



◆ **QUAID-E-AZAM** ◆
MUHAMMAD ALI JINNAH

“My message to you all is of hope, courage and confidence. Let us mobilize all our resources in a systematic and organized way and tackle the grave issues that confront us with grim determination and discipline worthy of a great nation. (Eid-ul-Azha Message to the Nation October 24, 1947)

(LATE)

MR. ZAKA UD DIN DIRECTOR



**HE SHALL ALWAYS REMAIN IN OUR
DEEPEST MEMORY FOR HIS DEDICATION,
SINCERITY, HUMILITY AND INTEGRITY.**

2012 HIGHLIGHTS

Improving efficiency in a difficult environment

Extensive cost-cutting measures and good levels of business in the emerging markets

Operating margins exceed the previous year's figures

Solid demand for building materials in the emerging markets

Reduction in finance cost through better cash flow planning

Carbon credits under Kyoto Protocol of United Nation

Cost pressure from energy and raw materials weighed on results

Increase in net income and higher operating profits

More investment in process optimization and alternate energy sources

Mission Statement

To provide quality products to customers and explore new markets to promote/expand sales of the Company through good governance and foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.

Vision Statement

To transform the Company into a modern and dynamic cement manufacturing company with qualified professionals and fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

CONTENTS

Corporate profile	2
Notice of Annual General Meeting.....	3
Directors' Report to the Shareholders.....	7
Statement of Value Addition	12
Operating and Financial Data	13
Pattern of Shareholding	14
Statement of Compliance with the Code of Corporate Governance	21
Review Report to the Members on Statement of Compliance with the Code of Corporate Governance	23
Auditors' Report to the Members.....	24
Financial Statements.....	25
Directors' Report on the Consolidated Financial Statements	75
Auditors' Report to the Members on the Consolidated Financial Statements	76
Consolidated Financial Statements.....	77
Form of Proxy	130

CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha Mian Raza Mansha Mr. Khalid Qadeer Qureshi Dr. Arif Bashir Mr. Farid Noor Ali Fazal Mr. Inayat Ullah Niazi Ms. Nabiha Shahnawaz Cheema	Chairperson Chief Executive Chief Financial Officer
Audit Committee	Mr. Khalid Qadeer Qureshi Mr. Farid Noor Ali Fazal Ms. Nabiha Shahnawaz Cheema	Member/Chairman Member Member
Human Resource & Remuneration Committee	Mian Raza Mansha Mr. Khalid Qadeer Qureshi Ms. Nabiha Shahnawaz Cheema	Member Member/Chairman Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Bank Islami Pakistan Limited Barclays Bank Plc Citibank N.A. Deutsche Bank AG Dubai Islamic Bank Faysal Bank Limited HSBC Bank Middle East Limited	Habib Bank Limited Limited Habib Metropolitan Bank MCB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Samba Bank Limited Standard Chartered Bank (Pakistan) Limited Silk Bank Limited The Bank of Punjab United Bank Limited
External Auditors	A.F. Ferguson & Co, Chartered Accountants	
Cost Auditors	Avais Hyder Liaquat Nauman, Chartered Accountants	
Legal Advisors	Mr. Shahid Hamid, Bar-at-Law	
Registered Office	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan Phone: 92-42-36367812-20 UAN: 111 11 33 33 Fax: 92-42-36367414 Email: info@dgcement.com web site: www.dgcement.com	
Factory	1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan Phone: 92-641-460025-7 Fax: 92-641-462392 Email: dgsite@dgcement.com 2. 12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan Phone: 92-543-650215-8 Fax: 92-543-650231	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of D. G. Khan Cement Company Limited ("the Company") will be held on October 24, 2012 (Wednesday) at 11:00 A.M. at Nishat House, 53-A, Lawrence Road, Lahore to transact the following ordinary business:

1. To receive and adopt the Audited Unconsolidated Financial Information and Consolidated Financial Information of the Company for the year ended June 30, 2012 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 15% [i.e. Rs. 1.50 (Rupee One and Paisas Fifty Only) Per Ordinary Share] as recommended by the Board of Directors
3. To appoint statutory Auditors for the year ending June 30, 2013 and fix their remuneration.

By order of the Board



(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

LAHORE
SEPTEMBER 10, 2012

NOTES:

1. BOOK CLOSURE NOTICE:-

The Share Transfer Books of Ordinary Shares of the Company will remain closed from 17-10-2012 to 24-10-2012 (both days inclusive) for entitlement of **15% Final Cash Dividend [i.e. Re. 1.50 (Rupee One and Paisas Fifty Only) Per Ordinary Share]** and attending of Annual General Meeting. Physical transfers / CDS Transactions IDs received in order up to 1:00 p.m. on 16-10-2012 at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore, will be considered in time for entitlement of 15% Final Cash Dividend and attending of meeting.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.
4. Members who have not yet submitted photocopies of their CNIC to the Company are requested to send the same at the earliest to mention the same on dividend warrants to be issued.

ADDENDUM TO THE NOTICE OF ANNUAL GENERAL MEETING

The Board of Directors of D. G. Khan Cement Company Limited (“the Company”) in their meeting held on October 02, 2012 has recommended the following Special Resolution under Section 208 of the Companies Ordinance, 1984, to put before the Shareholders of the Company for their approval in the forthcoming Annual General Meeting to be held on October 24, 2012.

SPECIAL BUSINESS:-

To consider and, if thought fit, pass the following Special Resolution with or without modification(s).

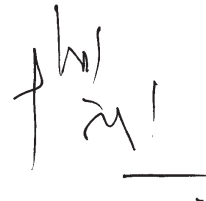
RESOLVED THAT, “pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, D. G. Khan Cement Company Limited (“the Company”) be and is hereby authorized to invest up to Rs. 500 Million (Rupees Five Hundred Million Only) by way of long term Equity Investment in the shares of Nishat Dairy (Private) Limited, an associated company”.

FURTHER RESOLVED THAT, “the above said resolution shall be valid for 3 years and the Chief Executive Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to execute any and all documents and agreements as required in this respect”.

FURTHER RESOLVED THAT, “subsequent to the above said equity investment, Chief Executive Officer and/or Company Secretary of the Company be and are hereby authorized singly to dispose off through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company”.

ALSO RESOLVED THAT, “a certified true copy of these resolutions duly signed by the Chief Executive Officer or any of the Director or the Company Secretary be issued to whom it may concern and shall remain enforced until notice in writing to the contrary duly signed by the Chief Executive Officer or any of the Directors or Company Secretary”.

By order of the Board



(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

Lahore
October 02, 2012

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on October 24, 2012.

Nishat Dairy (Private) Limited was incorporated on 28 October 2011 as a private limited company with an authorized share capital of Rs. 250 million. The authorized share capital has subsequently been enhanced to Rs. 1,500 million which will be further enhanced to Rs 2,700 million as and when required.

Nishat Dairy (Private) Limited is being set up with the principal object of carrying out dairy business in Pakistan. The company has undertaken the project to establish a dairy farm with the capacity of 2500 milking animals. The project will be completed in two phases. In the first phase, the company will set up the dairy farm for 1,500 milking animals and in the second phase additional investment shall be made for incremental 1,000 milking animals to reach the housing capacity of 2,500 milking animals.

The company will sell raw milk to the companies operating in dairy products manufacturing industry. At 2500 milking cows it will be the largest dairy farm in the country. Cattle feed (corn, alfalfa hay and rhode grass) will be outsourced, purchase contracts for these have already been made with reputable growers.

The company has purchased 147 acres land at Sukheki Road, Off Kot Sarwar Interchange, Moza Khatrani, District Hafizabad to establish the dairy farm. The company will import 1,800 Holstein Friesian heifers (1,300 joined and 500 un-joined) from Australia in Phase I. Additional 1,200 heifers (all joined) will be bought in Phase II to reach the farm capacity of 2,500 milking cows.

The directors have carried out their due diligence for the proposed investment and the duly signed recommendation of due diligence report shall be available for inspection of members in the general meeting along with audited accounts of the associated company.

Information required under Clause (a) of sub-regulation (1) of Regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Ref.No.	Requirement	Information
i	Name of associated company	Nishat Dairy (Private) Limited
	Criteria of associated relationship	Common directorship
ii	Purpose	To participate in the growing Dairy Sector of the Country through equity investment.
	Benefits	To earn return on equity of D. G. Khan Cement Company Limited through dividend income from investment in associated company.
	Period of investment	Strategic Investment – long term
iii	Maximum amount of investment	Rs. 500 million (Rupees Five Hundred Million Only)
iv	Maximum price/share	The price to be paid for the equity investment will be Rs. 10/- per share since the project is a green field project and the price is less than the fair value determined by independent firm of Chartered Accountants.
v	Maximum number of shares to be acquired	50 million shares
vi	Shareholding before investment	No. of shares: NIL, Shareholding percentage: NIL
	Shareholding after investment	No. of shares: 50 Million , Shareholding percentage: 18.52% of the final paid up share capital.

Ref.No.	Requirement	Information								
vii	Requirement in case of investment in listed associated company	Not Applicable as Nishat Dairy (Private) Limited is an unlisted, private limited company								
viii	Fair market value of shares	The fair value of the share determined in terms of Regulation 6(1) is Rs. 28.55 per share based on discounted cash flows using "Free Cash Flow" to the Company at discount rate of 16.98% with 4% terminal growth rate. (Copy of fair valuation report issued by Tabussum Saleem & Co., Chartered Accountants, is available at Registered Office of the Company and can be inspected in working hours upto October 23, 2012).								
ix	Break-up value of shares	Rs. 9.86 /share as at June 30, 2012.								
x	Earnings per share for the last three years	30 June 2012 is company's first year of operations. Loss per share for the year 2011-12 is Rs. 0.31								
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.								
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.								
xiii	Salient features of agreement(s) entered into with the associated company	No Agreements.								
xiv	Direct/Indirect interest of directors in the associated company	<p>One director of D. G. Khan Cement Company Limited, Mian Raza Mansha currently holds 33.33% shares in Nishat Dairy (Private) Limited. The brothers of Mian Raza Mansha, Mian Umer Mansha and Mian Hassan Mansha also holds 33.33% shares each in Nishat Dairy (Private) Limited. The directors of the associated company are interested in the investing company to the extent of their shareholding as under:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>% of Shareholding</th> </tr> </thead> <tbody> <tr> <td>Mian Raza Mansha</td> <td>2.90</td> </tr> <tr> <td>Mian Umer Mansha</td> <td>6.23</td> </tr> <tr> <td>Mian Hassan Mansha</td> <td>6.14</td> </tr> </tbody> </table>	Name	% of Shareholding	Mian Raza Mansha	2.90	Mian Umer Mansha	6.23	Mian Hassan Mansha	6.14
Name	% of Shareholding									
Mian Raza Mansha	2.90									
Mian Umer Mansha	6.23									
Mian Hassan Mansha	6.14									
xv	Any other important detail	None								
xvi	Description of the project	2500 milking cows dairy farm at Sukheki Road, Off Kot Sarwar Interchange, Moza Khatrani, District Hafizabad. The Company was incorporated on 28 October 2011.								
	Starting date of work	May 09, 2012								
	Completion of work	March 30, 2013								
	Commercial operations date	April 01, 2013								
	Expected time by which the project shall start paying return on investment	Financial year 2014-15								

DIRECTORS' REPORT 2012

Business Outlook

After 2007 & 2008 financial melt down, the world is now witnessing a new series of alarming situations, from Middle East unrest to USA economic weakening, from natural disasters, to violence in South Asia. Europe is also in a vicious cycle of high debt and low growth.

Changing global scenarios are impacting our domestic environment as well. Trade and not trade related exposure to various geographical areas have innumerable mark on our country.

Our revised GDP growth remained at 3.7% from originally planned 4.2% in 2012. Despite minor growth in Construction sector (6.4%), Pakistan's overall manufacturing sector operated below production capacity.

Energy is considered to be the lifeline of economic development. Severe shortfall in Power generation, diminishing supply of natural gas and increase in prices of fuel were also major contributor towards the low GDP growth during the year.

The situation further deteriorated by heavy rainfall in August 2011, in Sindh and adjoining areas of northern Balochistan caused severe damage to crops, infrastructure and human settlements. Overall impact of this natural disaster is estimated around PKR 324 billion

There was a decrease in Foreign Direct investments by 68% due to political instability. Moreover poor Law and order situation in Karachi and Balochistan also shackled the confidence of investors.

Cement Industry

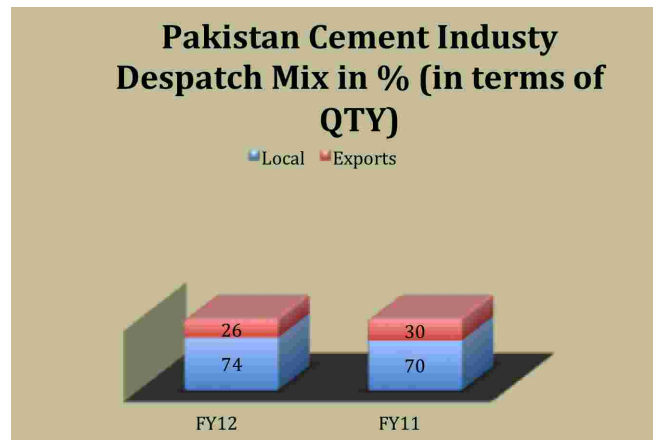
Global Cement Industry

Globally cement industry grow dynamically with most of the actions taking place in emerging economies. Despite the ongoing financial crisis the global economy is facing, the need for housing and continued government investments in infrastructure development by emerging economies is offsetting downturn in mature markets. Though, at present, demand is growing, but at a decelerated pace. However, this phase is momentary and long-term projections indicate healthy demand growth, as world economy is stabilizing and construction

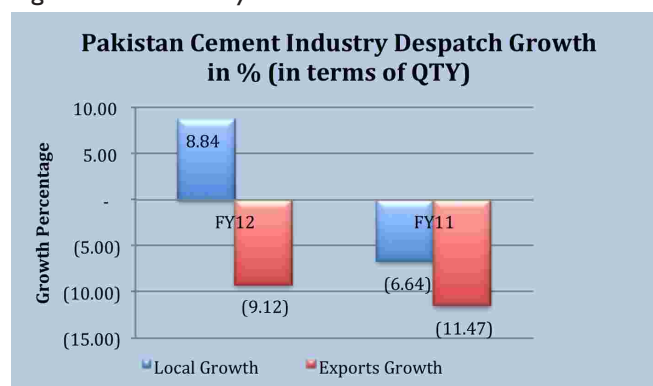
activities are also picking up across global markets into the next decade. Due to prospective increase in cement demand Asian cement industry is investing heavily in Indonesia, Myanmar, Thailand, Laos and Cambodia

Domestic Cement Industry

The problems that beset Pakistan's cement industry last year seem to be continuing in 2012. Increased competition from the Middle East has badly affected the country's export market. Pakistan's cement industry's rated capacity is 44 million tones per annum and industry's average operations during FY12 was about 73% as compared to 74% last year. Inflationary pressures were immense in the country. Out of the 73% utilization 74% was sold in domestic market while 26% was exported. India, Afghanistan, Sri Lanka, Iraq and African continent countries are among the major importer of Pakistan cement.



There is a significant growth in local sales dispatches which remained at 8.84 % as compared to negative growth of 6.64% last year. However negative growth trend continue in export dispatched which remained at negative 9.12% as compared negative 11.47% last year



COMPANY'S PERFORMANCE 2012

Production and Sales Statistics

	(Metric Tons)	
	2012 Year ended 30 June	2011 Year ended 30 June
Clinker Production	3,773,948	3,738,404
Cement Production	4,004,458	4,176,733
Clinker Sale	5,945	98,521
Cement Sales (Local)	2,765,534	2,860,795
Cement Sales (Export)	1,253,422	1,304,840
Cement Sales Total	4,018,956	4,165,635

Local sales constituted 69% of the total sales while export sales remained at 31%.

During FY12 year the Company performed unprecedented and reported a post tax profit of PKR 4,108 million and Earnings Per Share of 9.38. Here are the annual performance highlights for FY12:

Financial Performance (Rupees in Thousands)

	(Rupees in Thousands)	
	2012 Year ended 30 June	2011 Year ended 30 June
Sales	22,949,853	18,577,198
Cost of sales	(15,443,098)	(14,192,229)
Gross profit	7,506,755	4,384,969
Administrative expenses	(267,705)	(211,362)
Selling and distribution expenses	(2,202,901)	(2,470,599)
Other operating expenses	(500,835)	(37,964)
Other operating income	1,187,936	1,134,130
Impairment on investments	-	(118,836)
Profit from operations	5,723,250	2,680,338
Finance cost	(1,670,784)	(2,079,146)
Profit before taxation	4,052,466	601,192
Taxation	55,652	(430,231)
Profit after taxation	4,108,118	170,961

Increase in sales is attributed to better prices in local and international market and devaluation of Pak Rupee against US Dollar.

There is an increase in Cost of sales which is mainly constituted of fuel and energy cost 61%.

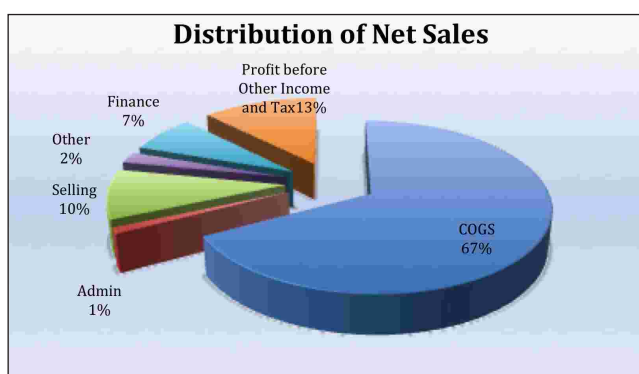
Increase in other operating expenses is attributed to increase in company's provision of Worker Profit Participation due to increased profitability and exchange losses incurred on imports and revaluation of foreign currency loan due to Devaluation of Rupee against Dollar during the year.

Other operating income is mainly attributed to Dividend income of Rs. 1,059 million received during the year from investment.

Reduction in finance cost is attributed to less utilization of finance lines due to better cash flow planning, repayment of long term loans, availability of reduced spreads and efficient utilization of export refinance scheme.

A deferred tax asset of Rs 848.7 million has been recognized in respect of unabsorbed tax depreciation, adjustment in respect whereof was claimed by the Company in returns of total income for tax years 2009 to 2011 against dividend income derived during such years. Since, the likelihood of appellate authorities endorsing Company's claim of adjustment is not strong given to certain recent judgments, therefore, adjustment of dividend income against unabsorbed tax depreciation has not been accounted for, thus resulting into recognition of related deferred tax asset.

Following is the composition of Cost in comparison of sales.

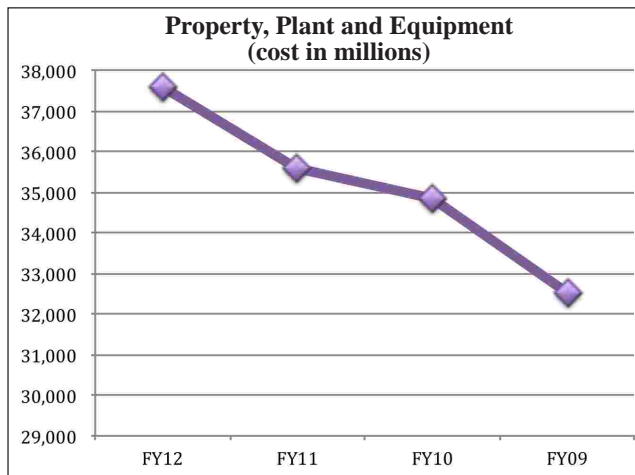


The company maintained a balance proportion of Asset, owner's Capital and liabilities. As specified in the following graph, Capital Assets represent more than 53% of the total assets while liquid assets are 36%. Liabilities attributed to financial institutions are 27% of total Capital and Liabilities while other liabilities are 8%



D.G. Khan Cement Company Limited

The Company has a policy of continuous investment in latest and upgraded manufacturing Technology and equipment which is evident from our year wise capitalization.



The Company's balance sheet represents its strength and your Company's management's controls.

Cash flow Management

The company has an effective cash flow Management in place to project inflow and outflow of cash and develop strategies to meet working capital requirements through cash inflows and short term borrowings

Information Systems

Information Technology and Communication system of the company support to achieve its management and operation excellence, state-of-art technology helps to achieve business goals and objectives. Continuous improvement in business processes and IT infrastructure with changing technologies and business dynamics is ensured, which includes management of ERP (Oracle EBS), Business Intelligence (BI), electronic communication and network infrastructure. New avenue of development are continuously evaluated for process optimization and ensuring its effectiveness at the same time.

Information system security and disaster recovery management are given primary importance to safeguard company's information system.

Contribution to National Exchequer

Your Company contributed more than PKR 4.5 Billion to national exchequer during FY12 in terms of various taxes and levies. The Company also contributed its due share in earning foreign exchange of more than US Dollar 79 Million for the country.

Sensitive Factors

Cement Industry is energy intensive and shortfall in supply of electricity and Sui gas and continuous increase in electricity prices results in decline in profits for the stake holders. The

company is continuously working on exploration and availability of cheap alternate fuels to reduce dependence on imported coal and furnace oil

The company uses imported coal to meet its energy requirement and due to continuous investment in imported plant and machinery, the company is exposed to risk of foreign exchange losses due to devaluation in Pak Rupee against other currencies. However to some extent the risk is mitigated by export volume. The company also uses foreign exchange derivatives to mitigate the risk of foreign exchange losses.

The Company has substantial long and short term loans including foreign currency loan. The movements in KIBOR and LIBOR both have substantial impact over shareholder's profitability. Although decrease in SBP interest rate will reduce finance cost, the company also uses export refinance scheme to benefit from reduced spread.

Credit, Liquidity and other risks have also been discussed at length in notes to the accounts.

Corporate Social Responsibility

Corporate social responsibility (CSR) is about business giving back to society. The company's practice is an evidence of commitment to its employees, suppliers, customers and communities in which we operate.

The Company is committed to achieve excellence in Safety, Health and Environmental protection. Your Company encourages awareness in these areas amongst our employees, customers, suppliers and all those who are associated with us in our activities. Our goal is to minimize all adverse environmental and health impacts arising out of our operations, conserve all kinds of resources and adhere to all legal regulations.

