbursements against term finance facility of Rs. 1,548 million obtained from consortium of financial institutions led by Saudi Pak Leasing Co. Ltd. to finance the new dry cement project.

The said term finance is secured by way of first parri passu mortgage charge and hypothecation over all present and future fixed assets of the Company and personal guarantees of all sponsoring directors of the Company.

This finance carries mark-up at KIBOR (6 months average ask rate) + 5.5% p.a.

4. TERM FINANCE CERTIFICATES

This represents private placement (Pre-IPO) portion of listed, rated and secured term finance certificates (TFCs) amounting to Rs. 500 million and having face value of Rs. 5,000 each. Certificates for the private placement portion of TFCs shall be issued within 30 days from the date the public placement (IPO) portion of the TFC's is concluded. These TFC's shall be redeemed in six biannually installments from the date of issuance of TFCs with two years grace period and carry profit @ KIBOR (6 months ask rate) plus 3% p.a. Proceed from these TFC's is to be used to swap higher interest debts.

	Note	December 31, 2006	June 30, 2006
		(Rupees in thousands)	
5. TRADE AND OTHER PAYABLES			
Creditors		180,677	90,346
Import bills payable		182,922	127,413
Accrued liabilities		119,361	74,757
Advances from customers		9,544	17,422
Due to employees and directors		4,568	541
Due to Workers' Profit Participation Fund		15,178	15,178
Due to gratuity fund trust		4,385	5,442
Due to provident fund trust		2,829	1,334
Sales tax payable		1,303	163
Income tax deducted at source payable		6,314	2,025
Interest free deposits:			
Repayable on demand		2,902	2,894
Others		3,255	3,053
		6,157	5,947
Others	5.1	4,691	697
		537,929	341,265

5.1 This includes Rs. 0.682 million being advance against sale of coal to an associated company i.e. DCCL.

6. SHORT TERM FINANCE

This includes interest free unsecured finance from a director amounting to Rs. 10 million and short term bridge loan from underwriter of TFCs amounting to Rs. 48 million which carries profit @ KIBOR (6 months ask rate) plus 3% p.a.

7. DIVIDEND PAYABLE

The Company in its annual general meeting held on October 28, 2006, approved 5% cash dividend (Re. 0.50 per share) to the shareholders of the Company (excluding sponsoring directors, their spouses and their local / foreign associates) out of the profit earned during the year ended June 30, 2006.

Subsequent to the balance sheet date, this balance amount of dividend has been paid.

8. CONTINGENCIES AND COMMITMENTS

There is no significant change in the contingent liabilities and capital commitments of the Company since the last annual balance sheet date except for the following:

- Commitments in respect of capital expenditure were outstanding on account of the following expansion projects:

	December 31, 2006	June 30, 2006
- Suppliers for new dry process cement project	1,157,151	3,199,021
- Dual fuel electric power generator	460,122	460,845
	1,617,273	3,659,866

	Note	December 31, 2006	June 30, 2006
		(Rupees in thousands)	
9. CAPITAL WORK-IN-PROGRESS			
Civil works and buildings		4,212	1,663
Dry cement plant			
civil works		584,250	219,244
plant & machinery		1,274,447	11,008
plant & machinery in transit		233,841	101,437
L/C in process		54,429	12,710
borrowing cost		43,395	16,787
advances to suppliers - considered good		474,023	420,213
other BMR/Expansion costs		29,590	12,599
		2,693,975	793,998
Dual fuel electric power generation plant			
advances to suppliers - considered good		51,937	51,937
civil works		556	-
L/C in process		723	-
borrowing cost		950	950
other BMR/Expansion costs		53	53
		54,219	52,940
		2,752,406	848,601

10. STORES, SPARES AND LOOSE TOOLS

This includes inventory in transit amounting to Rs. 45.437 million (30-06-2006: Rs. 97.694 million).

11. This includes advances to Balochistan Glass Limited, an associated undertaking, amounting to Rs. 15.00 million against supply of specified glass and other table wares.

	Note	December 31, 2006	June 30, 2006
12. CASH GENERATED FROM OPERATIONS			
Net profit before taxation		(173,566)	102,332
Adjustments for non cash charges and others:			
Depreciation on operating fixed assets		58,652	27,060
Interest on bank deposits		(5,622)	(12,999)
Interest on finances to associate		(592)	-
Dividend income		-	(5,429)
Interest on Certificates of Investment		-	(2,170)
(Reversal)/provision for diminution in value of investments		-	(721)
Provision for gratuity		-	2,148
(Gain)/loss due to exchange fluctuation		7,805	(4,755)
Taxes and duties		121,286	172,345
Loss/(Profit) on sale of investment		-	2,282
Amortization of discount on issue of shares		10,000	10,082
Financial charges		56,863	14,241
		248,392	202,084
		74,826	304,416
Effect on cash flows due to working capital changes	12.1	264,511	(173,931)
		339,337	130,485

	Note	December 31, 2006	June 30, 2006
		(Rupees in thousands)	
12.1 Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		42,203	(90,715)
Stock in trade		44,407	(31,517)
Loan and advances		(2,538)	1,906
Trade deposits and short term prepayments		1,682	(9,782)
Other receivables		(18,964)	17,441
		66,790	(112,667)
Increase / (decrease) in current liabilities			
Trade and other payables		197,721	(61,264)
		264,511	(173,931)

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

14. The Company has offered golden hand shake to its employees subsequent to the balance sheet date and 343 employees out of 537 have accepted this offer. Termination benefits relating to early termination comes to about Rs. 288.455 million to be paid in monthly installments over a period of 12 - 18 months beginning from February 2007.

15. CAPACITY AND PRODUCTION - TONNES

	Clinker		Cement	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Plant capacity for half year	270,000	270,000	284,210	284,210
Actual production	135,416	217,925	157,080	224,360

Decline in production is due to the shut down of two kilns.

16. GENERAL

16.1 These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on February 28, 2006.

16.2 The figures have been rounded off to the nearest thousand Rupees.

M. TOUSIF PERACHA
Chief Executive

IQBAL AHMAD RIZVI
Chief Financial Officer

A. SHOEB PIRACHA
Director