Maintenance of health and safety standards at our plants and offices is our top priority. We are committed to actively managing health and safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors. We also ensure that our products are shipped in a safe manner complying with safety standards and legal requirements. The Company takes care and applies appropriate procedures to design /manufacture cement products so as to ensure that no harmful substances are present in its products.

The company's compliance with Kyoto Protocol of United Nations Framework Convention and award of Carbon credit is an evidence of company's commitment to cleaner and healthier environment. Moreover, use of municipal and agricultural waste to generate heat is also an effort to reduce impact of fossil fuel on Ozone Layer.

During the year the company generated 305,357 MW of electricity from its own sources including 64,016 MW from waste heat recovery, hence sharing the burden of national grid.

The company is replacing imported coal with alternate fuels thus saving foreign exchange for the country required for balance of payment

Realizing the importance of education, the company is operating two schools in DG Khan bearing cost of more than Rs. 18 million during the year thus making it accessible to rural community.

During the year company also donated reasonable amount toward the rehabilitation of disabled persons, FATA displaced person, sports and flood relief activities being carried out in our country.

Quality Management

Quality is assured through systematic and effective adoption, implementation, monitoring and continuous enhancement of quality control systems using latest methods of analyses. All stages of the production process right from the selection of raw materials, processing of materials and the finished product, are subject to rigorous testing to ensure that each bag of cement is of the highest quality. The quality check parameters during each level of the process are monitored and controlled by the latest version of technology & equipments connected on-line with Central Control Room through PLC system. The frequency of sampling and testing along with control parameters is also well defined.

Future Prospects

Cement industry was expecting to benefit this year from pronouncement announced in federal Budget 2012-13 relating to decrease in Federal Excise Duty (FED) (Rs. 100 per ton against expected Rs. 250 per ton) and decrease in Custom duty on the import of scrap of rubber/ shredded tyres to be used as substitute material and expected decrease in Imported coal prices. However the advantage is going to be nullified by increase in electricity cost due to Fuel Price Adjustment (FPA) and increase in Sui gas cess from Rs. 13 to Rs 50 per MMBTU.

The industry also foresees increase in demand and sustainability in prices from expected recovery of economy in post election-2013 scenario. However, continuity of energy crises, expected increase in fuel prices and increase in Inflation rate may reduce the benefit derived from decrease in government duties and expected decrease in coal prices.

The industry is also expecting increase in sales volume due to government allocation of Rs. 873 Billion toward Public Sector Development Projects (PSDP) out of which Rs. 47 Billion were allocated to WAPDA for various hydel projects and water schemes.

Decreasing trend of SBP discount rate will have certain positive implications on company's profitability.

The company's marketing activities are also directed towards exploration of new export market in African continent countries, the company is also seeking opportunity from revival activities

in Iraq and Libya. Moreover Government permission to export cement to India through land routes will also result in increase in company exports.

Company Projects

The management of the company has committed towards cleaner environment and energy efficiency. For this sake, your company is working on various environment friendly and energy efficient projects.

State of the art Waste Heat Recovery Plant at our DG Khan site is successfully running. This plant uses the heat of cement plant and generates electricity there-from without using any fossil fuel. This project is in compliance of the Kyoto Protocol of United Nations Framework Convention on Climate Change and is aimed at reducing the greenhouse gases. During the year the company obtained more than 13,000 carbon credits which are yet to be certified.

Installation of Waste Heat Recovery Plant at Khairpur plant is under way. Base work is complete, while erection and installation of plant and machinery is under process. The company is expecting to generate 8.6 MW from this project and this project is expected to be operational in December 2012.

Alternate Fuels projects are now running successfully and showing favourable results. These projects aim at replacing imported coal with indigenous alternate fuels. Alternate fuels include:

- Industrial waste
- Agricultural waste
- Municipal waste, Etc.

Company is also investing in state of the art packing plant for its DGK site with automatic cement packing and truck loading equipment.

Appropriation

The board, keeping in view the profitability decided to recommend dividend @ Re. 1.5 per share for the year.

Auditors

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment.

The Board has recommended the appointment of M/s A. F. Ferguson & Co., Chartered Accountants as auditors for the ensuing year as suggested by the Audit Committee subject to approval of the members in the forthcoming Annual General Meeting.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended 30 June 2012

have been adopted by the company and have been fully complied with. A Statement to this effect is annexed to the Report.

Meeting of Board of Directors

During the year under consideration, six Board meetings were held and the number of meetings attended by each Director is given in the annexed table.

Audit Committee

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance, which now comprises of two Non-Executive Directors (including its Chairman) and one Executive Director. During the year, six Meetings of the Audit Committee were held. The Audit Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided by the Listing Regulations.

Corporate and Financial Reporting Frame work

The financial statements together with the notes thereon have been drawn up by the management of the company in conformity with the Company Ordinance, 1984 and applicable International Financial Reporting Standards (IFRS). These Statements present fairly the company's state of affairs, the results of its operations, cash flow and changes in equity.

- Any departure from the application of IFRS has been adequately disclosed in "Notes to the Accounts" of financial statements.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal auditors.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- The key operating and financial data for the last six years is annexed.
- Value of investments of Provident Fund based on its audited financial statements is Rs 579.494 million (2011: Rs 448.281 million)

Pattern of Shareholding

A statement of pattern of shareholding of certain class of shareholders as at 30 June 2012, whose disclosure is required under the reporting frameworks, is included in the annexed shareholders' information.

The Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses or minor children did not carry out any trade in the shares of the company during the year.

Company's Staff and Customers

We wish to record our appreciation of continued commitment of our employees and patronage of our customers.



Mian Raza Mansha
Chief Executive Officer

Lahore: 10 September, 2012

STATEMENT OF VALUE ADDITION FOR THE YEAR ENDED JUNE 30, 2012

	2012		2011	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Revenue Generated				
Revenues:				
- Local sales	20,258,088		16,986,833	
- Exports	7,146,522	27,404,610	6,486,701	23,473,534
		96%		95%
Income from other sources				
- Investment income	1,058,707		951,350	
- Other income	129,229	1,187,936	155,312	1,106,662
		4%		5%
		28,592,546		24,580,196
		100%		100%
Revenue Distributed				
Suppliers:				
- Raw and packing materials	1,877,887		1,805,898	
- Services	2,155,540		2,443,757	
- Stores spares	1,599,699		1,513,316	
- Fuels and energy	9,379,576	15,012,702	8,047,528	13,810,499
		53%		56%
Employees		1,155,599		985,962
		4%		4%
Government:				
- Direct taxes	(55,652)		430,232	
- Indirect taxes	4,177,559		4,621,996	
- Other levies and duties	-	4,121,907	-	5,052,228
		14%		21%
Providers of Capital:				
- Banks	1,670,784		2,051,680	
- Ordinary share holders	-	1,670,784	-	2,051,680
		6%		8%
Reinvested in business				
- Depreciation	1,466,164		1,430,409	
- Profit for the year	4,108,118	5,574,282	170,960	1,601,369
		19%		7%
Other operating costs - Net		1,057,273		1,078,458
		4%		4%
		28,592,547		24,580,196
		100%		100%

OPERATING AND FINANCIAL DATA

	2012	2011	2010	2009	2008	2007
PRODUCTION & SALES						
	(M.Tons)					
Clinker	3,773,948	3,738,404	4,684,379	3,946,101	4,142,764	2,433,428
Cement	4,004,458	4,176,733	4,908,593	3,877,296	4,227,767	2,348,829
Cement sales:	4,018,956	4,165,635	4,908,962	3,854,949	4,233,953	2,655,783
Local	2,765,534	2,860,795	4,103,861	2,831,115	3,572,078	153,477
Export	1,253,422	1,304,840	805,101	1,023,834	661,875	2,502,306
Clinker Sale:						
Local	-	-	-	-	72,481	25,000
Export	5,945	98,521	71,041	177,064	95,202	-

OPERATING RESULTS

	(Rupees in thousand)					
Net sales	22,949,853	18,577,198	16,275,354	18,038,209	12,445,996	6,419,625
Gross profit	7,506,755	4,384,969	2,705,360	5,679,730	1,915,273	2,031,985
Pre-tax profit/ (Loss)	4,052,466	601,192	358,403	776,900	(250,930)	1,720,471
After tax profit/ (Loss)	4,108,118	170,961	233,022	525,581	(53,230)	1,622,471

FINANCIAL POSITION

Current assets	18,440,377	18,325,209	16,417,492	13,287,591	19,202,591	19,214,954
Current liabilities	11,205,943	12,687,375	13,786,189	15,834,799	12,054,718	7,390,229
Property, Plant & Equipment	25,192,214	24,611,565	25,307,302	24,345,793	22,977,894	22,117,551
Total assets	50,685,198	49,703,229	47,046,043	42,723,041	51,992,934	51,744,331
Long term liabilities	4,882,554	5,090,685	5,274,674	4,528,224	8,538,959	8,806,917
Shareholder's equity	32,930,632	30,217,283	26,519,220	20,918,442	30,080,257	33,923,185

RATIOS

Current ratio	1.65 : 1	1.45 : 1	1.19 : 1	0.84 : 1	1.59 : 1	2.6 : 1
Debt to equity ratio	19 : 81	25 : 75	28 : 72	27 : 73	45 : 55	44 : 56
Gross profit to sales (%)	32.71	23.60	16.62	31.49	15.39	31.65
Net profit to sales (%)	17.90	0.92	1.43	2.91	(0.43)	25.27
Break up value per Share (Rs.)	44.17	41.75	37.28	39.97	41.89	43.60
Earnings per share:						
Basic (Rs.)	9.38	0.45	0.70	1.63	(0.21)	6.43
Diluted (Rs.)	9.38	0.45	0.70	1.63	(0.21)	6.43

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2012 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1460	1	100 Shares		67582
2095	101	500 Shares		690363
1519	501	1000 Shares		1305499
2301	1001	5000 Shares		6030031
567	5001	10000 Shares		4415951
180	10001	15000 Shares		2348775
109	15001	20000 Shares		1997819
79	20001	25000 Shares		1865798
57	25001	30000 Shares		1606654
25	30001	35000 Shares		813738
35	35001	40000 Shares		1341419
21	40001	45000 Shares		905890
46	45001	50000 Shares		2285344
11	50001	55000 Shares		577911
14	55001	60000 Shares		828000
7	60001	65000 Shares		445465
9	65001	70000 Shares		612259
15	70001	75000 Shares		1115644
6	75001	80000 Shares		466158
4	80001	85000 Shares		334400
6	85001	90000 Shares		533091
4	90001	95000 Shares		375763
25	95001	100000 Shares		2494139
7	100001	105000 Shares		723880
4	105001	110000 Shares		435120
1	110001	115000 Shares		113401
4	115001	120000 Shares		478000
4	120001	125000 Shares		500000
5	125001	130000 Shares		644367
6	130001	135000 Shares		800816
3	135001	140000 Shares		417175
2	140001	145000 Shares		287283
6	145001	150000 Shares		897800
2	150001	155000 Shares		305698
4	155001	160000 Shares		632284
4	160001	165000 Shares		653900
2	165001	170000 Shares		335203
4	170001	175000 Shares		693480
2	175001	180000 Shares		360000
3	180001	185000 Shares		553310
3	185001	190000 Shares		567250
1	190001	195000 Shares		191000
14	195001	200000 Shares		2792761
3	200001	205000 Shares		607167
3	205001	210000 Shares		623178
1	210001	215000 Shares		210830
2	220001	225000 Shares		447284
1	230001	235000 Shares		231708

Continued →

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2012 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1	235001		240000 Shares	240000
2	245001		250000 Shares	496240
2	255001		260000 Shares	518704
1	260001		265000 Shares	265000
1	270001		275000 Shares	275000
1	275001		280000 Shares	280000
1	280001		285000 Shares	281588
2	290001		295000 Shares	586536
3	295001		300000 Shares	891599
2	300001		305000 Shares	605029
1	305001		310000 Shares	309500
1	325001		330000 Shares	330000
1	335001		340000 Shares	337501
2	345001		350000 Shares	697880
1	350001		355000 Shares	354800
1	355001		360000 Shares	360000
1	360001		365000 Shares	365000
1	385001		390000 Shares	389000
4	395001		400000 Shares	1596000
1	400001		405000 Shares	402897
1	410001		415000 Shares	412476
2	420001		425000 Shares	846350
1	425001		430000 Shares	427200
1	435001		440000 Shares	437690
2	440001		445000 Shares	887422
1	445001		450000 Shares	450000
1	455001		460000 Shares	459750
2	470001		475000 Shares	945055
1	480001		485000 Shares	483469
2	490001		495000 Shares	989290
1	495001		500000 Shares	500000
1	500001		505000 Shares	501331
1	515001		520000 Shares	516500
1	575001		580000 Shares	578871
1	590001		595000 Shares	591889
1	620001		625000 Shares	624000
1	625001		630000 Shares	630000
1	630001		635000 Shares	633000
1	645001		650000 Shares	646076
3	660001		665000 Shares	1993708
1	665001		670000 Shares	668700
1	695001		700000 Shares	700000
1	700001		705000 Shares	700310
1	725001		730000 Shares	725760
1	735001		740000 Shares	735046
1	755001		760000 Shares	758300
1	795001		800000 Shares	798276
1	800001		805000 Shares	802080
1	850001		855000 Shares	850320

Continued →

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES)		TOTAL SHARES HELD
	FROM	TO	
1	920001	925000 Shares	924409
1	980001	985000 Shares	981849
2	995001	1000000 Shares	2000000
1	1020001	1025000 Shares	1025000
1	1050001	1055000 Shares	1053232
1	1065001	1070000 Shares	1066800
1	1070001	1075000 Shares	1070357
1	1095001	1100000 Shares	1100000
1	1165001	1170000 Shares	1168100
1	1185001	1190000 Shares	1185500
2	1195001	1200000 Shares	2400000
1	1205001	1210000 Shares	1209600
1	1215001	1220000 Shares	1215708
1	1295001	1300000 Shares	1300000
1	1305001	1310000 Shares	1305030
1	1330001	1335000 Shares	1331973
1	1345001	1350000 Shares	1349046
1	1405001	1410000 Shares	1407944
1	1495001	1500000 Shares	1500000
1	1545001	1550000 Shares	1548485
1	1590001	1595000 Shares	1591305
1	1655001	1660000 Shares	1657100
1	1700001	1705000 Shares	1703000
1	1755001	1760000 Shares	1757607
1	1820001	1825000 Shares	1820800
1	1920001	1925000 Shares	1924079
1	1945001	1950000 Shares	1948800
1	1955001	1960000 Shares	1956760
1	2245001	2250000 Shares	2246400
1	2330001	2335000 Shares	2331000
1	2650001	2655000 Shares	2652677
1	2705001	2710000 Shares	2707990
2	2995001	3000000 Shares	5997393
1	3220001	3225000 Shares	3221572
1	3745001	3750000 Shares	3745800
1	3805001	3810000 Shares	3810000
1	3865001	3870000 Shares	3866411
1	4235001	4240000 Shares	4237000
1	4430001	4435000 Shares	4431222
1	4635001	4640000 Shares	4635974
1	4685001	4690000 Shares	4688478
1	4905001	4910000 Shares	4909249
1	5065001	5070000 Shares	5069117
1	5220001	5225000 Shares	5221528
1	5490001	5495000 Shares	5493799
1	6005001	6010000 Shares	6006253
1	6390001	6395000 Shares	6394821
1	6555001	6560000 Shares	6558181
1	8060001	8065000 Shares	8060906

Continued →

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1	8710001	8715000 Shares		8710532
1	11145001	11150000 Shares		11149920
1	11195001	11200000 Shares		11197000
1	15725001	15730000 Shares		15729997
1	17840001	17845000 Shares		17844422
1	21285001	21290000 Shares		21289060
1	22925001	22930000 Shares		22929033
1	114645001	114650000 Shares		114645168
8811		TOTAL		438119118

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2012

	SHARES HELD	PERCENTAGE
1. Directors, Chief Executive Officer, and their spouse and minor children	18,708,591	4.27
2. Associated Companies, undertakings and related parties.	138,982,145	31.72
3. NIT and ICP	6,559,860	1.50
4. Banks Development Financial Institutions Non Banking Financial Institutions.	42,538,312	9.71
5. Insurance Companies	7,176,858	1.64
6. Modarabas and Mutual Funds	50,859,695	11.61
7. Shareholders holding 10%	137,574,201	31.40
8. General Public :		
a. Local	135,708,033	30.98
b. Foreign	40,681,574	9.29
9. Others		
Joint Stock Companies	156,066,684	35.62
Investment Companies	1,797,239	0.41
Pension Funds, Provident Funds etc.	3,290,723	0.75

Information Under Clause (j) of sub-regulation (XVI) of Regulation 35 of chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited As at June 30, 2012

	No. of Shares	%
I. Associated Companies, undertakings and related parties		
Nishat Mills Limited	137,574,201	31.40
Adamje Insurance Company Limited	1,407,944	0.32
II. Mutual Funds:		
ASIAN STOCK FUND LIMITED	2,997,393	0.68
CDC - TRUSTEE ABL STOCK FUND	412,476	0.09
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND	474,374	0.11
CDC - TRUSTEE AKD INDEX TRACKER FUND	25,537	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,591,305	0.36
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	98,953	0.02
CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND	280,000	0.06
CDC - TRUSTEE ALFALAH GHP VALUE FUND	231,708	0.05
CDC - TRUSTEE APF-EQUITY SUB FUND	74,000	0.02
CDC - TRUSTEE APIF - EQUITY SUB FUND	135,000	0.03
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	94,514	0.02
CDC - TRUSTEE ASKARI EQUITY FUND	45,304	0.01
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,100,000	0.25
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,000,000	0.23
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	100,000	0.02
CDC - TRUSTEE FIRST HABIB STOCK FUND	47,800	0.01
CDC - TRUSTEE HBL - STOCK FUND	1,757,607	0.4
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	102,500	0.02
CDC - TRUSTEE HBL MULTI - ASSET FUND	295,841	0.07
CDC - TRUSTEE HBL PF EQUITY SUB FUND	42,500	0.01
CDC - TRUSTEE JS ISLAMIC FUND	400,000	0.09
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND	50,000	0.01
CDC - TRUSTEE JS LARGE CAP. FUND	1,305,030	0.3
CDC - TRUSTEE JS PENSION SAVINGS FUND	42,000	0.01
CDC - TRUSTEE KSE MEEZAN INDEX FUND	207,178	0.05
CDC - TRUSTEE LAKSON EQUITY FUND	162,500	0.04
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	191,000	0.04
CDC - TRUSTEE MEEZAN BALANCED FUND	924,409	0.21
CDC - TRUSTEE MEEZAN ISLAMIC FUND	4,431,222	1.01
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND	402,897	0.09
CDC - TRUSTEE NAFA ISLAMIC MULTI ASSET FUND	196,300	0.04
CDC - TRUSTEE NAFA MULTI ASSET FUND	396,000	0.09
CDC - TRUSTEE NAFA STOCK FUND	1,168,100	0.27
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	8,710,532	1.99
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	6,000	0
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	187,250	0.04
CDC - TRUSTEE PICIC GROWTH FUND	5,493,799	1.25
CDC - TRUSTEE PICIC INVESTMENT FUND	2,707,990	0.62
CDC - TRUSTEE PICIC STOCK FUND	155,000	0.04
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	725,760	0.17
CDC - TRUSTEE UNITED COMPOSITE ISLAMIC FUND	1,000,000	0.23
CDC - TRUSTEE UNITED STOCK ADVANTAGE FUND	3,000,000	0.68
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	349,800	0.08
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND	113,401	0.03
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	3,000	0
CDC-TRUSTEE NAFA SAVINGS PLUS FUND	1,070,357	0.24

		No. of Shares	%
	CDC-TRUSTEE PAKISTAN PREMIER FUND	133,000	0.03
	FIRST CAPITAL MUTUAL FUND LIMITED	40,000	0.01
	GOLDEN ARROW SELECTED STOCKS FUND LTD	630,000	0.14
	JS VALUE FUND LIMITED	700,000	0.16
	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	16,498	0
	MC FSL-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	48,169	0.01
	MCBFSL - TRUSTEE ABL AMC CAPITAL PROTECT FUND	160,000	0.04
	MCBFSL - TRUSTEE NAMCO BALANCED FUND	646,076	0.15
	MCBFSL - TRUSTEE NAMCO BALANCED FUND	200,000	0.05
	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET FUND	100,000	0.02
	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET FUND	100,000	0.02
	MCBFSL-TRUSTEE UIRSF-EQUITY SUB FUND	105,000	0.02
	MCBFSL-TRUSTEE URSF-EQUITY SUB FUND	76,500	0.02
	PAK ASIAN FUND LIMITED	2,000	0
	PRUDENTIAL STOCK FUND LTD.	413	0
	PRUDENTIAL STOCKS FUND LTD (03360)	64,800	0.01
	SAFEWAY MUTUAL FUND LIMITED	3,221,572	0.74
	TRUSTEE PAK QATAR FAMILY TAKAFUL LTD BALANCED FUND	120,000	0.03
	TRUSTEE PAK QATAR FAMILY TAKAFUL LTD AGGRESSIVE FUND	99,186	0.02
III.	Directors and their spouse(s) and minor children:		
	Mrs. Naz Mansha Director/Chairperson	113,098	0.03
	Mian Raza Mansha Director/CEO	12,696,880	2.90
	Mr. Khalid Qadeer Qureshi Director	720	0.00
	Mr. Farid Noor Ali Fazal Director	1,200	0.00
	Mr. I.U. Niazi Director/CFO	2,775	0.00
	Ms. Nabiha Shahnawaz Cheema Director	2,820	0.00
	Mrs. Ammil Raza Mansha Spouse of CEO	5,891,098	1.34
IV.	Executives:		Nil
V.	Public Sector Companies and Corporations: Joint Stock Companies	156,066,684	35.62
VI.	Banks, Development Finance Institutions, Non-banking Finance Companies, Insurance Companies, Takaful, Modaraba and Pension Funds:		
	Investment Companies	1,797,239	0.41
	Insurance Companies	7,176,858	1.64
	Financial Institutions	42,538,312	9.71
	Modaraba Companies	90,144	0.02
	Mutual Funds	50,769,551	11.59
	Pension Funds/Providend Funds Etc.	3,290,723	0.75
VII.	Shareholders holding Five percent or more voting interest in the Listed Company		
	Mian Umer Mansha	27,295,313	6.23
	Mian Hassan Mansha	26,879,917	6.14
	Nishat Mills Limited	137,574,201	31.40

Information Under Clause (I) of sub-regulation (XVI) of Regulation 35 of chapter (XI) of Listing Regulations of the Karachi Stock Exchange Limited for the financial year ended June 30, 2012.

There is no trading in the shares of the Company, carried out by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary their spouses and minor children and Other Employees of the Company for whom the Borad of Directors have set the threshold during the period July 1, 2011 to June 30, 2012.

ATTENDANCE OF DIRECTORS IN BOARD MEETINGS DURING THE YEAR JULY 01, 2011 TO JUNE 30, 2012

During the year under review, Six Board of Directors Meetings were held, attendance position was as under:-

Sr. No.	Name of Director	No. of meetings attended
1.	Mrs. Naz Mansha	2
2	Mian Raza Mansha	5
3	*Mr. Zaka Ud Din	2
4	Mr. Khalid Qadeer Qureshi	5
5	Mr. Farid Noor Ali Fazal	5
6	**Dr. Arif Bashir	3
7	Mr. I. U. Niazi	6
8	Ms. Nabihah Shahnawaz Cheema	4

* Mr. Zaka Ud Din passed away on October 14, 2011, after a short illness.

**Dr. Arif Bashir appointed in place of Mr. Zaka Ud Din on October 22, 2011.

ATTENDANCE OF MEMBERS IN AUDIT COMMITTEE MEETINGS DURING THE YEAR JULY 01, 2011 TO JUNE 30, 2012

During the year under review, Six Audit Committee Meetings were held, attendance position was as under:-

Sr. No.	Name of Director	No. of meetings attended
1.	Mr. Khalid Qadeer Qureshi (Member/Chairman)	6
2.	Mr. Farid Noor Ali Fazal (Member)	6
3.	Ms. Nabihah Shahnawaz Cheema (Member)	5

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (CCG) (See clause (xl))

Name of company D.G. Khan Cement Company Limited

Year ending June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of Karachi Stock Exchange Ltd, Lahore Stock Exchange Ltd and Islamabad Stock Exchange Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Nil
Executive Directors	Mian Raza Mansha Mr. Farid Noor Ali Fazal Dr. Arif Bashir
Non Executive Directors	Mr. I.U. Niazi Mrs. Naz Mansha Mr. Khalid Qadeer Qureshi Ms. Nabiha Shahnawaz Cheema

The requirement of Executive Directors and Independent Director in composition of Board under CCG will be met at the time of next election of directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred in the Board on October 14, 2011 due to sad demise of Mr. Zaka Ud Din and the same was filled up by the Board of directors on October 22, 2011.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairperson and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses

Three (3) Directors of the Company are exempt from directors training programme due to 14 years of education and 15 years of experience on the board of a listed company.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been approved by the board. The remuneration of CFO, Head of Internal Audit and Company Secretary was revised during the year after due approval of the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 3 members, of whom 2 are non-executive directors and the Chairman of the committee is not an independent director and will be changed after next election of directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 3 members, of whom 2 are non-executive directors and the chairman of the committee is a Non Executive director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied.



MIAN RAZA MANSHA
CHIEF EXECUTIVE

NIC Number : 35202-2539500-5

LAHORE
SEPTEMBER 10, 2012

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of D.G. Khan Cement Company Limited ('the Company') to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.



A. F. Ferguson & Co.
Chartered Accountants

Lahore,

Name of engagement partner: **Muhammad Masood**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D.G. Khan Cement Company Limited as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 except for the changes resulted on initial application of standards, amendments or interpretations to existing standards, as stated in note 2.2.1 to the annexed financial statements with which we concur;
 - 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, statement of comprehensive income, statement of changes in equity and cash flow statement 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, 2012 and of the profit, total comprehensive income, changes in equity and its cash flows for the year then ended; and
- d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2011 were audited by another firm of accountants, M/s KPMG Taseer Hadi & Company, Chartered Accountants, whose report dated September 7, 2011 expressed an unqualified opinion thereon.



A. F. Ferguson & Co.
Chartered Accountants

Lahore,

Name of engagement partner: **Muhammad Masood**

BALANCE SHEET

	Note	2012 -----(Rupees in thousand)----	2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2011: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2011: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital 438,119,118 (2011: 438,119,118) ordinary shares of Rs 10 each	5	4,381,191	4,381,191
Reserves	6	23,562,612	24,957,381
Accumulated profit		4,986,829	878,711
		32,930,632	30,217,283
NON-CURRENT LIABILITIES			
Long term finances	7	4,629,083	4,880,579
Long term deposits	8	68,355	70,893
Retirement and other benefits	9	185,116	139,213
Deferred taxation	10	1,666,069	1,707,886
		6,548,623	6,798,571
CURRENT LIABILITIES			
Trade and other payables	11	2,108,894	1,674,226
Accrued markup	12	162,931	284,511
Short term borrowing-secured	13	6,733,467	8,691,982
Current portion of non-current liabilities	14	2,165,561	2,001,566
Provision for taxation		35,090	35,090
		11,205,943	12,687,375
CONTINGENCIES AND COMMITMENTS	15	-	-
		50,685,198	49,703,229

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive

AS AT JUNE 30, 2012

	Note	2012 ----(Rupees in thousand)----	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	27,185,726	25,985,385
Intangible assets	17	73,808	-
Investments	18	4,864,945	5,259,416
Long term loans, advances and deposits	19	120,342	133,219
		32,244,821	31,378,020
CURRENT ASSETS			
Stores, spares and loose tools	20	4,137,262	3,543,034
Stock-in-trade	21	954,645	862,141
Trade debts	22	317,970	459,300
Investments	23	11,126,051	12,126,349
Advances, deposits, prepayments and other receivables	24	1,476,008	1,136,564
Cash and bank balances	25	428,441	197,821
		18,440,377	18,325,209
		50,685,198	49,703,229



Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 ----(Rupees in thousand)----	2011
Sales	26	22,949,853	18,577,198
Cost of sales	27	(15,443,098)	(14,192,229)
Gross profit		7,506,755	4,384,969
Administrative expenses	28	(267,705)	(211,362)
Selling and distribution expenses	29	(2,202,901)	(2,470,599)
Other operating expenses	30	(500,835)	(37,964)
Other operating income	31	1,187,936	1,134,130
Impairment on investments		-	(118,836)
Profit from operations		5,723,250	2,680,338
Finance cost	32	(1,670,784)	(2,079,146)
Profit before taxation		4,052,466	601,192
Taxation	33	55,652	(430,231)
Profit after taxation		4,108,118	170,961
Earnings per share - basic and diluted	34	<u>9.38</u>	<u>0.45</u>

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	-----(Rupees in thousand)----	
Profit after taxation	4,108,118	170,961
Other comprehensive income		
Available for sale financial assets		
- Change in fair value	(1,394,769)	2,185,542
- Impairment loss through profit and loss account	-	(118,836)
Other comprehensive (loss) /income for the year	(1,394,769)	2,066,706
Total comprehensive income for the year	2,713,349	2,237,667

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 -----(Rupees in thousand)----	2011
Cash flows from operating activities			
Cash generated from operations	35	6,162,787	2,826,064
Finance cost paid		(1,792,708)	(2,113,592)
Retirement and other benefits paid		(20,205)	(19,793)
Taxes paid		(335,702)	(312,120)
Long term deposits - net		(2,538)	(10,245)
Net cash generated from operating activities		4,011,634	370,314
Cash flows from investing activities			
Fixed capital expenditure		(2,751,451)	(1,672,612)
Proceeds from sale of property, plant and equipment		30,300	39,439
Long term loans, advances and deposits - net		12,877	23,693
Interest received		52,735	42,146
Dividend received		1,058,707	951,354
Net cash used in investing activities		(1,596,832)	(615,980)
Cash flows from financing activities			
Proceeds from issuance of share capital		-	1,460,398
Proceeds from long term finances		1,906,382	1,850,000
Repayment of long term finances		(2,132,049)	(2,204,042)
Dividend paid		-	(1)
Net cash (used in) / generated from financing activities		(225,667)	1,106,355
Net increase in cash and cash equivalents		2,189,135	860,689
Cash and cash equivalents at the beginning of the year		(8,494,161)	(9,354,850)
Cash and cash equivalents at the end of the year	36	(6,305,026)	(8,494,161)

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	Capital reserve				Revenue reserve		Total
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit	
	(Rupees in thousand)						
Balance as on June 30, 2010	3,650,993	3,826,965	12,908,175	353,510	5,071,827	707,750	26,519,220
Transactions with owners							
- Right issue	730,198	730,198	-	-	-	-	1,460,396
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	170,961	170,961
- Other comprehensive income for the year	-	-	2,066,706	-	-	-	2,066,706
	-	-	2,066,706	-	-	170,961	2,237,667
Balance as on June 30, 2011	4,381,191	4,557,163	14,974,881	353,510	5,071,827	878,711	30,217,283
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	4,108,118	4,108,118
- Other comprehensive loss for the year	-	-	(1,394,769)	-	-	-	(1,394,769)
Balance as on June 30, 2012	4,381,191	4,557,163	13,580,112	353,510	5,071,827	4,986,829	32,930,632

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1 Legal status and nature of business

D. G. Khan Cement Company Limited ("the Company") is a public limited Company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

2 Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2011:

- IFRS 7 (Amendments), 'Financial Instruments', emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.
- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) (effective July 01, 2011), issued in October 8, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are a part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The Company has determined that there is no significant transfer of financial assets that requires disclosure under the guidance above.
- IAS 1 (amendments) (effective January 01, 2011), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 24 (revised) (effective July 01, 2011), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any material impact on the Company's financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment is not expected to have any material impact on the Company's financial statements.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this, which should be applied retrospectively to the earliest comparative period presented. The application of this amendment is not expected to have any material impact on the Company's financial statements.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation is not expected to have any material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2012 or later periods, and the Company has not early adopted them:

- IFRS 7, 'Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on December 19, 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company shall apply this standard from January 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply this standard from January 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.
- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.
- IAS 1 - 'Financial statement presentation' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Company shall apply this amendment from July 01, 2012 and does not expect to have any material impact on its financial statements.

3. Basis of measurement

- 3.1 These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.
- 3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of the complexity, judgment and estimation involved in their application and their impact on these financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:
 - i) Provision for taxation - note 33
 - ii) Retirement and other benefits - note 4.3 & 9
 - iii) Residual values and useful lives of depreciable assets - note 4.5
 - iv) Provisions and contingencies - note 15

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis. Preference shares, which are mandatorily redeemable on a specific date at the option of the Company, are classified as liabilities. The dividend on these preference shares are recognised in the profit and loss account as finance cost. Finance costs are accounted for on an accrual basis.

4.2 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items charged or credited to equity in which case it is included in the statement of changes in equity.

4.3 Retirement and other benefits

The main features of the schemes operated by the Company for its employees are as follows:

Defined benefit plans

The Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in balance sheet represents the present value of the defined benefit obligation as on June 30, 2012 as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company obligations and the fair value of plan assets are amortised over the expected average working lives of the participating employees.

Defined contribution plan

The Company operates a recognised provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 10% of the basic salary for officers and

10% of basic salary plus cost of living allowance for workers. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Accumulating compensated absences

The Company provides for accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated upto 90 days in case of officers. Any balance in excess of 90 days can be encashed upto 17 days a year only. Any further unutilised leaves lapse. In case of workers, unutilised leaves may be accumulated without any limit, however accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Company's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the balance sheet represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the profit and loss account immediately in the period when these occur.

4.4 Trade and other payables

Financial liabilities are initially recognised at fair value plus directly attributable cost, if any, and subsequently at amortised cost using effective interest rate method.

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

4.5 Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.16 and borrowing costs as referred to in note 4.19.

Depreciation on all property, plant and equipment is charged to the profit and loss account on the reducing balance method, except for plant and machinery which is being depreciated using the straight line method, so as to write off the historical cost of such asset over its estimated useful life at annual rates mentioned in note 16 after taking into account their residual values.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

4.6 Capital work-in-progress

Capital work in progress and stores held for capital expenditure are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

4.7 Intangible assets

Expenditure incurred to acquire Oracle enterprise resource planning (ERP) system has been capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such an indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.8 Leases

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method except plant and machinery which is depreciated on straight line method. Depreciation of leased assets is charged to the profit and loss account.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year-end and adjusted if impact of depreciation is significant.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are

charged to profit on a straight-line basis over the lease term.

4.9 Investments

Investments in equity instruments of subsidiary company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists, the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognised as an expense.

Investments in equity instruments of associated company

Investments in associates where the Company has significant influence are measured at cost in the Company's separate financial statements.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 'Consolidated and Separate Financial Statements'. Investments in associated undertakings, in the consolidated financial statements, are being accounted for using the equity method.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss. Fair value of quoted investments is their bid price on Karachi Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

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

All purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the investment.

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.10 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.11 Stock-in-trade

Stock of raw materials, except for those in transit, work in process and finished goods are valued principally at the lower of moving average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

4.12 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.13 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.14 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term borrowings. In the balance sheet, short term borrowings are included in current liabilities.

4.16 Derivative financial instruments

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Derivatives are carried as asset when the fair value is positive and liability when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised in profit and loss account in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gain and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Any gains or losses arising from change in fair value derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.17 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in income.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded to the nearest thousand.

4.18 Provisions

Provisions are recognised when the Company has a 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 amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.19 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to profit and loss account.

4.20 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Dividend income on equity investments is recognised as income when the right of receipt is established.

4.21 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

5 Issued, subscribed and paid up capital

2012	2011		2012	2011
----(Number of shares)----			----(Rupees in thousand)----	
343,512,029	343,512,029	Ordinary shares of Rs. 10 each fully paid in cash	3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	746,071	746,071
<u>438,119,118</u>	<u>438,119,118</u>		<u>4,381,191</u>	<u>4,381,191</u>

137,574,201 (2011: 137,574,201) ordinary shares of the Company are held by Nishat Mills Limited, an associated concern as at June 30, 2012. In addition, 1,407,944 (2011: 1,407,944) ordinary shares are held by Adamjee Insurance Company Limited, a related party as at June 30, 2012.

6. Reserves

Movement in and composition of reserves is as follows:

Capital

		2012	2011
		----- (Rupees in thousand) -----	
- Share premium			
At the beginning of the year		4,557,163	3,826,965
Additions during the year		-	730,198
At the end of the year	- note 6.1	4,557,163	4,557,163
- Fair value reserve			
At the beginning of the year		14,974,881	12,908,175
Fair value (loss) / gain during the year		(1,394,769)	2,066,706
At the end of the year	- note 6.2	13,580,112	14,974,881
- Capital redemption reserve fund	- note 6.3	353,510	353,510
		<u>18,490,785</u>	<u>19,885,554</u>

Revenue

- General reserve			
At the beginning of the year		5,071,827	5,071,827
Transferred (to) / from profit and loss account		-	-
At the end of the year		5,071,827	5,071,827
		<u>23,562,612</u>	<u>24,957,381</u>

- 6.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.
- 6.2 As referred to in note 4.9 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This amount shall be transferred to profit and loss account on realisation.
- 6.3 The Capital redemption reserve fund represents fund created for redemption of preference shares and in accordance with the terms of issue of preference shares, to ensure timely payments, the Company was required to maintain a redemption fund with respect to preference shares. The Company had created a redemption fund and appropriated Rs 7.4 million each month from the profit and loss account in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares have been redeemed during the year ended June 30, 2007.

2012 **2011**
------(Rupees in thousand)----

7. Long term finances

These are composed of:

- Long-term loans - secured	- note 7.1 - 7.2	6,084,601	6,067,627
- Loan under Musharika arrangement - secured	- note 7.1 - 7.2	701,250	807,500
		<hr/> 6,785,851	<hr/> 6,875,127
Less : Current portion shown under current liabilities	- note 14	2,156,768	1,994,548
		<hr/> 4,629,083 <hr/>	<hr/> 4,880,579 <hr/>

7.1 Long term loans - secured

Loan	Lender	2012 (Rupees in thousand)	2011	Rate of Mark-up per annum	Number of installments Outstanding	Mark-up payable
1	Habib Bank Limited	-	90,909	*** Base rate + 1.1%	The loan has been fully repaid during the year	Semi-annual
2	Habib Bank Limited	-	100,000	*** Base rate + 1.25%	The loan has been fully repaid during the year	Quarterly
3	National Bank of Pakistan	-	100,000	*** Base rate + 0.65% subject to cap of 18%	The loan has been fully repaid during the year	Semi-annual
4	United Bank Limited	-	300,000	*** Base rate + 1.1%	The loan has been fully repaid during the year	Semi-annual
5	Bank Alfalah	230,545	345,818	*** Base rate + 1.0%	4 equal semi-annual installments ending in March 2014	Quarterly
6	Allied Bank Limited	825,000	950,000	*** Base rate + 1.0%	14 step-up quarterly installment ending in November 2015	Quarterly
7	Allied Bank Limited	675,000	750,000	*** Base rate + 1.0%	16 step-up quarterly installments ending in June 2016	Quarterly
8	Standard Chartered Bank	500,000	800,000	* Base rate + 0.85%	4 equal quarterly installment ending in May 2013	Quarterly
9	Bank of Punjab	183,333	250,000	** Base rate + 1.1%	11 equal quarterly installments ending in February 2015	Quarterly
10	Askari Bank Limited	431,250	487,500	** Base rate + 1.3%	15 step-up quarterly installments ending in January 2016	Quarterly
11	Faysal Bank Limited	500,000	500,000	** Base rate + 1.3%	8 unequal semi-annual installments starting in November 2013 and ending in May 2015	Quarterly
Foreign Currency						
12	European Investment Bank US\$ 8.096 million (2011 : US\$ 16.193 million)	762,686	1,393,400	**** Base rate + 0.063%	2 equal semi-annual installments ending in March 2013	Quarterly
13	Eco Trade and Development Bank US\$ 20.985 million (2011 : Nil)	1,976,787	-	**** Base rate + 1.65%	9 equal semi-annual installments starting in May 2013 and ending in May 2017	Semi-annual
		<u>6,084,601</u>	<u>6,067,627</u>			
14	Musharika Arrangement Meezan Bank	701,250	807,500	** Base rate + 1.0%	14 step-up quarterly installments, ending in December 2015	Quarterly
		<u>6,785,851</u>	<u>6,875,127</u>			

* Base rate: Average ask rate of one-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

** Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period

*** Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period

**** Base rate: Average ask rate of three-month and six-month London Inter Bank Offer Rate ("LIBOR") reset for each mark-up period

7.2 Security

Loan 1

The loan was secured by registered first pari passu charge over all present and future fixed assets of the Company, amounting to Rs 1,334 million.

Loan 2

The loan was secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 4,991 million.

Loan 3

The loan was secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,340 million.

Loan 4

The loan was secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,340 million.

Loan 5

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 845 million.

Loan 6

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,334 million.

Loan 7

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,734 million.

Loan 8

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,333 million.

Loan 9

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 500 million.

Loan 10

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 667 million.

Loan 11

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 667 Million.

Loan 12

The loan is secured by first pari passu charge over all present and future movable fixed assets of the Company amounting to US\$ 8,349,469.

Loan 13

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to US\$ 27,980,000.

Loan 14

The loan is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 1,133 million.

	2012	2011
	----(Rupees in thousand)----	
8. Long term deposits		
Customers	34,482	33,252
Others	<u>33,873</u>	<u>37,641</u>
	<u><u>68,355</u></u>	<u><u>70,893</u></u>

These represent interest free security deposits from stockists and suppliers and are repayable on cancellation / withdrawal of the dealership or on cessation of business with the Company respectively.

		2012	2011
		----(Rupees in thousand)----	
9. Retirement benefits			
Staff Gratuity	- note 9.1	119,528	87,673
Leave Encashment	- note 9.2	<u>65,588</u>	<u>51,540</u>
		<u><u>185,116</u></u>	<u><u>139,213</u></u>

9.1 Staff gratuity

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		167,467	127,935
Fair value of plan assets		(82)	(332)
Unrecognised actuarial losses		<u>(47,857)</u>	<u>(39,931)</u>
Liability as at June 30		<u><u>119,528</u></u>	<u><u>87,673</u></u>
9.1.1 Change in present value of defined benefit obligation			
Liability as at July 1		87,673	60,678
Charge for the year including capitalised during the year		41,271	30,727
Contributions plus benefit payments made directly by the Company during the year		<u>(9,416)</u>	<u>(3,732)</u>
Liability as at June 30		<u><u>119,528</u></u>	<u><u>87,673</u></u>
9.1.2 Movement in liability for defined benefit obligation			
Present value of defined benefit obligation as at July 1		127,935	75,264
Current service cost		21,783	21,409
Interest cost		17,228	8,784
Benefits paid during the year		<u>(9,701)</u>	<u>(3,476)</u>
Actuarial loss on present value of defined benefit obligation		<u>10,222</u>	<u>25,954</u>
Present value of defined benefit obligation as at June 30		<u><u>167,467</u></u>	<u><u>127,935</u></u>
9.1.3 Movement in fair value of plan assets			
Fair value of plan assets as at July 1		332	394
Expected return on plan assets		2	4
Contributions during the year		9,416	3,732
Benefits paid during the year		<u>(9,701)</u>	<u>(3,799)</u>
Actuarial gain on plan assets		<u>33</u>	<u>1</u>
Fair value of plan assets as at June 30		<u><u>82</u></u>	<u><u>332</u></u>

	2012	2011
	----(Rupees in thousand)----	
9.1.4 Actual return on plan assets		
Expected return on plan assets	2	4
Actuarial gain on plan assets	33	1
	<u>35</u>	<u>5</u>
9.1.5 Plan assets consist of the following:		
Cash and other deposits	<u>82</u>	<u>332</u>
9.1.6 Movement in unrecognised actuarial losses		
Un recognised actuarial losses as at July 1	(39,931)	(14,515)
Actuarial losses arising during the year	(10,222)	(25,954)
Actuarial losses charged to profit during the year	2,296	538
	<u>(47,857)</u>	<u>(39,931)</u>
9.1.7 Charge for the year (including capitalised during the year)		
Current service cost	21,783	21,409
Interest cost	17,228	8,784
Expected return on plan assets	(2)	(4)
Actuarial losses charged to profit during the year	2,262	538
	<u>41,271</u>	<u>30,727</u>

	2012	2011	2010	2009	2008
	----- (Rupees in thousand) -----				
9.1.8 Historical information					
As at June 30					
Present value of defined benefit obligation	167,467	127,935	75,264	56,040	33,122
Fair value of plan assets	(82)	(332)	(394)	(274)	(1)
Deficit	<u>167,385</u>	<u>127,603</u>	<u>74,870</u>	<u>55,766</u>	<u>33,121</u>
Experience adjustment arising on plan obligation	10,222	25,954	(46)	8,850	1,414
Experience adjustment arising on plan assets	33	1	(28)	-	(39)

9.1.9 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

		2012	2011
Discount rate	Per annum	12.5 %	14 %
Expected rate of increase in salary	Per annum	12.5 %	14 %
Expected rate of return on plan assets	Per annum	5%	1%
Average expected remaining working life time of employee	Number of years	12	13

9.1.10 The Company expects to pay Rs 49.99 million in contributions to defined benefit plan in 2013.

	2012	2011
	----(Rupees in thousand)----	
9.2 Leave encashment		
Opening balance	58,558	43,351
Expenses recognised	26,612	25,466
Payments made	(10,789)	(10,259)
	74,381	58,558
Payable within one year - note 14	(8,793)	(7,018)
Closing balance	65,588	51,540

9.2.1 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at July 1	58,558	43,351
Current service cost	4,554	12,764
Interest cost	7,319	4,587
Benefits paid during the year	(10,789)	(10,259)
Actuarial loss on present value of defined benefit obligation	14,739	8,115
	74,381	58,558

9.2.2 Charge for the year (including capitalised during the year)

Current service cost	4,554	12,764
Interest cost	7,319	4,587
Actuarial losses charged to profit during the year	14,739	8,115
	26,612	25,466

	2012	2011	2010	2009	2008
	----- (Rupees in thousand) -----				
As at June 30					
Present value of defined benefit obligation	74,381	58,558	49,153	42,553	31,062
Experience adjustment arising on obligation	14,739	8,115	587	5,969	3,010

9.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

		2012	2011
Discount rate	Per annum	12.5 %	14 %
Expected rate of increase in salary	Per annum	12.5 %	14 %
Average expected remaining working life time of employee	Number of years	11	13
Expected with drawal and early retirement rate		Based on experience	

	Officers		Workers	
	2012 (days)	2011 (days)	2012 (days)	2011 (days)
Average number of leaves				
- Utilized per annum	15.00	16.00	19.00	18.00
- Encashed per annum	7.00	6.00	16.00	6.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	1.00	2.00	2.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	0.25	1.00	1.00

2012 2011
----(Rupees in thousand)----

10 Deferred income tax liabilities

The liability for deferred taxation comprises temporary differences relating to:

Deferred tax liability		
Accelerated tax depreciation	4,681,653	4,535,764
Deferred tax assets		
Provision for retirement and other benefits	(52,739)	(36,200)
Unabsorbed tax credits	(2,962,845)	(2,791,678)
	<u>1,666,069</u>	<u>1,707,886</u>

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realisation of related tax benefits through future taxable profits is probable. The Company has not recognised deferred tax assets of Rs 444.881 million (2011: 324.559 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient taxable profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 444.881 million would not be available for carry forward against future tax liabilities subsequent to years 2013 through 2017.

2012 2011
----(Rupees in thousand)----

11 Trade and other payables

Trade creditors	- note 11.1	647,238	204,423
Infrastructure cess		125,464	89,164
Advances from customers		531,799	686,990
Accrued liabilities		441,234	286,978
Workers' profit participation fund	- note 11.2	214,987	31,642
Federal excise duty payable		5,204	169,864
Special excise duty payable		118	13,363
Withholding tax payable		1,342	5,851
Retention money payable		27,038	12,767
Unclaimed dividends		4,870	4,870
Advances against sale of scrap		930	936
Advance against sale of fixed asset		-	63,110
Redeemable preference shares (non-voting) - unsecured		125	125
Others		108,545	104,143
		<u>2,108,894</u>	<u>1,674,226</u>

11.1 Trade creditors include amount due to related parties amounting to Rs 2.996 million (2011: Rs 1.498 million).

	2012	2011
	----(Rupees in thousand)----	
MCB Bank Limited	58	-
Adamjee Insurance Company Limited	31	1,462
Security General Insurance Company Limited	702	-
Pakistan Aviators & Aviation (Private) Limited	2,205	-
Sui Northern Gas Pipelines Limited	-	36
	<u>2,996</u>	<u>1,498</u>

11.2 Workers' profit participation fund

Opening balance	31,642	20,251
Provision for the year	213,288	31,642
Interest for the year	1,190	1,090
	<u>246,120</u>	<u>52,983</u>
Less: payments made during the year	31,133	21,341
Closing balance	<u>214,987</u>	<u>31,642</u>

12. Accrued mark-up

Accrued mark-up on:

- Long term loans - secured	62,892	154,960
- Short term borrowings - secured	99,955	129,467
Preference dividend on redeemable preference shares	84	84
	<u>162,931</u>	<u>284,511</u>

13. Short term borrowings - secured

Short term running finances - secured	- note 13.1	1,681,568	4,046,928
Import finances - secured	- note 13.2	1,133,899	1,157,914
Export refinance - secured	- note 13.3	3,918,000	3,487,140
		<u>6,733,467</u>	<u>8,691,982</u>

13.1 Short term running finances - secured

Short term running finances available from various commercial banks under mark up arrangements amount to Rs 8595.163 million (2011: Rs 9,832 million). The rates of mark up range from 12.02% to 15.03% (2011: 12.24% to 13.79%) or part thereof on the balance outstanding. These are secured by first registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10 million (2011: 10.75 million) shares of MCB Bank Limited, 13.5 million (2011: 10 million) shares of Nishat Mills Limited and Nil (2011: 2.3 million) shares of Adamjee Insurance Company Limited.

13.2 Import finances - secured

The Company has obtained import finance facilities aggregating to Rs 6,167.837 million (2011: Rs 4,053 million)

from commercial banks. The rates of mark up range from 1.66% to 12.76% (2011: 2.26% to 15%). The aggregate import finances are secured by a registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility of Rs 9,566.400 million (2011: Rs 8,430 million) for opening letters of credit and Rs 1,880 million (2011: Rs 1,610 million) for guarantees, the amount utilised as at June 30, 2012 was Rs 1,712.999 million (2011: Rs 2,237.93 million) and Rs 1,158 million (2011: Rs 1,112 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Company. Of the facility for guarantees, Rs 14.48 million (2011: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 25.2.

13.3 Export finances - secured

This represents ERF loans obtained from various commercial banks, which carry mark up at 10.5% to 11% per annum (2011: 9.5% to 11%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Company.

2012 **2011**
----(Rupees in thousand)----

14 Current portion of non-current liabilities

Long term finances	- note 7	2,156,768	1,994,548
Retirement and other benefits	- note 9.2	8,793	7,018
		<u>2,165,561</u>	<u>2,001,566</u>

15 Contingencies and commitments

15.1 Contingencies

15.1.1 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Company on account of interest on deposits and sale of scrap, etc. The Appellate Tribunal on appeal filed by the Company issued an order in favour of the Company for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

15.1.2 During the period 1994 to 1996, the Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92, 978 (I)/95 and 569 (I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Company appealed before the Lahore High Court, Multan Bench, which allowed the Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. The Honorable court remanded back the case to Customs Authorities to reassess the liability of the company. Appeal against the order is still pending with the authorities. No provision for the outstanding balance of Rs 634.388 million has been made in the financial statements as according to the management of the company, there are meritorious grounds that the ultimate decision would be in its favour.

15.1.3 The Competition Commission of Pakistan (the CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company has filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Company. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Company for the time being.

The vires of the Competition Commission of Pakistan, 2007 have been challenged by a large number of Petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution. A large number of grounds have been raised by these Petitioners and the matter is currently being adjudicated by the Lahore High Court, the Sindh High Court and the Supreme Court of Pakistan. In all these cases, stay orders have been granted by the Courts. Based on the legal opinion, the management is confident that the Company has a good case and there are reasonable chances of success in the pending Petition in the Supreme Court of Pakistan.

15.1.4 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgement dated January 27, 2009 (upholding its previous judgement dated February 15, 2007). The longstanding controversy between the revenue department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of the country which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now since the controversy has attained finality up to the highest appellate level, the Company has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates to Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of accounts once it is realised by the Company.

15.1.5 The Company, consequent to the order passed by the Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of fifth version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after December 28, 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated May 31, 2011, for release of 50% of the guarantees, the final order from Sindh High Court is still pending. According to the legal counsel of the Company, chances of favourable outcome of the appeal are fair, therefore 50% of the amount of infrastructure cess payable has not been incorporated in these financial statements amounting to Rs. 89.164 million.

15.1.6 The Company has issued the following guarantees in favour of:

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise amounting to Rs 30.389 million (2011: Rs 20.460 million)
- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 375.90 million (2011: Rs 340.9 million)
- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2011: Rs 3 million)
- Director General, Mines and Minerals, Quetta against Limestone, Shale and other cement manufacturers amounting to Rs 3 million (2011: Rs 3 million)

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs 1.5 million (2011: Rs 3 million)
- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 1.908 million (2011: Rs 3.852 million)
- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD Gas for captive and Industrial use for Khairpur Project and for D.G Khan Project amounting to Rs 722.377 million (2011: Rs 715.455 million)
- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 0.05 million (2011: Rs 10.050 million)
- Bank guarantee in respect of Alternative Energy Development Board (AEDB) of Rs Nil (2011: Rs 2.151 million)
- The Managing Director, Lahore Waste Management Company (LWMC) against the performance of a contract amounting to Rs 20 million (2011: Rs 10 million)

15.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 156.17 million (2011: Rs 113.639 million)
- (ii) Letters of credits for capital expenditure Rs 760.127 million (2011: Rs 1,364.57 million)
- (iii) Letter of credit other than capital expenditure Rs 952.872 million (2011: Rs 873.36 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2012	2011
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	6,170	6,664
	7,826	8,320

16 Property, plant and equipment

Operating assets	- note 16.1	25,192,214	24,611,565
Capital work in progress	- note 16.2	1,993,512	1,373,820
		27,185,726	25,985,385

16.1 Operating assets

		2012							2011										
		(Rupees in thousand)							(Rupees in thousand)										
		Annual rate of depreciation %	Cost as at July 01, 2011	Additions/ (Deletions)	Cost as at 30 June 2012	Accumulated Depreciation as at July 01, 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2012	Book value as at June 30, 2012			Annual rate of depreciation %	Cost as at July 01, 2010	Additions/ (Deletions)	Cost as at 30 June 2011	Accumulated Depreciation as at July 01, 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2011	Book value as at June 30, 2011
Freehold land		-	341,302	168,117	509,419	-	-	-	509,419			-	340,892	410	341,302	-	-	-	341,302
Leasehold land		3.33	63,000	-	63,000	7,350	2,100	9,450	53,550				63,000	-	63,000	5,250	2,100	7,350	55,650
Buildings on freehold land		10	4,948,925	317,485	5,266,410	2,056,349	306,181	2,362,530	2,903,880			10	4,847,944	100,981	4,948,925	1,740,240	316,109	2,056,349	2,892,576
- Factory building		5	792,383	8,424	800,807	220,938	28,166	249,104	551,703			5	681,049	111,334	792,383	194,737	26,201	220,938	571,445
- Office building and housing colony		10	438,963	107,271	546,234	191,542	33,674	225,216	321,018			10	434,874	4,089	438,963	164,328	27,214	191,542	247,421
Roads		4.76 - 4.98	26,471,596	1,265,789	27,737,385	7,178,514	908,201	8,086,715	19,650,670			4.76 - 4.98	26,045,208	454,768	26,471,596	6,313,259	870,555	7,178,514	19,293,082
Plant and machinery		20	1,497,966	40,106	1,538,072	879,635	96,045	975,680	562,392			20	1,497,966	(28,380)	1,497,966	760,331	(5,300)	879,635	618,331
Quarry equipment		10	306,590	52,018	357,444	122,867	21,188	143,947	213,497			10	284,709	22,132	306,590	103,844	19,105	122,867	183,723
Furniture, fixture and office equipment		20	197,867	79,828	252,226	81,459	22,644	88,716	163,510			20	148,301	(251)	197,867	75,046	(82)	81,459	116,408
Vehicles		30	38,185	(25,469)	38,185	36,450	(15,387)	36,970	1,215			30	38,185	66,843	38,185	35,707	(10,757)	36,450	1,735
Aircraft		10	467,114	461	467,575	177,222	28,993	206,215	261,360			10	467,114	3,885	467,575	145,313	31,909	177,222	289,892
Power and water supply lines																			
			35,563,891	2,039,499	37,576,757	10,952,326	1,447,712	12,384,543	25,192,214				35,563,891	764,442	35,563,891	9,538,055	1,430,410	10,952,326	24,611,565
				(26,633)			(15,495)						(45,908)				(16,139)		
Freehold land		-	340,892	410	341,302	-	-	-	341,302			-	340,892	410	341,302	-	-	-	341,302
Leasehold land		3.33	63,000	-	63,000	5,250	2,100	7,350	55,650				63,000	-	63,000	5,250	2,100	7,350	55,650
Buildings on freehold land		10	4,847,944	100,981	4,948,925	1,740,240	316,109	2,056,349	2,892,576			10	4,847,944	100,981	4,948,925	1,740,240	316,109	2,056,349	2,892,576
- Factory building		5	681,049	111,334	792,383	194,737	26,201	220,938	571,445			5	681,049	111,334	792,383	194,737	26,201	220,938	571,445
- Office building and housing colony		10	434,874	4,089	438,963	164,328	27,214	191,542	247,421			10	434,874	4,089	438,963	164,328	27,214	191,542	247,421
Roads		4.76 - 4.98	26,045,208	454,768	26,471,596	6,313,259	870,555	7,178,514	19,293,082			4.76 - 4.98	26,045,208	454,768	26,471,596	6,313,259	870,555	7,178,514	19,293,082
Plant and machinery		20	1,497,966	(28,380)	1,497,966	760,331	(5,300)	879,635	618,331			20	1,497,966	(28,380)	1,497,966	760,331	(5,300)	879,635	618,331
Quarry equipment		10	284,709	22,132	306,590	103,844	19,105	122,867	183,723			10	284,709	22,132	306,590	103,844	19,105	122,867	183,723
Furniture, fixture and office equipment		20	148,301	(251)	148,050	75,046	(82)	81,459	116,408			20	148,301	(251)	148,050	75,046	(82)	81,459	116,408
Vehicles		30	38,185	66,843	38,185	35,707	(10,757)	36,450	1,735			30	38,185	66,843	38,185	35,707	(10,757)	36,450	1,735
Aircraft		10	463,229	3,885	467,114	145,313	31,909	177,222	289,892			10	463,229	3,885	467,114	145,313	31,909	177,222	289,892
Power and water supply lines																			
			34,845,357	764,442	35,563,891	9,538,055	1,430,410	10,952,326	24,611,565				34,845,357	764,442	35,563,891	9,538,055	1,430,410	10,952,326	24,611,565
				(45,908)			(16,139)						(45,908)				(16,139)		

16.1.1 Freehold land and building include book values of Rs 12 million (2011: Rs 12 million) and Rs 7.101 million (2011: Rs 7.475 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defense Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Company.

16.1.2 The depreciation charge for the year has been allocated as follows:

		Total	
		2012	2011
		----(Rupees in thousand)----	
Cost of sales	-note 27	1,429,379	1,414,968
Administrative expenses	-note 28	15,578	12,752
Selling and distribution expenses	-note 29	2,755	2,690
		<u>1,447,712</u>	<u>1,430,410</u>

16.1.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars of assets	Sold to	2012 (Rupees in thousand)					
		Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
Vehicles							
	Muhammad Sajid	560	343	217	527	310	Auction
	Iqbal Ghani	12,294	6,903	5,391	16,000	10,609	-do-
	Syed Yasir Hussain	174	82	92	368	276	-do-
	Hasnat Aziz Bantth	1,501	894	607	1,000	393	-do-
	Ch. Muhammad Ali	174	87	87	397	310	-do-
	Rizwan Javed	318	276	42	355	313	-do-
	Irfan Ahmed	555	318	237	554	317	-do-
	Irfan Ahmed	1,090	662	428	767	339	-do-
	Sayed Yasir Hussain	427	305	122	375	253	-do-
	Attiq-ur-Rehman	879	564	315	1,087	772	-do-
	Raheem Buksh	353	256	97	526	429	-do-
	Nasir Zahoor	555	343	212	525	313	-do-
	Rizwan Javed	555	362	193	555	362	-do-
	Ahmed Haroon Khan	571	324	247	686	439	-do-
	Imran Fatima	398	207	191	460	269	-do-
	Nazar Hussain	555	355	200	582	382	-do-
	Major Iftikhar	1,517	870	647	1,125	478	-do-
	Tahir Ali Shah	760	708	52	950	898	-do-
	Irfan Ahmed	275	139	136	512	376	-do-
	Waseem Riaz	753	655	98	635	537	-do-
	Nadeem Gul	560	375	185	500	315	-do-
	Khalid Farooq Hashmi	555	355	200	560	360	-do-
	Office Equipment	213	21	192	213	21	Assets written off
	Furniture and Fittings						
		334	31	303	334	31	-do-
		334	31	303	334	31	-do-
		284	26	258	284	26	-do-
	Other assets with book value less than Rs 50,000	89	3	86	89	3	Auction
		<u>26,633</u>	<u>15,495</u>	<u>11,138</u>	<u>30,300</u>	<u>19,162</u>	

		2011			(Rupees in thousand)		
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
Equipment							
	M/S Nishat Mills Limited (related party)	28,380	5,299	23,081	23,081	-	Negotiation
	Shahbaz Brothers	90	28	62	10	(52)	- do -
Vehicles							
	Shahzad Ahmed	1,460	741	719	1,400	681	Auction
	Nadeem Mahmood	1,460	760	700	1,380	680	- do -
	Jalal Mirza	1,217	891	326	952	626	- do -
	Umer Zameer	1,196	876	320	863	543	- do -
	Nadeem Ahmed	1,119	761	358	801	443	- do -
	Engr. Rehmat Ali	1,105	809	296	800	504	- do -
	Engr. Rehmat Ali	998	730	268	780	512	- do -
	Kh. Fakhar-ul-Islam	965	700	265	955	690	- do -
	Atiq-ur-Rehman	939	627	312	1,003	691	- do -
	Kashif Manzoor	790	527	263	777	514	- do -
	Mr. Irfan Khan	749	469	280	561	281	- do -
	Atiq-ur-Rehman	571	257	314	623	309	- do -
	Mr. Umer Zameer	566	428	138	391	253	- do -
	Ch. Ahtesham-ul-Haq	560	376	184	525	341	- do -
	Security General Insurance (related party)	560	374	186	350	164	Insurance claim
	Qadeer Ahmed	560	381	179	497	318	Auction
	Pervaiz Akhtar	555	320	235	500	265	- do -
	Security General Insurance (related party)	483	169	314	550	236	Insurance claim
	Ahmad Subhani	274	99	175	462	287	Auction
	Zahid Ali Khan	275	99	176	511	335	- do -
	Nabeel Riaz	272	106	166	528	362	- do -
	Zeeshan Ali Shah	272	106	166	507	341	- do -
	Nisar Ahmed Qureshi	272	109	163	567	404	- do -
	Muhammad Nadeem	59	43	16	30	14	- do -
	Other assets with book value less than Rs 50,000	161	54	107	35	(72)	Auction
		45,908	16,139	29,769	39,439	9,670	

		2012	2011
		----(Rupees in thousand)----	
16.2	Capital work in progress		
	Civil works	334,490	206,776
	Plant and machinery	1,549,765	925,123
	Advances	31,108	74,190
	Others	16,206	115,030
	Expansion project :		
	- Civil works	18,992	18,992
	- Others	42,951	33,709
		61,943	52,701
		1,993,512	1,373,820

16.2.1 Included in plant and machinery are borrowing costs of Rs 6.014 million (2011: Rs Nil).

		2012	2011
		----(Rupees in thousand)----	
17. Intangible assets			
This represents Oracle ERP system.			
Cost			
As at July 1		-	-
Additions		92,260	-
As at June 30		<u>92,260</u>	<u>-</u>
Less: Accumulated amortisation			
As at July 1		-	-
Amortisation for the year	- note 17.1	18,452	-
As at June 30		<u>18,452</u>	<u>-</u>
		<u><u>73,808</u></u>	<u><u>-</u></u>
17.1.	The amortisation charge for the year has been allocated as follows:		
Cost of sales	- note 27	12,916	-
Administrative expenses	- note 28	2,768	-
Selling and distribution expenses	- note 29	2,768	-
		<u>18,452</u>	<u>-</u>
18. Investments			
Investment in subsidiary company - unquoted	- note 18.1	203,629	203,629
Available for sale - quoted	- note 18.2	4,661,316	5,055,787
		<u>4,864,945</u>	<u>5,259,416</u>
18.1	Investment in subsidiary company - unquoted		
	Nishat Paper Products Company Limited		
	23,268,398 (2011: 23,268,398) fully paid ordinary shares of Rs 10 each Equity held: 50% (2011: 50%)	<u>203,629</u>	<u>203,629</u>
		<u>203,629</u>	<u>203,629</u>
18.2	Available for sale - Quoted		
Related parties	- note 18.2.1	1,682,548	1,682,548
Others	- note 18.2.2	45,641	45,641
		<u>1,728,189</u>	<u>1,728,189</u>
Cumulative fair value gain		<u>2,933,127</u>	<u>3,327,598</u>
		<u><u>4,661,316</u></u>	<u><u>5,055,787</u></u>

2012 2011
----(Rupees in thousand)----

18.2.1 Related Parties

Nishat Mills Limited - Associated company

30,289,501 (2011: 30,289,501) fully paid ordinary shares of Rs 10 each
Market value - Rs 1,441.174 million (2011: Rs 1,524.773 million)
Less: Impairment Loss

1,577,174
(250,615)
1,326,559

1,577,174
(250,615)
1,326,559

MCB Bank Limited - Associated company

17,607,700 (2011: 16,007,002) fully paid ordinary shares of Rs 10 each
Market value - Rs 2,927.104 million (2011: Rs 3,190.195 million)

125,834
125,834

125,834
125,834

Adamjee Insurance Company Limited - Associated company

3,541,391 (2011: 3,541,391) fully paid ordinary shares of Rs 10 each
Market value - Rs 206.286 million (2011: Rs 230.155 million)
Less: Impairment Loss

348,858
(118,703)
230,155

348,858
(118,703)
230,155

1,682,548

1,682,548

Nishat Mills Limited, MCB Bank Limited and Adamjee Insurance Company Limited are associated undertakings as per the Companies Ordinance, 1984, however, for the purpose of measurement, these have been classified as available for sale and measured at fair value as the Company does not have significant influence over these companies.

2012 2011
----(Rupees in thousand)----

18.2.2 Others

Maple Leaf Cement Factory Limited

13,747 (2011: 13,747) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.0636 million (2011: Rs 0.0283 million)
Less: Impairment Loss

282
(253)
29

282
(253)
29

1,999 (2011: 1,999) fully paid preference shares of Rs 10 each
Market value - Rs 0.0120 million (2011: Rs 0.0098 million)
Less: Impairment Loss

20
(10)
10

20
(10)
10

First Capital Mutual Fund

89,000 (2011: 89,000) certificates of Rs 10 each
Market value - Rs 0.395 million (2011: Rs 0.223 million)
Less: Impairment Loss

890
(678)
212

890
(678)
212

Habib Bank Limited

174 (2011: 159) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.020 million (2011: Rs 0.018 million)
Less: Impairment Loss

24
(6)
18

24
(6)
18

Nishat (Chunian) Limited

4,926,900 (2010: 4,926,900) fully paid ordinary shares of Rs 10 each
Market value - Rs 85.679 million (2011: Rs 109.821 million)

45,254
45,254

45,254
45,254

Oil and Gas Development Company Limited

2,353 (2011: 2,353) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.378 million (2011: Rs 0.360 million)

76
76

76
76

	2012	2011
	----(Rupees in thousand)----	
Pakistan Petroleum Limited		
958 (2010: 871) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.180 million (2011: Rs 0.180 million)	27	27
Kot Addu Power Company Limited		
500 (2010: 500) fully paid ordinary shares of Rs 10 each	15	15
Market value - Rs 0.023 million (2010: Rs 0.021 million)	15	15
	<u>45,641</u>	<u>45,641</u>

18.3 Investments with a face value of Rs 235 million (2011: Rs 230.5 million) are pledged as security against bank facilities. 3,190,304 (2011: 2,900,277) shares of MCB Bank Limited are blocked in CDC account.

	2012	2011
	----(Rupees in thousand)----	
19. Long term loans, advances and deposits		
Loans to employees - considered good		
- Executives - note 19.1	259	383
- Others	3,819	3,550
	<u>4,078</u>	<u>3,933</u>
Less: receivable within one year		
- Executives	126	129
- Others	1,240	1,242
	<u>1,366</u>	<u>1,371</u>
	<u>2,712</u>	<u>2,562</u>
Loan to related party - considered good - note 19.2	86,029	103,234
Less: receivable within one year	17,206	17,206
	<u>68,823</u>	<u>86,028</u>
Security deposits	48,807	44,629
	<u>120,342</u>	<u>133,219</u>
19.1 Executives		
Opening balance	383	410
Transfer from others to executives	-	118
Interest accrued	5	17
	<u>388</u>	<u>545</u>
Less: repayment during the year	129	162
	<u>259</u>	<u>383</u>

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate of 10% per annum (2011: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 2.563 million (2011: Rs 3.933 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.383 million (2011: Rs 0.528 million).

19.2 This represents an unsecured loan of Rs 61.25 million and Rs 24.778 million (2011: Rs 73.50 million and Rs 29.734 million) given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of infrastructure for the supply of natural gas to the plants at D.G. Khan and Khairpur respectively. Mark up is charged at rates ranging from 1.5% to 2% per annum (2011: 1.5% to 2% per annum) respectively and is received annually. The principal amount is receivable in 5 annual installments ending December 31, 2016 and March 28, 2017.

	2012	2011
	----(Rupees in thousand)----	
20. Stores and spares		
Stores [including in transit Rs 50.216 million (2011: Rs 32.191 million)]	1,389,093	1,235,053
Spares [including in transit Rs 195.193 million (2011: Rs 214.699 million)]	2,741,073	2,282,786
Loose tools	7,096	25,195
	<u>4,137,262</u>	<u>3,543,034</u>
20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.		
21. Stock-in-trade		
Raw materials	177,405	142,551
Packing material [including in transit Rs 0.013 million (2011: Rs 6.411 million)]	200,201	255,241
Work-in-process	322,049	169,612
Finished goods	254,990	294,737
	<u>954,645</u>	<u>862,141</u>
22. Trade debts - considered good		
Secured	194,271	236,703
Unsecured		
- Related parties	11,923	10,312
- Others	111,776	212,285
	<u>317,970</u>	<u>459,300</u>
22.1 Related parties - unsecured		
Nishat Developers	732	1,340
Nishat Hospitality (Private) Limited	4,256	-
Nishat Dairy (Private) Limited	3,587	-
MCB Bank Limited	2,974	-
Lalpir Power Limited	374	8,972
	<u>11,923</u>	<u>10,312</u>
23. Investments		
Available for sale - quoted		
Related parties	478,234	478,234
Others	832	832
	<u>479,066</u>	<u>479,066</u>
Cumulative fair value gain	<u>10,646,985</u>	<u>11,647,283</u>
	<u>11,126,051</u>	<u>12,126,349</u>

2012 2011
----(Rupees in thousand)----

23.1 Related Parties - quoted

MCB Bank Limited - Associated company

66,918,940 (2011: 60,835,402) fully paid ordinary shares of Rs 10 each

Market value Rs 11,125 million (2011: Rs 12,124 million)

<u>478,234</u>	<u>478,234</u>
<u>478,234</u>	<u>478,234</u>

MCB Bank Limited is an associated undertaking as per the Companies Ordinance, 1984, however, for the purpose of measurement, this has been classified as available for sale and measured at fair value as the Company does not have significant influence over this company.

2012 2011
----(Rupees in thousand)----

23.2 Others - quoted

Nishat (Chunian) Limited

83,159 (2011: 83,159) fully paid ordinary shares of Rs 10 each

Market value - Rs 1.446 million (2011: Rs 1.854 million)

832	832
832	832

24. Advances, deposits, prepayments and other receivables

Current portion of loans to employees - considered good
Current portion of long term receivable from related party
Advances - considered good

1,366	1,371
17,206	17,206

- To employees - note 24.1
- To suppliers

3,135	4,190
70,715	23,482
73,850	27,672

Due from related parties - note 24.2
Prepayments

311,228	326,201
2,812	-

Mark-up receivable from related party - note 24.3
Derivative financial instruments
Profit receivable on bank deposits
Letters of credit - margins, deposits, opening charges, etc

48,920	51,655
-	1,303
1,285	-
2,361	5,329

Claims recoverable from government

- Income tax
- Sales tax - note 24.4
- Freight subsidy
- Excise duty
- Export rebate

855,007	505,470
62,932	111,271
-	27,422
17,243	17,370
68,831	41,915
1,004,013	703,448

Other receivables

<u>12,967</u>	<u>2,379</u>
<u>1,476,008</u>	<u>1,136,564</u>

24.1 Included in advances to employees are amounts due from executives of Rs 1,483 thousand (2011: Rs 2,396 thousand).

	2012	2011
	----(Rupees in thousand)----	
24.2 Due from related parties - unsecured		
Nishat Mills Limited	13,461	14,759
Lalpir Power Limited	12	443
Nishat Paper Products Company Limited - note 24.2.1	297,755	310,999
	311,228	326,201
24.2.1 This represents amount due from subsidiary company relating to advance for purchase of paper bags carrying interest at average borrowing rate of the Company.		
24.3 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 19.2 and from Nishat Paper Products Company Limited against advances as referred to in note 24.2.		
24.4 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Company has filed appeals against the demands at different forums.		

	2012	2011
	----(Rupees in thousand)----	
25. Cash and bank balances		
At banks:		
Saving accounts		
Pak Rupee - note 25.1 & 25.2	133,258	77,366
Foreign Currency: US\$ 902,962 (2011: US\$ 22.20)	85,044	2
Current accounts	206,905	120,310
	425,207	197,678
Cash in hand	3,234	143
	428,441	197,821
25.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2011: 0.1% to 5% per annum).		
25.2 Included in balances at banks on saving accounts are Rs 14.480 million (2011: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 13.2.		

	2012	2011
	----(Rupees in thousand)----	
26. Sales		
Local sales	20,258,088	16,986,833
Export sales - note 26.1	7,146,523	6,486,701
	27,404,611	23,473,534
Less: Sales tax	2,792,019	2,437,801
Excise duty and special excise duty	1,385,540	2,184,194
Commission to stockists and export agents	277,199	274,341
	4,454,758	4,896,336
	22,949,853	18,577,198

26.1 Export sales include rebate on exports amounting to Rs 38.378 million (2011: Rs 31.488 million).

		2012	2011
		----(Rupees in thousand)----	
27. Cost of sales			
Raw and packing materials consumed		1,877,887	1,805,898
Salaries, wages and other benefits	- note 27.1	941,316	804,957
Electricity and gas		2,109,987	1,880,289
Furnace oil and coal		7,262,703	6,160,054
Stores and spares consumed		1,375,329	1,338,239
Repairs and maintenance		224,370	175,077
Insurance		57,814	54,992
Depreciation on property, plant and equipment	- note 16.1.2	1,429,379	1,414,968
Amortisation of intangible assets	- note 17.1	12,916	-
Royalty		147,132	146,625
Excise duty		13,715	13,597
Vehicle running		24,672	25,234
Postage, telephone and telegram		3,200	4,212
Printing and stationery		5,029	7,147
Legal and professional charges		1,984	1,790
Travelling and conveyance		24,673	10,744
Estate development		19,822	15,298
Rent, rates and taxes		18,379	13,675
Freight charges		6,328	11,566
Other expenses		25,711	25,605
		15,582,346	13,909,967
Opening work-in-process	- note 21	169,612	537,539
Closing work-in-process	- note 21	(322,049)	(169,612)
		(152,437)	367,927
Cost of goods manufactured		15,429,909	14,277,894
Opening stock of finished goods	- note 21	294,737	219,365
Closing stock of finished goods	- note 21	(254,990)	(294,737)
		39,747	(75,372)
Less: Own consumption		26,558	10,293
		15,443,098	14,192,229

27.1 Salaries, wages and other benefits include Rs 24.626 million (2011: Rs 21.950 million), Rs 30.252 million (2011: Rs 20.382 million) and Rs 19.518 million (2011: Rs 15.907 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

2012 2011
----(Rupees in thousand)----

27.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity

Current service cost	15,967	14,202
Interest cost for the year	12,628	5,825
Expected return on plan assets	(1)	(2)
Actuarial loss	1,658	357
	<u>30,252</u>	<u>20,382</u>

Leave Encashment

Current service cost	3,340	7,973
Interest cost for the year	5,368	2,865
Expected return on plan assets	-	-
Actuarial loss	10,810	5,069
	<u>19,518</u>	<u>15,907</u>

28. **Administrative expenses**

Salaries, wages and other benefits	- note 28.1	139,338	117,184
Electricity, gas and water		5,678	5,908
Repairs and maintenance		8,507	5,981
Insurance		1,738	1,809
Depreciation on property, plant and equipment	- note 16.1.2	15,578	12,752
Amortisation of intangible assets	- note 17.1	2,768	-
Vehicle running		6,181	5,428
Postage, telephone and telegram		8,358	7,998
Printing and stationery		18,532	9,202
Legal and professional services	- note 28.2	16,321	8,143
Travelling and conveyance		6,879	5,293
Rent, rates and taxes		147	1,197
Entertainment		2,316	1,798
School expenses		18,888	15,083
Fee and subscription		11,549	7,681
Other expenses		4,927	5,905
		<u>267,705</u>	<u>211,362</u>

28.1 Salaries, wages and other benefits include Rs 4.949 million (2011: Rs 4.322 million), Rs 7.365 million (2011: Rs 7.983 million) and Rs 4.763 million (2011: Rs 2.305 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

2012 2011
----(Rupees in thousand)----

28.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity

Current service cost	3,887	5,562
Interest cost for the year	3,074	2,282
Expected return on plan assets	-	(1)
Actuarial loss	404	140
	<u>7,365</u>	<u>7,983</u>

		2012	2011
		----(Rupees in thousand)----	
Leave Encashment			
Current service cost		815	1,155
Interest cost for the year		1,310	415
Expected return on plan assets		-	-
Actuarial loss		2,638	735
		<u>4,763</u>	<u>2,305</u>
28.2 Legal and professional charges			
Legal and professional charges include the following in respect of auditors' services for:			
Statutory audit		1,500	1,250
Half yearly review		400	270
Certification and sundry services		100	50
Out of pocket expenses		75	70
		<u>2,075</u>	<u>1,640</u>
29. Selling and distribution expenses			
Salaries, wages and other benefits	- note 29.1	74,945	63,822
Electricity, gas and water		1,209	1,277
Repairs and maintenance		819	427
Insurance		481	336
Depreciation on property, plant and equipment	- note 16.1.2	2,755	2,690
Amortisation of intangible assets	- note 17.1	2,768	-
Vehicle running		3,743	3,075
Postage, telephone and telegram		2,058	2,117
Printing and stationery		3,393	1,344
Rent, rates and taxes		1,337	1,250
Legal and professional charges		695	633
Travelling and conveyance		3,336	2,740
Entertainment		838	521
Advertisement and sales promotion		7,349	3,020
Freight and handling charges - export		2,095,508	2,386,618
Other expenses		1,667	729
		<u>2,202,901</u>	<u>2,470,599</u>
29.1 Salaries, wages and other benefits include Rs 3.004 million (2011: Rs 2.588 million), Rs 3.526 million (2011: Rs 2.312 million) and Rs 2.280 million (2011: Rs 1.411 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.			
		2012	2011
		----(Rupees in thousand)----	
29.1 Salaries, wages and other benefits			
Salaries, wages and other benefits include the following in respect of retirement benefits:			
Gratuity			
Current service cost		1,861	1,611
Interest cost for the year		1,472	662
Expected return on plan assets		-	(1)
Actuarial loss		193	40
		<u>3,526</u>	<u>2,312</u>

	2012	2011
	----(Rupees in thousand)----	
Leave Encashment		
Current service cost	390	707
Interest cost for the year	627	254
Expected return on plan assets	-	-
Actuarial loss	1,263	450
	<u>2,280</u>	<u>1,411</u>
30. Other operating expenses		
Workers' profit participation fund	213,288	31,642
Donations - note 30.1	1,700	140
Exchange loss	285,847	6,182
	<u>500,835</u>	<u>37,964</u>
30.1 None of the directors and their spouses had any interest in any of the donees.		
31. Other operating income		
Income from financial assets		
Income on bank deposits	3,434	1,603
Interest on loans to employees	24	53
Gain on derivative financial instruments	5,467	27,468
Dividend income from:		
- Related parties - note 31.1	1,048,658	943,815
- Others	10,049	7,539
	<u>1,058,707</u>	<u>951,354</u>
	<u>1,067,632</u>	<u>980,478</u>
Income from non-financial assets		
Rental income	759	1,473
Gain on disposal of property, plant and equipment - note 16.1.3	19,162	9,670
Scrap sales	27,601	12,074
Provision written back - workers' welfare fund	-	77,320
Provisions and unclaimed balances written back	22,632	-
Mark-up on loan / advances to related parties	50,000	52,914
Others	150	201
	<u>120,304</u>	<u>153,652</u>
	<u>1,187,936</u>	<u>1,134,130</u>
31.1 Dividend income from related parties		
Nishat Mills Limited	99,955	75,724
MCB Bank Limited	945,162	859,238
Adamjee Insurance Company Limited	3,541	8,853
	<u>1,048,658</u>	<u>943,815</u>

	2012	2011
	----(Rupees in thousand)----	
32. Finance costs		
Interest and mark-up on:		
- Long term loans - secured	657,692	778,035
- Short term borrowings - secured	958,973	1,242,246
- Workers' profit participation fund	1,191	1,090
Guarantee commission	15,020	21,242
Bank charges	37,908	36,533
	1,670,784	2,079,146
33. Taxation		
For the year		
Current		
- For the year	101,500	188,305
- Prior	(115,335)	-
	(13,835)	188,305
Deferred	(41,817)	241,926
	(55,652)	430,231

33.1 The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 1% (2011: 1%) of turnover from local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of Company's tax liability in respect of income arising from such source.

For purposes of current taxation, the tax losses available for carry forward as at June 30, 2012 are estimated approximately at Rs 8,465 million (2011: Rs 7,976 million).

	2012	2011
	%	%
33.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
- Not deductible for tax purposes	0.18	14.23
- Chargeable to tax at different rates	(9.15)	-
Effect of change in prior years' tax	(24.18)	-
Tax credits and losses in respect of which no deferred tax asset has been recognised	0.74	20.57
Tax effect under presumptive tax regime and others	(3.97)	1.05
Rounding and others	0.01	0.71
	(36.37)	36.56
Average effective tax rate charged to profit and loss account	(1.37)	71.56

34. Earnings per share

34.1 Earnings per share - Basic

Profit for the year	Rupees	4,108,117,688	170,961,000
Weighted average number of ordinary shares	Number	438,119,118	380,437,368
Earnings per share - basic	Rupees	<u>9.38</u>	<u>0.45</u>

34.2 Earnings per share - Diluted

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

2012 **2011**
----(Rupees in thousand)----

35. Cash generated from operations

Profit before tax **4,052,466** 601,192

Adjustments for:

- Depreciation on property, plant and equipment	1,447,712	1,430,410
- Amortisation on intangible assets	18,452	-
- Gain on disposal of property, plant and equipment	(19,162)	(9,670)
- Gain on derivative financial instruments	(5,467)	(27,468)
- Dividend income	(1,058,707)	(951,354)
- Impairment charged on investments	-	118,836
- Mark-up income	(50,000)	(52,914)
- Provision for retirement benefits	67,883	56,193
- Exchange loss	285,847	6,182
- Finance costs	1,670,784	2,079,146
Profit before working capital changes	2,357,342	2,649,361

Effect on cash flow due to working capital changes

- Increase in stores, spares and loose tools	(594,228)	(525,293)
- (Increase) / decrease in stock-in-trade	(92,504)	174,735
- Decrease / (increase) in trade debts	158,010	(155,351)
- Decrease in advances, deposits, prepayments and other receivables	12,825	86,999
- Increase / (decrease) in trade and other payables	268,876	(5,579)
	(247,021)	(424,489)
	<u>6,162,787</u>	<u>2,826,064</u>

36. Cash and cash equivalents

Cash and bank balances	- note 25	428,441	197,821
Short term borrowings - secured	- note 13	(6,733,467)	(8,691,982)
		<u>(6,305,026)</u>	<u>(8,494,161)</u>

37 Remuneration of Chief Executive, Directors and Executives

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	8,621	7,496	20,127	18,592	169,044	147,592
Contributions to Provident and Gratuity Fund	-	-	3,690	3,408	26,170	22,231
Housing	270	270	1,064	1,068	61,580	49,076
Utilities	-	-	-	-	13,494	10,637
Leave passage	-	-	818	1,770	4,461	3,925
Medical expenses	169	529	171	693	5,764	4,505
Others	5,477	4,547	3,432	1,986	43,585	34,584
	14,537	12,842	29,302	27,517	324,098	272,550
Number of persons	1	1	3	3	152	130

The company also provides the chief executive and some of the directors and executives with Company maintained cars, travelling and utilities.

The company does not provide any remuneration and benefits to non-executive directors of the company.

37.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 5 directors (2011: 5 directors) is Rs Nil (2011: Rs Nil).

38 Transactions with related parties

The related parties comprise subsidiary company, associated companies, other related companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, dividend income is disclosed in note 31.1, expense charged in respect of staff retirement benefit plans is disclosed in note 9, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Relationship with the company	Nature of transaction	2012	2011
		----(Rupees in thousand)----	
i. Subsidiary Company	Purchase of goods	996,426	1,032,032
	Rental income	759	796
	Interest income	48,218	50,819
ii. Other related parties	Sale of goods	97,101	30,882
	Sale of equipment	-	23,187
	Purchase of asset	1,700	-
	Insurance premium	82,159	74,757
	Purchase of services	1,033,558	632,526
	Insurance claims received	10,539	2,468
	Mark-up income on balances with related parties	1,782	2,096
Dividend income	1,048,658	943,815	

All transactions with related parties have been carried out on commercial terms and conditions.

39 Capacity and production

	Capacity		Actual production	
	2012	2011	2012	2011
Clinker (Metric Tonnes)				
Unit I	810,000	810,000	839,989	694,835
Unit II	1,200,000	1,200,000	1,253,632	1,325,877
Unit III	2,010,000	2,010,000	1,680,327	1,717,692

40. Financial risk management

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company's overall risk management procedures to minimise the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to bank balances and amounts receivable from / payable to the foreign entities.

At June 30, 2012, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 245.981 million (2011: Rs 140.254 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified as available for sale. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's investments in equity of other entities that are publicly traded are included in all of the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The table below summarises the impact of increases / decreases of the KSE-100 index on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased / decreased by 10% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2012	2011	2012	2011
	(Rupees in thousand)		(Rupees in thousand)	
Karachi Stock Exchange	-	-	157,874	171,821

Post-tax profit for the year would increase / decrease as a result of gains / losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase / decrease as a result of gains / losses on equity securities classified as available for sale. As at June 30, 2012, the Company has no investments classified as fair value through profit or loss.

(iii) Interest rate risk

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short term and long-term borrowings. These borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At June 30, 2012, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs 108.867 million (2011: Rs 147.596 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Company arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to distributors and wholesale and retail customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

	2012	2011
	----(Rupees in thousand)----	
Long term loans, advances and deposits	120,342	133,219
Trade debts	123,699	222,597
Advances, deposits, prepayments and other receivables	392,972	398,812
Balances with banks	425,207	197,678
	1,062,220	952,306

The ageing analysis of trade receivables is as follows:

Up to 90 days	45,678	96,020
90 to 180 days	16,097	32,680
181 to 365 days	6,482	42,763
Above 365 days	55,442	51,134
	123,699	222,597

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to profit and loss account.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating Agency	(Rupees in thousand)	
	Short term	Long term		2012	2011
Allied Bank Limited	A1 +	AA +	PACRA	-	49
Askari Bank Limited	A1 +	AA	PACRA	10,783	566
Bank Alfalah Limited	A1 +	AA	PACRA	85,044	-
Bank Islami Pakistan Limited	A1	A	PACRA	1,499	77
Bank of Punjab	A1 +	AA-	PACRA	10,021	7
Barclay's Bank PLC Pakistan	A1	A +	S&P	9,157	5,883
Citibank N.A.	A1	A +	S&P	96	1,067
Dubai Islamic Bank (Pakistan) Limited	A1	A	PACRA	1,079	960
Faysal Bank Limited	AA	A1 +	PACRA	47,413	39,380
Habib Bank Limited	A1 +	AA	JCR-VIS	-	59
HSBC Bank Middle East Limited	P1	A1	Moody's	40	-
MCB Bank Limited	A1 +	AA +	PACRA	240,137	124,126
Meezan Bank Limited	A1 +	AA-	JCR-VIS	160	611
National Bank of Pakistan	A1 +	AAA	JCR-VIS	1,387	111
NIB Bank Limited	A1 +	AA-	PACRA	14,924	14,505
Silk Bank Limited	A2	A-	JCR-VIS	376	366
Standard Chartered Bank Pakistan Limited	A1 +	AAA	PACRA	2,852	-
United Bank Limited	A1 +	AA +	JCR-VIS	239	9,911
				425,207	197,678

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents (note 36) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)				
At June 30, 2012	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	6,785,851	2,156,768	1,356,225	3,272,858
Trade and other payables	1,576,165	1,576,165	-	-
Accrued finance cost	162,931	162,931	-	-
Short term borrowings - secured	6,733,467	6,733,467	-	-
	<u>15,258,414</u>	<u>10,629,331</u>	<u>1,356,225</u>	<u>3,272,858</u>
At June 30, 2011	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	6,875,127	1,994,548	2,008,639	2,871,940
Trade and other payables	923,190	923,190	-	-
Accrued finance cost	284,511	284,511	-	-
Short term borrowings - secured	8,691,982	8,691,982	-	-
	<u>16,774,810</u>	<u>11,894,231</u>	<u>2,008,639</u>	<u>2,871,940</u>

40.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total debt divided by total capital employed. Total debt represent long term and short-term finances obtained by the Company. Total capital employed includes equity as shown in the balance sheet plus total debt. The Company's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at June 30, 2012 and June 30, 2011 is as follows:

	2012	2011
	----(Rupees in thousand)----	
Total debt	13,519,318	15,567,109
Total equity	32,930,632	30,217,283
Total capital employed	<u>46,449,950</u>	<u>45,784,392</u>
Gearing ratio	29%	34%

40.3 Fair value estimation

The carrying value of financial assets and liabilities reflected in the financial statements approximate their fair values. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

41. Date of authorisation for issue

These financial statements were authorised for issue on September 10, 2012 by the Board of Directors of the Company.

42. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the ended June 30, 2012 of Rs 1.50 (2011: Rs Nil) per share, amounting to Rs 657.179 million (2011: Rs Nil) at their meeting held on September 10, 2012 for approval of the members at the Annual General Meeting to be held on October 24, 2012. These financial statements do not reflect this dividend payable.

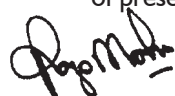
43. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Further, significant re-arrangements made are as follows:

(Rupees in thousand)

"Capital work in progress" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	1,373,820
Nishat (Chunian) Limited previously classified under Available for sale - (related parties) long-term Investments, now reclassified under Available for Sale - (Others) long-term Investments.	45,254
Amount classified previously under secured trade debtors, now reclassified as unsecured trade debtors.	166,620
Advance amount relating to Nishat Paper Products Company Limited, subsidiary company, previously classified under "Advances - considered good - to trade suppliers" now reclassified under "Due from related parties".	310,999
Negative bank balances previously appearing in "Cash and bank balances - current accounts" now reclassified under "Trade and other payables - others"	30,179
Gain on derivative financial instruments previously classified under "Finance cost" now reclassified to "Other operating income"	27,468

The above figures have been re-arranged as the reclassifications made are considered more appropriate for the purposes of presentation.



Chief Executive



Director

Consolidated Financial Statements

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The board of directors of the company is pleased to submit its report along with the consolidated financial statements for the year ended 30 June 2012. Our discussion of the affairs of the holding company has been separately presented. Continued energy crises and poor law and order continued

to hit our economy in 2012. The situation got worse by heavy rainfall in Sindh and Balochistan. Our economic targets remained unachieved and our manufacturing sector operated below full capacity.

Consolidated Financial Performance

	(Rupees in million)		
	2012	2011	Change
	Year ended 30 June	Year ended 30 June	Year on Year
Sales	23,846	19,451	4,395
Cost of sales	(16,236)	(14,798)	(1,438)
Gross profit	7,610	4,653	2,957
Profit from operations	5,745	2,871	2,873
Finance cost	(1,783)	(2,190)	407
Profit before taxation	3,962	682	3,280
Taxation	124	(485)	608
Profit after taxation	4,086	197	3,889

Despite challenges being offered by the economic conditions, the company earned a post tax profit Rs. 4,086 millions. Although, there is a hope of changes in business scenario after 2013 general elections, but continual increase in fuel prices and persistent energy shortfall will remain the major challenges in 2013.

Staff and Customer

We wish to record our appreciation of continued commitment of our employees and patronage of our customers

For and on behalf of the Board



Mian Raza Mansha
Chief Executive Officer

Lahore: 10 September, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of D.G. Khan Cement Company Limited (the Holding Company) and its subsidiary company (hereinafter referred to as 'the Group') as at June 30, 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of D.G. Khan Cement Company Limited. Its subsidiary company, Nishat Paper Products Company Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of a accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in note 2.2.1 annexed to the financial statements, the Group has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards.

In our opinion the consolidated financial statements present fairly the financial position of D.G. Khan Cement Company Limited and its subsidiary company (the Group) as at June 30, 2012 and the results of their operations for the year then ended.

The consolidated financial statements of the Group for the year ended June 30, 2011 were audited by another firm of accountants, M/s KPMG Taseer Hadi & Company, Chartered Accountants, whose report dated September 7, 2011 expressed an unqualified opinion thereon.



A. F. Ferguson & Co.
Chartered Accountants

Lahore,

Name of engagement partner: **Muhammad Masood**

CONSOLIDATED BALANCE SHEET

	Note	2012 ----(Rupees in thousand)----	2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2011: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2011: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital 438,119,118 (2011: 438,119,118) ordinary shares of Rs 10 each	6	4,381,191	4,381,191
Reserves	7	23,601,636	24,996,405
Accumulated profit		5,036,891	939,916
		<u>33,019,718</u>	<u>30,317,512</u>
Non - controlling interest		330,265	341,409
		<u>33,349,983</u>	<u>30,658,921</u>
NON-CURRENT LIABILITIES			
Long term finances	8	4,649,083	4,960,579
Long term deposits	9	68,355	70,893
Retirement and other benefits	10	185,116	139,213
Deferred taxation	11	1,602,750	1,730,886
		<u>6,505,304</u>	<u>6,901,571</u>
CURRENT LIABILITIES			
Trade and other payables	12	2,231,863	1,877,686
Accrued markup	13	178,652	304,800
Short term borrowing-secured	14	7,559,348	9,362,051
Current portion of non-current liabilities	15	2,245,561	2,131,566
Provision for taxation		35,090	35,090
		<u>12,250,514</u>	<u>13,711,193</u>
CONTINGENCIES AND COMMITMENTS			
	16	-	-
		<u>52,105,801</u>	<u>51,271,685</u>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Chief Executive

AS AT JUNE 30, 2012

	Note	2012 ----(Rupees in thousand)----	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	28,073,573	27,080,999
Intangible assets	18	73,808	-
Investments	19	4,661,316	5,055,787
Long term loans, advances and deposits	20	138,748	134,125
		32,947,445	32,270,911
CURRENT ASSETS			
Stores, spares and loose tools	21	4,198,477	3,604,954
Stock-in-trade	22	1,596,784	1,513,014
Trade debts	23	486,597	650,283
Investments	24	11,126,071	12,126,367
Advances, deposits, prepayments and other receivables	25	1,288,034	866,678
Cash and bank balances	26	462,393	239,478
		19,158,356	19,000,774
		52,105,801	51,271,685



Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 ----(Rupees in thousand)----	2011
Sales	27	23,846,341	19,451,360
Cost of sales	28	(16,236,017)	(14,797,866)
Gross profit		7,610,324	4,653,494
Administrative expenses	29	(273,884)	(216,927)
Selling and distribution expenses	30	(2,218,815)	(2,484,622)
Other operating expenses	31	(520,101)	(50,303)
Other operating income	32	1,147,425	1,088,666
Impairment on investments		-	(118,836)
Profit from operations		5,744,949	2,871,472
Finance cost	33	(1,782,871)	(2,189,613)
Profit before taxation		3,962,078	681,859
Taxation	34	123,753	(484,698)
Profit after taxation		4,085,831	197,161
Attributable to:			
Equity holders of the parent		4,096,975	184,060
Non - controlling interest		(11,144)	13,101
		4,085,831	197,161
Earnings per share - basic and diluted (2011: Restated)	35	9.35	0.48

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Chief Executive



Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----(Rupees in thousand)----	
Profit after taxation	4,085,831	197,161
Other comprehensive income		
Available for sale financial assets		
- Change in fair value	(1,394,769)	2,185,542
- Impairment loss through consolidated profit and loss account	-	(118,836)
Other comprehensive (loss) / income for the year	(1,394,769)	2,066,706
Total comprehensive income for the year	<u>2,691,062</u>	<u>2,263,867</u>
Attributable to:		
Equity holders of the parent	2,702,206	2,250,766
Non - controlling interes	(11,144)	13,101
	<u>2,691,062</u>	<u>2,263,867</u>

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Chief Executive



Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 ----(Rupees in thousand)----	2011
Cash flows from operating activities			
Cash generated from operations	36	6,191,390	3,024,251
Finance cost paid		(1,909,363)	(2,233,622)
Retirement and other benefits paid		(20,205)	(19,793)
Taxes paid		(397,808)	(351,688)
Long term deposits - net		(2,538)	(10,245)
Net cash generated from operating activities		3,861,476	408,903
Cash flows from investing activities			
Fixed capital expenditure		(2,761,493)	(1,674,080)
Proceeds from sale of property, plant and equipment		205,300	41,090
Long term loans, advances and deposits - net		(4,623)	23,693
Interest received		1,917	2,287
Dividend received		1,058,708	951,355
Net cash used in investing activities		(1,500,191)	(655,655)
Cash flows from financing activities			
Proceeds from issuance of share capital		-	1,460,398
Proceeds from long term finances		1,906,382	1,850,000
Repayment of long term finances		(2,242,049)	(2,368,773)
Repayment of liabilities against assets subject to finance lease		-	(155)
Dividend paid		-	(1)
Net cash (used in) / generated from financing activities		(335,667)	941,469
Net increase in cash and cash equivalents		2,025,618	694,717
Cash and cash equivalents at the beginning of the year		(9,122,573)	(9,817,290)
Cash and cash equivalents at the end of the year	37	(7,096,955)	(9,122,573)

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Chief Executive



Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	Capital Reserve			Revenue Reserve			Total equity attributable to shareholders of parent company		Total Shareholders equity
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	Non-Controlling Interest		
	Rupees in thousand								
Balance as on June 30, 2010	3,650,993	3,826,965	12,908,175	353,510	5,110,851	755,856	26,606,350	328,308	26,934,658
Transactions with owners									
- Right issue	730,198	730,198	-	-	-	-	1,460,396	-	1,460,396
Total comprehensive income for the year									
- Profit for the year						184,060	184,060	13,101	197,161
- Other comprehensive income for the year			2,066,706				2,066,706		2,066,706
			2,066,706			184,060	2,250,766	13,101	2,263,867
Balance as on June 30, 2011	4,381,191	4,557,163	14,974,881	353,510	5,110,851	939,916	30,317,512	341,409	30,658,921
Total comprehensive income for the year									
- Profit / (loss) for the year						4,096,975	4,096,975	(11,144)	4,085,831
- Other comprehensive loss for the year			(1,394,769)				(1,394,769)		(1,394,769)
Balance as on June 30, 2012	4,381,191	4,557,163	13,580,112	353,510	5,110,851	5,036,891	33,019,718	330,265	33,349,983

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Legal status and nature of business

The group comprises of

- D. G. Khan Cement Company Limited ("the Parent Company"); and
- Nishat Paper Products Company Limited ("the Subsidiary Company")

D. G. Khan Cement Company Limited ("the Company") is a public limited Company incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

Nishat Paper Products Company Limited is a public limited Company incorporated in Pakistan under the Companies Ordinance, 1984 on July 23, 2004. It is principally engaged in the manufacturing and sale of paper products and packaging material.

% age of holding

- | | |
|---|-----|
| - Nishat Paper Products Company Limited | 50% |
|---|-----|

2. Basis of preparation

2.1 These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Group's consolidated financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Group

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2011:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of the amendment will not affect the results or net assets of the Group as it is only concerned with presentation and disclosures.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment) (effective July 01, 2011), issued in October 8, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are a part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly

those involving securitization of financial assets. The Group has determined that there is no significant transfer of financial assets that requires disclosure under the guidance above.

- IAS 1 (amendments) (effective January 01, 2011), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- IAS 24 (revised) (effective July 01, 2011), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is not expected to have any material impact on the Group's consolidated financial statements.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The application of this amendment is not expected to have any material impact on the Group's consolidated financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this, which should be applied retrospectively to the earliest comparative period presented. The application of this amendment is not expected to have any material impact on the Group's consolidated financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The application of this interpretation is not expected to have any material impact on the Group's consolidated financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 01, 2012 or later periods, and the Group has not early adopted them:

- IFRS 7, 'Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on December 19, 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Group shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its consolidated financial statements.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities

that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

- IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group shall apply this standard from January 01, 2013 and does not expect to have any material impact on its consolidated financial statements.

- IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group shall apply this standard from January 01, 2013 and does not expect to have any material impact on its consolidated financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group shall apply this standard from July 01, 2013 and does not expect to have any material impact on its consolidated financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group shall apply this standard from July 01, 2013 and does not expect to have any material impact on its consolidated financial statements.

- IAS 1 - 'Financial statement presentation' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Group shall apply this amendment from July 01, 2012 and does not expect to have any material impact on its consolidated financial statements.

3. Basis of measurement

- 3.1 These consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.
- 3.2 The Group's significant accounting policies are stated in note 5. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide

an understanding of the policies the management considers critical because of the complexity, judgment and estimation involved in their application and their impact on these consolidated financial statements. Judgments and estimates are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

- i) Provision for taxation - note 34
- ii) Retirement and other benefits - note 5.4 & 10
- iii) Residual values and useful lives of depreciable assets - note 5.6
- iv) Provisions and contingencies - note 16

4. Prior period error

During the previous year ended June 30, 2011, the Group calculated the EPS on the basis of weighted average number of shares of both the Parent Company and the Subsidiary Company instead of the weighted average number of shares of the Parent Company.

This miscalculation constitutes a 'prior period error' as defined in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the above mentioned prior period error has been corrected retrospectively in the current year by restating the EPS of the earliest period presented i.e. year ended June 30, 2011. The restatement has resulted in an increase in EPS of the prior period by Re 0.05 per share.

5. Significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Principles of consolidation

Subsidiary

The consolidated financial statements include the financial statements of D. G. Khan Cement Company Limited and its subsidiary Nishat Paper Products Company Limited with 50% holding (2011: 50%) ("the Group Companies")

Subsidiary is that enterprise in which Parent Company directly or indirectly controls, beneficially owns or holds more than 50% of voting securities or otherwise has power to elect and appoint more than 50% of its Directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and carrying value of investments held by the Parent Company is eliminated against the subsidiary shareholders' equity in the consolidated financial statements. Material intra-group balances and transactions have been eliminated.

Non-controlling interests are that part of the net reserves of the operation and of net assets of the subsidiary attributable to interests which are not owned by the Group. Non-controlling interest is presented as a separate line item in the consolidated financial statements.

5.2 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated profit and loss over the period of the borrowings on an effective interest rate basis. Preference shares, which are mandatorily redeemable on a specific date at the option of the Group, are classified as liabilities. The dividend on these preference shares is recognised in the consolidated profit and loss account as finance cost. Finance costs are accounted for on an accrual basis.

5.3 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in consolidated profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated profit and loss account, except in the case of items charged or credited to equity in which case it is included in the consolidated statement of changes in equity.

5.4 Retirement and other benefits

The main features of the schemes operated by the Group for its employees are as follows:

D. G. Khan Cement Company Limited

Defined benefit plans

The Parent Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as on June 30, 2012 as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Parent Company obligations and the fair value of plan assets are amortised over the expected average working lives of the participating employees.

Defined contribution plan

The Parent Company operates a recognised provident fund for all its regular employees. Equal monthly contributions are made to the fund both by the Parent Company and the employees at the rate of 10% of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers. Obligation for contributions to defined contribution plan is recognised as an expense in the consolidated profit and loss account as and when incurred.

Accumulating compensated absences

The Parent Company provides for accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. Under the service rules, employees are entitled to 2.5 days leave per month. Unutilised leaves can be accumulated upto 90 days in case of officers. Any balance

in excess of 90 days can be encashed upto 17 days a year only. Any further unutilised leaves lapse. In case of workers, unutilised leaves may be accumulated without any limit, however accumulated leave balance above 50 days is encashable upon demand of the worker. Unutilised leaves can be used at any time by all employees, subject to the approval of the Parent Company's management.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to consolidated profit and loss account. The most recent valuation was carried out as at June 30, 2012 using the "Projected Unit Credit Method".

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligations. Actuarial gains and losses are charged to the consolidated profit and loss account immediately in the period when these occur.

5.5 Trade and other payables

Financial liabilities are initially recognised at fair value plus directly attributable cost, if any, and subsequently at amortised cost using effective interest rate method.

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

5.6 Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 5.17 and borrowing costs as referred to in note 5.20.

Depreciation on all property, plant and equipment is charged to the consolidated profit and loss account on the reducing balance method, except for plant and machinery which is being depreciated using the straight line method, so as to write off the historical cost of such asset over its estimated useful life at annual rates mentioned in note 17 after taking into account their residual values.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item shall flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated profit and loss account during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

5.7 Capital work-in-progress

Capital work in progress and stores held for capital expenditure are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

5.8 Intangible assets

Expenditure incurred by the Parent Company to acquire Oracle enterprise resource planning (ERP) system has been capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the straight line method over a period of five years.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.

The Parent Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such an indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in the consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.9 Leases

Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method except plant and machinery which is depreciated on straight line method at the rates mentioned in note 17. Depreciation of leased assets is charged to the consolidated profit and loss account.

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year-end and adjusted if impact of depreciation is significant.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

5.10 Investments

Investments in equity instruments of associated company

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, these are stated at fair values unless fair values cannot be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed off or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to consolidated profit and loss account. Fair value of quoted investments is their bid price on Karachi Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology. Unrealised gains and losses arising from the changes in the fair value are included in fair value reserves in the period in which they arise.

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

All purchases and sales of investments are recognised on the trade date which is the date that the Group commits to purchase or sell the investment.

At each balance sheet date, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Investments at fair value through profit or loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as at fair value through consolidated profit or loss account and are included in current assets. They are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realised and unrealised gains and losses arising from changes in fair value are included in net profit or loss for the period in which they arise.

All purchases and sales of investments are recognised on the trade date which is the date that the Group commits to purchase or sell the investment.

5.11 Stores and spares

Usable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

5.12 Stock-in-trade

Stock of raw materials, except for those in transit, work in process and finished goods are valued principally at the lower of moving average cost and net realisable value. Stock of packing material is valued principally at moving average cost. Cost of work in process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

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

5.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

5.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the Group financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

5.15 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

5.16 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term borrowings. In the consolidated balance sheet, short term borrowings are included in current liabilities.

5.17 Derivative financial instruments

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Derivatives are carried as asset when the fair value is positive and liabilities when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated profit and loss account.

Amounts accumulated in equity are recognised in the consolidated profit and loss account in the periods when the hedged item shall effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gain and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Any gains or losses arising from change in fair value derivatives that do not qualify for hedge accounting are taken directly to the consolidated profit and loss account.

5.18 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in income.

The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Figures are rounded to the nearest thousand.

5.19 Provisions

Provisions are recognised when the Group has a 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 amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

5.20 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to the consolidated profit and loss account.

5.21 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Dividend income on equity investments is recognised as income when the right of receipt is established.

5.22 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which the dividends are approved.

5.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group executive committee.

5.24 Related party transactions

The Group enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Group to do so.

6 Issued, subscribed and paid up capital

2012 (Number of shares)	2011		2012 ----(Rupees in thousand)----	2011
343,512,029	343,512,029	Ordinary shares of Rs. 10 each fully paid in cash	3,435,120	3,435,120
20,000,000	20,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	746,071	746,071
<u>438,119,118</u>	<u>438,119,118</u>		<u>4,381,191</u>	<u>4,381,191</u>

137,574,201 (2011: 137,574,201) ordinary shares of the Parent Company are held by Nishat Mills Limited, an associated concern as at June 30, 2012. In addition, 1,407,944 (2011: 1,407,944) ordinary shares are held by Adamjee Insurance Company Limited, a related party as at June 30, 2012.

7 Reserves

Movement in and composition of reserves is as follows:

Capital

- Share premium

At the beginning of the year

4,557,163

3,826,965

Additions during the year

-

730,198

At the end of the year

- note 7.1

4,557,163

4,557,163

- Fair value reserve

At the beginning of the year

14,974,881

12,908,175

Fair value (loss) / gain during the year

(1,394,769)

2,066,706

At the end of the year

- note 7.2

13,580,112

14,974,881

- Capital redemption reserve fund

- note 7.3

353,510

353,510

18,490,785

19,885,554

Revenue

- General reserve

At the beginning of the year

5,110,851

5,110,851

Transferred (to) / from consolidated profit and loss account

-

-

At the end of the year

5,110,851

5,110,851

23,601,636

24,996,405

7.1 This reserve can be utilised by the Group only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

7.2 As referred to in note 5.10 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This amount shall be transferred to consolidated profit and loss account on realisation.

7.3 The Capital redemption reserve fund represents fund created for redemption of preference shares and in accordance with the terms of issue of preference shares, to ensure timely payments, the Group was required to maintain a redemption fund with respect to preference shares. The Group had created a redemption fund and appropriated Rs 7.4 million each month from the consolidated profit and loss account in order to ensure that fund balance at redemption date was equal to the principal amount of the preference shares. The preference shares have been redeemed during the year ended June 30, 2007.

8. Long term finances

These are composed of:

- Long-term loans - secured

- note 8.1 - 8.2

6,184,601

6,277,627

- Loan under Musharika arrangement - secured

- note 8.1 - 8.2

701,250

807,500

Less : Current portion shown under current liabilities

- note 15

6,885,851

7,085,127

2,236,768

2,124,548

4,649,083

4,960,579

8.1 Long term loans - secured

Loan	Lender	2012 (Rupees in thousand)	2011	Rate of mark-up per annum	Number of installments outstanding	Mark-up payable
1	Habib Bank Limited	-	90,909	*** Base rate + 1.1%	The loan has been fully repaid during the year	Semi-annual
2	Habib Bank Limited	-	100,000	*** Base rate + 1.25%	The loan has been fully repaid during the year	Quarterly
3	National Bank of Pakistan	-	100,000	*** Base rate + 0.65% subject to cap of 18%	The loan has been fully repaid during the year	Semi-annual
4	United Bank Limited	-	300,000	*** Base rate + 1.1%	The loan has been fully repaid during the year	Semi-annual
5	Bank Alfalah	230,545	345,818	*** Base rate + 1.0%	4 equal semi-annual installments, ending in March 2014	Quarterly
6	Allied Bank Limited	825,000	950,000	*** Base rate + 1.0%	14 step-up quarterly installments ending in November 2015	Quarterly
7	Allied Bank Limited	675,000	750,000	*** Base rate + 1.0%	16 step-up quarterly installments ending in June 2016	Quarterly
8	Standard Chartered Bank	500,000	800,000	* Base rate + 0.85%	4 equal quarterly installments ending in May 2013	Quarterly
9	Bank of Punjab	183,333	250,000	** Base rate + 1.1%	11 equal quarterly installments ending in February 2015	Quarterly
10	Askari Bank	431,250	487,500	** Base rate + 1.3%	15 step-up quarterly installments ending in January 2016	Quarterly
11	Faysal Bank	500,000	500,000	** Base rate + 1.3%	8 unequal semi annual installments starting in November 2013 and ending in May 2015	Quarterly
12	Habib Bank Limited	-	50,000	*** Base rate + 1.15%	This loan has been fully repaid during the year	Quarterly
13	Habib Bank Limited	60,000	100,000	*** Base rate + 1.65%	3 equal semi-annual installments ending in June 2013	Quarterly
14	Habib Bank Limited	40,000	60,000	*** Base rate + 1.65%	4 equal semi-annual installments ending in January 2014	Quarterly
15	Foreign Currency European Investment Bank US\$ 8.096 million (2011: US\$ 16.193 million)	762,686	1,393,400	**** Base rate + 0.063%	2 equal semi-annual installments ending in March 2013	Quarterly
16	Eco Trade and Development Bank US\$ 20.985 million (2011: Nil)	1,976,787	-	**** Base rate + 1.65%	9 equal semi-annual installments starting in May 2013 and ending in May 2017	Semi-annual
		6,184,601	6,277,627			
17	Musharika Arrangement Meezan Bank	701,250	807,500	** Base rate + 1.0%	14 step-up quarterly installments, ending in December 2015	Quarterly
		6,885,851	7,085,127			

- * Base rate: Average ask rate of one-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period
- ** Base rate: Average ask rate of three-month Karachi Inter Bank Offer Rate ("KIBOR") to be reset for each mark-up period
- *** Base rate: Average ask rate of six-month Karachi Inter Bank Offer Rate ("KIBOR") reset for each mark-up period
- **** Base rate: Average ask rate of three-month and six-month London Inter Bank Offer Rate ("LIBOR") reset for each mark-up period

8.2 Security

Loan 1

The loan was secured by registered first pari passu charge over all present and future fixed assets of the Parent Company, amounting to Rs 1,334 million.

Loan 2

The loan was secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 4,991 million.

Loan 3

The loan was secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,340 million.

Loan 4

The loan was secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,340 million.

Loan 5

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 845 million.

Loan 6

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,334 million.

Loan 7

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,734 million.

Loan 8

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,333 million.

Loan 9

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 500 million.

Loan 10

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 667 million.

Loan 11

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 667 Million.

Loan 12

The loan was secured by first exclusive charge on fixed assets of the Subsidiary Company amounting to Rs 629 million.

Loan 13

The loan is secured by first exclusive charge over all fixed assets of the Subsidiary Company amounting to Rs 960 million.

Loan 14

The loan is secured by first exclusive charge over all fixed assets of the Subsidiary Company amounting to Rs 960 million.

Loan 15

The loan is secured by first pari passu charge over all present and future movable fixed assets of the Parent Company amounting to US\$ 8,349,469.

Loan 16

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to US\$ 27,980,000.

Loan 17

The loan is secured by first pari passu charge over all present and future fixed assets of the Parent Company amounting to Rs 1,133 million.

	2012	2011
	----(Rupees in thousand)----	
9. Long term deposits		
Customers	34,482	33,252
Others	33,873	37,641
	<u>68,355</u>	<u>70,893</u>

These represent interest free security deposits from stockists and suppliers and are repayable on cancellation / withdrawal of the dealership or on cessation of business with the Group respectively.

		2012	2011
		----(Rupees in thousand)----	
10. Retirement benefits			
Staff Gratuity	- note 10.1	119,528	87,673
Leave Encashment	- note 10.2	65,588	51,540
		<u>185,116</u>	<u>139,213</u>

10.1 Staff gratuity

The amounts recognised in the consolidated balance sheet are as follows:

Present value of defined benefit obligation	167,467	127,935
Fair value of plan assets	(82)	(332)
Unrecognised actuarial losses	(47,857)	(39,931)
Liability as at June 30	<u>119,528</u>	<u>87,673</u>

10.1.1 Change in present value of defined benefit obligation

Liability as at July 1	87,673	60,678
Charge for the year including capitalised during the year	41,271	30,727
Contributions plus benefit payments made directly by the Parent Company during the year	(9,416)	(3,732)
Liability as at June 30	<u>119,528</u>	<u>87,673</u>

10.1.2 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at July 1	127,935	75,264
Current service cost	21,783	21,409
Interest cost	17,228	8,784
Benefits paid during the year	(9,701)	(3,476)
Actuarial loss on present value of defined benefit obligation	10,222	25,954
Present value of defined benefit obligation as at June 30	<u>167,467</u>	<u>127,935</u>

10.1.3 Movement in fair value of plan assets

Fair value of plan assets as at July 1	332	394
Expected return on plan assets	2	4
Contributions during the year	9,416	3,732
Benefits paid during the year	(9,701)	(3,799)
Actuarial gain on plan assets	33	1
Fair value of plan assets as at June 30	<u>82</u>	<u>332</u>

	2012	2011
	----(Rupees in thousand)----	
10.1.4 Actual return on plan assets		
Expected return on plan assets	2	4
Actuarial gain on plan assets	33	1
	<u>35</u>	<u>5</u>
10.1.5 Plan assets consist of the following:		
Cash and other deposits	<u>82</u>	<u>332</u>
10.1.6 Movement in unrecognised actuarial losses		
Un recognised actuarial losses as at July 1	(39,931)	(14,515)
Actuarial losses arising during the year	(10,222)	(25,954)
Actuarial losses charged to profit during the year	2,296	538
Un recognised actuarial losses as at June 30	<u>(47,857)</u>	<u>(39,931)</u>
10.1.7 Charge for the year (including capitalised during the year)		
Current service cost	21,783	21,409
Interest cost	17,228	8,784
Expected return on plan assets	(2)	(4)
Actuarial losses charged to profit during the year	2,262	538
	<u>41,271</u>	<u>30,727</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	----- (Rupees in thousand) -----				
10.1.8 Historical Information					
As at June 30					
Present value of defined benefit obligation	167,467	127,935	75,264	56,040	33,122
Fair value of plan assets	(82)	(332)	(394)	(274)	(1)
Deficit	<u>167,385</u>	<u>127,603</u>	<u>74,870</u>	<u>55,766</u>	<u>33,121</u>
Experience adjustment arising on plan obligation	10,222	25,954	(46)	8,850	1,414
Experience adjustment on plan assets	33	1	(28)	-	(39)

10.1.9 Assumptions used for valuation of the defined benefit scheme for management and non-management staff are as under:

	2012	2011
Discount rate	<i>Per annum</i> 12.5%	14%
Expected rate of increase in salary	<i>Per annum</i> 12.5%	14%
Expected rate of return on plan assets	<i>Per annum</i> 5%	1%
Average expected remaining working life time of employee	<i>Number of years</i> 12	13

10.1.10 The Parent Company expects to pay Rs 49.99 million in contributions to defined benefit plan in 2013.

	2012	2011
	----(Rupees in thousand)----	
10.2 Leave encashment		
Opening balance	58,558	43,351
Expenses recognised	26,612	25,466
Payments made	(10,789)	(10,259)
	<u>74,381</u>	<u>58,558</u>
Payable within one year	(8,793)	(7,018)
Closing balance	<u>65,588</u>	<u>51,540</u>

10.2.1 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at July 1	58,558	43,351
Current service cost	4,554	12,764
Interest cost	7,319	4,587
Benefits paid during the year	(10,789)	(10,259)
Actuarial loss on present value of defined benefit obligation	14,739	8,115
	<u>74,381</u>	<u>58,558</u>

10.2.2 Charge for the year (including capitalised during the year)

Current service cost	4,554	12,764
Interest cost	7,319	4,587
Actuarial losses charged to profit during the year	14,739	8,115
	<u>26,612</u>	<u>25,466</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	----- (Rupees in thousand) -----				
As at June 30					
Present value of defined benefit obligation	<u>74,381</u>	<u>58,558</u>	<u>49,153</u>	<u>42,553</u>	<u>31,062</u>
Experience adjustment arising on obligation	14,739	8,115	587	5,969	3,010

10.2.3 Assumptions used for valuation of the accumulating compensated absences are as under:

	2012	2011
Discount rate	<i>Per annum</i> 12.5%	14%
Expected rate of increase in salary	<i>Per annum</i> 12.5%	14%
Average expected remaining working life time of employee	<i>Number of years</i> 11	13

Expected with drawal and early retirement rate Based on Experience

	Officers		Workers	
	2012 (days)	2011 (days)	2012 (days)	2011 (days)
Average number of leaves				
- Utilized per annum	15.00	16.00	19.00	18.00
- Encashed per annum	7.00	6.00	16.00	6.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	1.00	2.00	2.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	0.25	1.00	1.00
			2012	2011
			----(Rupees in thousand)----	

11 Deferred income tax liabilities

The liability for deferred taxation comprises temporary differences relating to:

Deferred tax liability		
Accelerated tax depreciation	4,844,508	4,748,662
Deferred tax assets		
Provision for retirement and other benefits	(52,739)	(36,200)
Unabsorbed tax credits	(3,189,019)	(2,981,576)
	<u>1,602,750</u>	<u>1,730,886</u>

Deferred tax asset on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognised to the extent that the realisation of related tax benefits through future taxable profits is probable. The Group has not recognised deferred tax assets of Rs 493.850 million (2011: 356.074 million) in respect of minimum tax paid and available for carry forward u/s 113 of the Income Tax Ordinance, 2001, as sufficient taxable profits would not be available to set these off in the foreseeable future. Minimum tax paid u/s 113 aggregating to Rs 493.850 million would not be available for carry forward against future tax liabilities subsequent to years 2013 through 2017.

12. Trade and other payables

		2012	2011
		----(Rupees in thousand)----	
Trade creditors	- note 12.1	682,446	279,670
Infrastructure cess		146,387	119,799
Advances from customers		531,799	686,990
Due to related parties		-	1,778
Accrued liabilities		443,292	288,330
Workers' profit participation fund	- note 12.2	227,413	45,262
Workers welfare fund	- note 12.3	-	2,095
Sales tax payable		-	15,722
Federal excise duty payable		5,204	169,864
Special excise duty payable		118	18,541
Custom duty payable		51,776	57,453
Withholding tax payable		1,342	5,851
Retention money payable		27,061	12,790
Unclaimed dividends		4,870	4,870
Advances against sale of scrap		930	936
Advance against sale of fixed asset		-	63,110
Redeemable preference shares (non-voting) - unsecured		125	125
Others		109,100	104,500
		<u>2,231,863</u>	<u>1,877,686</u>

12.1 Trade creditors include amount due to related parties amounting to Rs 2.996 million (2011: Rs 1.498 million).

	2012	2011
	----(Rupees in thousand)----	
MCB Bank Limited	58	-
Adamjee Insurance Company Limited	31	1,462
Security General Insurance Company Limited	702	-
Pakistan Aviators & Aviation (Private) Limited	2,205	-
Sui Northern Gas Pipelines Limited	-	36
	<u>2,996</u>	<u>1,498</u>

12.2 Workers' profit participation fund

Opening balance	45,262	30,350
Provision for the year	213,288	37,155
Interest for the year	2,320	1,090
	<u>260,870</u>	<u>68,595</u>
Less: payments made during the year	33,457	23,333
Closing balance	<u>227,413</u>	<u>45,262</u>

12.3 Workers' welfare fund

Opening balance	2,095	3,836
Provision for the year	-	2,095
	<u>2,095</u>	<u>5,931</u>
Less: payments made during the year	-	3,836
Less: reversals during the year	- note 12.3.1	2,095
	<u>-</u>	<u>2,095</u>

12.3.1 The Subsidiary Company has written back the provisions created on account of Workers' Welfare Fund relating to years 2010 and 2011 based on the judgment issued by the honorable Lahore High Court through order dated August 19, 2011. The Honorable court, through such order, has held the amendments introduced to the Workers Welfare Fund Ordinance, 1971 through Finance Act, 2006 and Finance Act, 2008 as ultra vires the constitution and, since the Subsidiary Company does not have any taxable profits for the said years, the Subsidiary Company has reversed the provision made for WWF in respect of above mentioned years.

13. **Accrued mark-up**

Accrued mark-up on:

	2012	2011
	----(Rupees in thousand)----	
- Long term loans - secured	66,292	162,903
- Short term borrowings - secured	112,276	141,813
Preference dividend on redeemable preference shares	84	84
	<u>178,652</u>	<u>304,800</u>

2012 2011
----(Rupees in thousand)----

14. Short term borrowings - secured

Short term running finances - secured	- note 14.1	2,230,489	4,182,210
Import finances - secured	- note 14.2	1,410,859	1,635,201
Export refinance - secured	- note 14.3	3,918,000	3,487,140
Murabaha finance	- note 14.4	-	57,500
		<u>7,559,348</u>	<u>9,362,051</u>

14.1 Short term running finances - secured

Short term running finances available from various commercial banks under mark up arrangements amount to Rs 9,195.163 million (2011: Rs 10,282 million). The rates of mark up range from 12.02% to 15.79% (2011: 12.24% to 15.66%) or part thereof on the balance outstanding. These are secured by first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10 million (2011: 10.75 million) shares of MCB Bank Limited, 13.5 million (2011: 10 million) shares of Nishat Mills Limited and Nil (2011: 2.3 million) shares of Adamjee Insurance Company Limited.

14.2 Import finances - secured

The Group has obtained import finance facilities aggregating to Rs 7,617.837 million (2011: Rs 4,903 million) from commercial banks. The rates of mark up range from 1.66% to 16.55% (2011: 2.26% to 17.29%). The aggregate import finances are secured by a registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility of Rs 10,516.400 million (2011: Rs 9,030 million) for opening letters of credit and Rs 1,880 million (2011: Rs 1,610 million) for guarantees, the amount utilised as at June 30, 2012 was Rs 1,795.340 million (2011: Rs 2,597.990 million) and Rs 1,158 million (2011: Rs 1,112 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Group. Of the facility for guarantees, Rs 36.580 million (2011: Rs 53.680 million) is secured by a lien over bank deposits as referred to in note 26.2.

14.3 Export finances - secured

This represents ERF loans obtained from various commercial banks, which carry mark up at 10.5% to 11% per annum (2011: 9.5% to 11%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Group.

14.4 Murabaha - secured

The murabaha finance facility of Rs Nil (2011: Rs 57.5 million) carries mark-up range from 13.14% to 15.20% per annum (2011: 14.40% to 15.20% per annum). The murabaha finance facility is secured by first pari-passu hypothecation charge with 25% margin amounting to Nil (2011: 76.67 million) on all present and future current assets of the Group.

2012 2011
----(Rupees in thousand)----

15. Current portion of non-current liabilities

Long term finances	- note 8 & 15.1	2,236,768	2,124,548
Retirement and other benefits	- note 10.2	8,793	7,018
		<u>2,245,561</u>	<u>2,131,566</u>

15.1 Current portion of long term liabilities include overdue installments of principal aggregating to Rs 20 million (2011: Rs 70 million).

16. Contingencies and commitments**16.1 Contingencies**

16.1.1 The Income Tax Officer, while framing the assessments for the assessment years 1984-85 to 1990-91, has taxed the income of the Parent Company on account of interest on deposits and sale of scrap etc. The Appellate Tribunal on appeal filed by the Parent Company issued an order in favour of the Parent Company for the assessment years 1984-85 to 1990-91. The Income Tax Department filed reference before the Lahore High Court. Pending final outcome of such reference, no adjustment has been made in these financial statements for the relief granted by the Appellate Tribunal aggregating Rs 35.090 million.

16.1.2 During the period 1994 to 1996, the Parent Company imported plant and machinery relating to expansion unit, for which exemption was claimed under various SROs from the levy of custom duty and other duties including sales tax. As per the provisions of SRO 484 (I)/92, 978 (I)/95 and 569 (I)/95, the exemption from the statutory duty would be available only if the said plant and machinery was not manufactured locally. However, the Custom Authorities rejected the claim of the Company by arguing that the said machinery was on the list of locally manufactured machinery, published by the Federal Board of Revenue. Consequently, the Parent Company appealed before the Lahore High Court, Multan Bench, which allowed the Parent Company to release the machinery on furnishing indemnity bonds with the Custom Authorities.

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Parent Company on the grounds that the said machinery was being manufactured locally during the time when it was imported.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Parent Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. The Honorable court remanded back the case to Customs Authorities to reassess the liability of the Parent Company. Appeal against the order is still pending with the authorities. No provision for the outstanding balance of Rs 634.388 million has been made in the consolidated financial statements as according to the management of the Parent Company, there are meritorious grounds that the ultimate decision would be in its favour.

16.1.3 The Competition Commission of Pakistan (the CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on October 28, 2008 for increase in prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Parent Company has filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty of Rs 933 million on the Parent Company. The Lahore High Court vide its order dated August 31, 2009 restrained the CCP from enforcing its order against the Parent Company for the time being.

The vires of the Competition Commission of Pakistan, 2007 have been challenged by a large number of Petitioners and all have been advised by their legal counsels that prima facie the Competition Ordinance, 2007 is ultra vires of the Constitution. A large number of grounds have been raised by these Petitioners and the matter is currently being adjudicated by the Lahore High Court, the Sindh High Court and the Supreme Court of Pakistan. In all these cases, stay orders have been granted by the Courts. Based on the legal opinion, the management is confident that the Parent Company has a good case and there are reasonable chances of success in the pending Petition in the Supreme Court of Pakistan.

16.1.4 The matter relating to interpretation of provisions of section 4(2) of the repealed Central Excise Act, 1944 (1944 Act) has now attained finality after having been adjudicated by the honourable Supreme Court of Pakistan through its judgement dated January 27, 2009 (upholding its previous judgement dated February 15, 2007). The longstanding controversy between the revenue department and the tax payers related primarily to finer interpretation of the provisions of section 4(2) of the 1944 Act wherein the department had a view that excise duty shall be included as a component for determination of the value (retail price) for levying excise duty. The departmental view, being against the spirit of law, was challenged by the taxpayers in appeals before the honourable High Courts of the

country which, duly appreciating the contentions of the taxpayers, overturned the departmental view and succeeded the appeals.

Now since the controversy has attained finality up to the highest appellate level, the Group has initiated the process of claiming refund of excess excise duty paid by it during the periods from 1994 to 1999 which aggregates to Rs 1,115.145 million. The amount of refund, however, shall be incorporated in the books of accounts once it is realised by the Group.

16.1.5 The Parent Company, consequent to the order passed by the Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of fifth version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after December 28, 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated May 31, 2011, for release of 50% of the guarantees, the final order from Sindh High Court is still pending. According to the legal counsel of the Parent Company, chances of favourable outcome of the appeal are fair, therefore 50% of the amount of infrastructure cess payable has not been incorporated in these consolidated financial statements amounting to Rs. 89.164 million.

16.1.6 The Group has issued the following guarantees in favour of:

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise amounting to Rs 30.389 million (2011: Rs 20.460 million)
- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 375.90 million (2011: Rs 340.9 million)
- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2011: Rs 3 million)
- Director General, Mines and Minerals, Quetta against Limestone, Shale and other cement manufacturers amounting to Rs 3 million (2011: Rs 3 million)
- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs 1.5 million (2011: Rs 3 million)
- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 1.908 million (2011: Rs 3.852 million)
- Sui Northern Gas Pipelines Limited against supply of 6 MMCFD and 14 MMCFD Gas for captive and Industrial use for Khairpur Project and for D.G Khan Project amounting to Rs 722.377 million (2011: Rs 715.455 million)
- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 0.05 million (2011: Rs 10.050 million)
- Bank guarantee in respect of Alternative Energy Development Board (AEDB) of Rs Nil (2011: Rs 2.151 million)
- The Managing Director, Lahore Waste Management Company (LWMC) against the performance of a contract amounting to Rs 20 million (2011: Rs 10 million)

16.2 Commitments in respect of:

- (i) Contracts for capital expenditure Rs 156.17 million (2011: Rs 113.639 million)
- (ii) Letters of credits for capital expenditure Rs 760.127 million (2011: Rs 1,364.57 million)
- (iii) Letter of credit other than capital expenditure Rs 1,035.213 million (2011: Rs 1,233.420 million)
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2012	2011
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,325	1,325
Later than five years	6,170	6,664
	<u>7,826</u>	<u>8,320</u>

- (v) Commitments for ijarah rentals for ijarah financing from Standard Chartered Modaraba of Subsidiary Company Rs 211.488 million (2011: Nil)

	2012	2011
	----(Rupees in thousand)----	
Not later than one year	33,827	-
Later than one year and not later than five years	177,661	-
Later than five years	-	-
	<u>211,488</u>	<u>-</u>

17. Property, plant and equipment

Operating assets	- note 17.1	26,076,700	25,707,179
Capital work in progress	- note 17.2	1,996,873	1,373,820
Assets subject to finance lease	- note 17.3	-	-
		<u>28,073,573</u>	<u>27,080,999</u>

17.1 Operating assets

		2012							(Rupees in thousand)	
	Annual rate of depreciation %	Cost as at July 01, 2011	Additions/ (Deletions)	Transfer in/(out)	Cost as at June 30, 2012	Accumulated Depreciation as at July 01, 2011	Depreciation charge/ (deletions) for the year	Transfer in/(out)	Accumulated Depreciation as at June 30, 2012	Book value as at June 30, 2012
Freehold land	-	341,302	168,117	-	509,419	-	-	-	-	509,419
Leasehold land	3.33	63,000	-	-	63,000	7,350	2,100	-	9,450	53,550
Buildings on freehold land	10	5,231,157	319,168	-	5,550,325	2,122,710	314,723	-	2,437,433	3,112,892
- Factory building										
- Office building and housing colony	5	792,987	8,424	-	801,411	220,949	28,196	-	249,145	552,266
Roads	10	449,220	107,271	-	556,491	195,229	34,331	-	229,560	326,931
Plant and machinery	4.76 - 4.98	27,494,662	1,269,366 (216,561)	-	28,547,467	7,340,918	937,196 (38,439)	-	8,239,675	20,307,792
Quarry equipment	20	1,497,966	40,106	-	1,538,072	879,635	96,045	-	975,680	562,392
Furniture, fixture and office equipment	10	312,832	52,435 (1,164)	-	364,103	126,746	21,606 (108)	-	148,244	215,859
Vehicles	20	200,477	80,832 (25,469)	-	255,840	82,642	22,876 (15,387)	-	90,131	165,709
Aircraft	30	38,185	-	-	38,185	36,450	520	-	36,970	1,215
Power and water supply lines	10	480,762	461	-	481,223	82,742	29,806	-	212,548	268,675
		36,902,550	2,046,180 (243,194)	-	38,705,536	1,195,371	1,487,399 (53,934)	-	12,628,836	26,076,700

2011
(Rupees in thousand)

	Annual rate of depreciation %	Cost as at July 01, 2010	Additions/ (Deletions)	Transfer in/(out)	Cost as at June 30, 2011	Accumulated Depreciation as at July 01, 2010	Depreciation charge/ (deletions) for the year	Transfer in/(out)	Accumulated Depreciation as at June 30, 2011	Book value as at June 30, 2011
Freehold land	-	340,892	410	-	341,302	-	-	-	-	341,302
Leasehold land	3.33	63,000	-	-	63,000	5,250	2,100	-	7,350	55,650
Buildings on freehold land										
- Factory building	10	5,130,176	100,981	-	5,231,157	1,795,984	326,726	-	2,122,710	3,108,447
- Office building and housing colony	5	681,049	111,938	-	792,987	194,738	26,211	-	220,949	572,038
Roads	10	445,131	4,089	-	449,220	167,285	27,944	-	195,229	253,991
Plant and machinery	4.76 - 4.98	27,067,779	455,263 (28,380)	-	27,494,662	6,444,637	901,581 (5,300)-	-	7,340,918	20,153,744
Quarry equipment	20	1,497,966	-	-	1,497,966	760,331	119,304	-	879,635	618,331
Furniture, fixture and office equipment	10	290,583	22,500 (251)	-	312,832	107,222	19,606 (82)	-	126,746	186,086
Vehicles	20	151,284	66,843 (18,775)	1,125	200,477	75,639	17,512 (10,962)	453	82,642	117,835
Aircraft	30	38,185	-	-	38,185	35,707	743	-	36,450	1,735
Power and water supply lines	10	476,877	3,885	-	480,762	149,930	32,812	-	182,742	298,020
		36,182,922	765,909 (47,406)	1,125	36,902,550	9,736,723	1,474,539 (16,344)	453	11,195,371	25,707,179

17.1.1 Freehold land and building include book values of Rs 12 million (2011: Rs 12 million) and Rs 7.101 million (2011: Rs 7.475 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defense Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Parent Company.

17.1.2 The depreciation charge for the year has been allocated as follows:

	2012	2011
	----(Rupees in thousand)----	
Cost of sales	1,468,832	1,458,716
Administrative expenses	15,812	13,094
Selling and Distribution expenses	2,755	2,729
	1,487,399	1,474,539

Total

17.1.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars of assets	Sold to	2012					Mode of Disposal
		Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	
(Rupees in thousand)							
Vehicles							
	Muhammad Sajid	560	343	217	527	310	Auction
	Iqbal Ghani	12,294	6,903	5,391	16,000	10,609	-do-
	Syed Yasir Hussain	174	82	92	368	276	-do-
	Hasnat Aziz Bantth	1,501	894	607	1,000	393	-do-
	Ch. Muhammad Ali	174	87	87	397	310	-do-
	Rizwan Javed	318	276	42	355	313	-do-
	Irfan Ahmed	555	318	237	554	317	-do-
	Irfan Ahmed	1,090	662	428	767	339	-do-
	Sayed Yasir Hussain	427	305	122	375	253	-do-
	Attiq-ur-Rehman	879	564	315	1,087	772	-do-
	Raheem Buksh	353	256	97	526	429	-do-
	Nasir Zahoor	555	343	212	525	313	-do-
	Rizwan Javed	555	362	193	555	362	-do-
	Ahmed Haroon Khan	571	324	247	686	439	-do-
	Imran Fatima	398	207	191	460	269	-do-
	Nazar Hussain	555	355	200	582	382	-do-
	Major Iftikhar	1,517	870	647	1,125	478	-do-
	Tahir Ali Shah	760	708	52	950	898	-do-
	Irfan Ahmed	275	139	136	512	376	-do-
	Waseem Riaz	753	655	98	635	537	-do-
	Nadeem Gul	560	375	185	500	315	-do-
	Khalid Farooq Hashmi	555	355	200	560	360	-do-
	Office Equipment	213	21	192	213	21	Assets written off
	Furniture and Fittings	334	31	303	334	31	-do-
		334	31	303	334	31	-do-
		284	26	258	284	26	-do-
	Plant and machinery						
	Standard Chartered Modaraba	216,561	38,439	178,122	175,000	(3,122)	Sale and leaseback
	Other assets with book value less than Rs 50,000	89	3	86	89	3	Auction
		<u>243,194</u>	<u>53,934</u>	<u>189,260</u>	<u>205,300</u>	<u>16,040</u>	

2011

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
Equipment							
	M/S Nishat Mills Limited (related party)	28,380	5,299	23,081	23,081	-	Negotiation
	Shahbaz Brothers	90	28	62	10	(52)	- do -
Vehicles							
	Shahzad Ahmed	1,460	741	719	1,400	681	Auction
	Nadeem Mahmood	1,460	760	700	1,380	680	- do -
	Jalal Mirza	1,217	891	326	952	626	- do -
	Umer Zameer	1,196	876	320	863	543	- do -
	Nadeem Ahmed	1,119	761	358	801	443	- do -
	Engr. Rehmat Ali	1,105	809	296	800	504	- do -
	Engr. Rehmat Ali	998	730	268	780	512	- do -
	Kh. Fakhar-ul-Islam	965	700	265	955	690	- do -
	Atiq-ur-Rehman	939	627	312	1,003	691	- do -
	Kashif Manzoor	790	527	263	777	514	- do -
	Mr. Irfan Khan	749	469	280	561	281	- do -
	Atiq-ur-Rehman	571	257	314	623	309	- do -
	Mr. Umer Zameer	566	428	138	391	253	- do -
	Ch. Ahtesham-ul-Haq	560	376	184	525	341	- do -
	Security General Insurance (related party)	560	374	186	350	164	Insurance claim
	Qadeer Ahmed	560	381	179	497	318	Auction
	Pervaiz Akhtar	555	320	235	500	265	- do -
	Security General Insurance (related party)	483	169	314	550	236	Insurance claim
	Ahmad Subhani	274	99	175	462	287	Auction
	Zahid Ali Khan	275	99	176	511	335	- do -
	Nabeel Riaz	272	106	166	528	362	- do -
	Zeeshan Ali Shah	272	106	166	507	341	- do -
	Nisar Ahmed Qureshi	272	109	163	567	404	- do -
	Muhammad Nadeem	59	43	16	30	14	- do -
	Umer Zaheer	826	154	672	866	194	- do -
	Naveed Rathore	672	50	622	785	163	- do -
	Other assets with book value less than Rs 50,000	161	54	107	35	(72)	Auction
		<u>47,406</u>	<u>16,343</u>	<u>31,063</u>	<u>41,090</u>	<u>10,027</u>	

17.2 Capital work in progress

	2012	2011
	----(Rupees in thousand)----	
Civil works	337,851	206,776
Plant and machinery	- note 17.2.1 1,549,765	925,123
Advances	31,108	74,190
Others	16,206	115,030
Expansion project :		
- Civil works	18,992	18,992
- Others	42,951	33,709
	<u>61,943</u>	<u>52,701</u>
	<u>1,996,873</u>	<u>1,373,820</u>

17.2.1 Included in plant and machinery are borrowing costs of Rs 6.014 million (2011: Rs Nil).

	2012	2011
	----(Rupees in thousand)----	
17.3 Assets subject to finance lease		
This represents vehicles:		
Annual depreciation rate	-	20%
Cost		
As at July 1	-	1,125
Additions	-	-
(Disposals)	-	-
Transfer in / (Transfer out)	-	(1,125)
As at June 30	-	-
Less: Accumulated depreciation		
As at July 1	-	449
Depreciation for the year - note 17.3.1	-	4
Transfer in / (Transfer out)	-	(453)
As at June 30	-	-
	-	-
	-	-

17.3.1 The depreciation charge for the year has been allocated as follows:

Cost of sales	-	4
- note 28	-	4

18. Intangible assets

This represents Oracle ERP system.

Cost		
As at July 1	-	-
Additions	92,260	-
As at June 30	92,260	-
Less: Accumulated amortisation		
As at July 1	-	-
Amortisation for the year - note 18.1	18,452	-
As at June 30	18,452	-
	73,808	-

18.1. The amortisation charge for the year has been allocated as follows:

Cost of sales	-	-
Administrative expenses - note 29	2,768	-
Selling and distribution expenses - note 30	2,768	-
	12,916	-
	18,452	-

19. Investments - Available for sale - quoted

Related parties - note 19.1	1,682,548	1,682,548
Others - note 19.2	45,641	45,641
	1,728,189	1,728,189
Cumulative fair value gain	2,933,127	3,327,598
	4,661,316	5,055,787

	2012	2011
	----(Rupees in thousand)----	
19.1 Related parties		
Nishat Mills Limited - Associated company		
30,289,501 (2011: 30,289,501) fully paid ordinary shares of Rs 10 each	1,577,174	1,577,174
Market value - Rs 1,441.174 million (2011: Rs 1,524.773 million)	(250,615)	(250,615)
Less: Impairment Loss	1,326,559	1,326,559
MCB Bank Limited - Associated company		
17,607,700 (2011: 16,007,002) fully paid ordinary shares of Rs 10 each	125,834	125,834
Market value - Rs 2,927.104 million (2011: Rs 3,190.195 million)	125,834	125,834
Adamjee Insurance Company Limited - Associated company		
3,541,391 (2011: 3,541,391) fully paid ordinary shares of Rs 10 each	348,858	348,858
Market value - Rs 206.286 million (2011: Rs 230.155 million)	(118,703)	(118,703)
Less: Impairment Loss	230,155	230,155
	1,682,548	1,682,548

Nishat Mills Limited, MCB Bank Limited and Adamjee Insurance Company Limited are associated undertakings as per the Companies Ordinance, 1984, however, for the purpose of measurement, these have been classified as available for sale and measured at fair value as the Parent Company does not have significant influence over these companies.

	2012	2011
	----(Rupees in thousand)----	
19.2 Others		
Maple Leaf Cement Factory Limited		
13,747 (2011: 13,747) fully paid ordinary shares of Rs 10 each	282	282
Market value - Rs 0.0636 million (2011: Rs 0.0283 million)	(253)	(253)
Less: Impairment Loss	29	29
1,999 (2011: 1,999) fully paid preference shares of Rs 10 each	20	20
Market value - Rs 0.0120 million (2011: Rs 0.0098 million)	(10)	(10)
Less: Impairment Loss	10	10
First Capital Mutual Fund		
89,000 (2011: 89,000) certificates of Rs 10 each	890	890
Market value - Rs 0.395 million (2011: Rs 0.223 million)	(678)	(678)
Less: Impairment Loss	212	212

	2012	2011
	----(Rupees in thousand)----	
Habib Bank Limited		
174 (2011: 159) fully paid ordinary shares of Rs 10 each	24	24
Market value - Rs 0.020 million (2011: Rs 0.018 million)	(6)	(6)
Less: Impairment Loss	18	18
Nishat (Chunian) Limited		
4,926,900 (2011: 4,926,900) fully paid ordinary shares of Rs 10 each	45,254	45,254
Market value - Rs 85.679 million (2011: Rs 109.821 million)	45,254	45,254
Oil and Gas Development Company Limited		
2,353 (2011: 2,353) fully paid ordinary shares of Rs 10 each	76	76
Market value - Rs 0.378 million (2011: Rs 0.360 million)	76	76
Pakistan Petroleum Limited		
958 (2011: 871) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.180 million (2011: Rs 0.180 million)	27	27
Kot Addu Power Company Limited		
500 (2011: 500) fully paid ordinary shares of Rs 10 each	15	15
Market value - Rs 0.023 million (2011: Rs 0.021 million)	15	15
	<u>45,641</u>	<u>45,641</u>

19.3 Investments with a face value of Rs 235 million (2011: Rs 230.5 million) are pledged as security against bank facilities. 3,190,304 (2011: 2,900,277) shares of MCB Bank Limited are blocked in CDC account.

	2012	2011
	----(Rupees in thousand)----	
20. Long term loans, advances and deposits		
Loans to employees - considered good		
- Executives	- note 20.1	259
- Others		383
		<u>3,550</u>
		3,933
Less: receivable within one year		
- Executives		126
- Others		1,240
		<u>1,366</u>
		2,712
Loan to related party - considered good	- note 20.2	86,029
Less: receivable within one year		17,206
		<u>68,823</u>
		103,234
		17,206
		86,028
Security deposits		67,213
		<u>138,748</u>
		45,535
		<u>134,125</u>

	2012	2011
	----(Rupees in thousand)----	
20.1 Executives		
Opening balance	383	410
Transfer from others to executives	-	118
Interest accrued	5	17
	<u>388</u>	<u>545</u>
Less: repayment during the year	129	162
	<u>259</u>	<u>383</u>

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate of 10% per annum (2011: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 2.563 million (2011: Rs 3.933 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.383 million (2011: Rs 0.528 million).

- 20.2** This represents an unsecured loan of Rs 61.25 million and Rs 24.778 million (2011: Rs 73.50 million and Rs 29.734 million) given to Sui Northern Gas Pipelines Limited (SNGPL) for the development of infrastructure for the supply of natural gas to the plants at D.G. Khan and Khairpur respectively. Mark up is charged at rates ranging from 1.5% to 2% per annum (2011: 1.5% to 2% per annum) respectively and is received annually. The principal amount is receivable in 5 annual installments ending December 31, 2016 and March 28, 2017.

	2012	2011
	----(Rupees in thousand)----	
21. Stores and spares		
Stores [including in transit Rs 50.216 million (2011: Rs 32.191 million)]	1,393,011	1,236,893
Spares [including in transit Rs 195.313 million (2011: Rs 218.599 million)]	2,798,016	2,342,734
Loose tools	7,450	25,327
	<u>4,198,477</u>	<u>3,604,954</u>

- 21.1** Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	2012	2011
	----(Rupees in thousand)----	
22. Stock-in-trade		
Raw materials [including in transit Rs 82.22 million (2011: Rs 204.750 million)]	776,030	800,082
Packing material [including in transit Rs 0.013 million (2011: Rs 6.411 million)]	198,086	255,241
Work-in-process	322,049	169,612
Finished goods	300,619	288,079
	<u>1,596,784</u>	<u>1,513,014</u>

		2012	2011
		----(Rupees in thousand)----	
23. Trade debts - considered good			
Secured		362,898	427,686
Unsecured			
- Related parties	- note 23.1	11,923	10,312
- Others		111,776	212,285
		<u>486,597</u>	<u>650,283</u>
23.1 Related parties - unsecured			
Nishat Developers		732	1,340
Nishat Hospitality (Private) Limited		4,256	-
Nishat Dairy (Private) Limited		3,587	-
MCB Bank Limited		2,974	-
Lalpir Power Limited		374	8,972
		<u>11,923</u>	<u>10,312</u>
24. Investments			
Available for sale - quoted			
Related parties	- note 24.1	478,234	478,234
Others	- note 24.2	832	832
		479,066	479,066
Cumulative fair value gain		10,646,985	11,647,283
		<u>11,126,051</u>	<u>12,126,349</u>
At fair value through profit and loss	- note 24.3	20	18
		<u>11,126,071</u>	<u>12,126,367</u>
24.1 Related Parties - quoted			
MCB Bank Limited - Associated company			
66,918,940 (2011: 60,835,402) fully paid ordinary shares of Rs 10 each			
Market value Rs 11,125 million (2011: Rs 12,124 million)		478,234	478,234
		<u>478,234</u>	<u>478,234</u>
<p>MCB Bank Limited is an associated undertaking as per the Companies Ordinance, 1984, however, for the purpose of measurement, this has been classified as available for sale and measured at fair value as the Parent Company does not have significant influence over this Company.</p>			
		2012	2011
		----(Rupees in thousand)----	
24.2 Others - quoted			
Nishat (Chunian) Limited			
83,159 (2011: 83,159) fully paid ordinary shares of Rs 10 each			
Market value - Rs 1.446 million (2011: Rs 1.854 million)		832	832
		<u>832</u>	<u>832</u>
24.3 At fair value through profit and loss			
Habib Bank Limited			
174 (2011: 159) fully paid ordinary shares of Rs 10 each			
Market value - Rs 0.020 million (2011: Rs 0.018 million)		20	18
		<u>20</u>	<u>18</u>

	2012	2011
	----(Rupees in thousand)----	
25. Advances, deposits, prepayments and other receivables		
Current portion of loans to employees - considered good	1,366	3,160
Current portion of long term receivable from related party	17,206	17,206
Advances - considered good		
- To employees	- note 25.1 3,179	4,834
- To suppliers	71,871	23,759
	75,050	28,593
Due from related parties	- note 25.2 13,474	15,202
Prepayments	2,959	147
Mark-up receivable from related party	- note 25.3 702	836
Derivative financial instruments	-	1,303
Profit receivable on bank deposits	1,285	-
Letters of credit - margins, deposits, opening charges, etc	2,361	5,329
Claims recoverable from government		
- Income tax	986,467	593,042
- Sales tax	- note 25.4 87,806	111,271
- Freight subsidy	-	27,422
- Excise duty	17,243	17,370
- Export rebate	68,831	41,915
	1,160,347	791,020
Other receivables	13,284	3,882
	<u>1,288,034</u>	<u>866,678</u>

25.1 Included in advances to employees are amounts due from executives of Rs 1,483 thousand (2011: Rs 2,396 thousand).

2012	2011
----(Rupees in thousand)----	

25.2 Due from related parties - unsecured

Nishat Mills Limited	13,461	14,759
Lalpir Power Limited	12	443
	<u>13,473</u>	<u>15,202</u>

25.3 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 20.2.

25.4 Sales tax recoverable includes amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Group has filed appeals against the demands at different forums.

2012	2011
----(Rupees in thousand)----	

26. Cash and bank balances

At banks:

Saving accounts

Pak Rupee

Foreign Currency: US\$ 902,962 (2011: US\$ 22.20)

Current accounts

Cash in hand

- note 26.1 & 26.2	156,258	117,404
	85,044	2
	217,857	121,929
	459,159	239,335
	3,234	143
	<u>462,393</u>	<u>239,478</u>

- 26.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 10.4% per annum (2011: 0.1% to 10.4% per annum).
- 26.2 Included in balances at banks on saving accounts are Rs 36.580 million (2011: Rs 53.680 million) which are under lien to secure bank guarantees referred to in note 14.2.

		2012	2011
		----(Rupees in thousand)----	
27. Sales			
Local sales		21,298,015	18,023,235
Export sales	- note 27.1	7,146,523	6,486,701
		<u>28,444,538</u>	<u>24,509,936</u>
Less: Sales tax		2,935,458	2,573,570
Excise duty and special excise duty		1,385,540	2,210,666
Commission to stockists and export agents		277,199	274,340
		<u>4,598,197</u>	<u>5,058,576</u>
		<u>23,846,341</u>	<u>19,451,360</u>
27.1	Export sales include rebate on exports amounting to Rs 38.378 million (2011: Rs 31.488 million).		
28. Cost of sales			
Raw and packing materials consumed		2,612,445	2,281,094
Salaries, wages and other benefits	- note 28.1	962,566	824,785
Electricity and gas		2,122,656	1,880,289
Furnace oil and coal		7,262,708	6,171,495
Stores and spares consumed		1,388,716	1,346,623
Repairs and maintenance		225,072	176,130
Insurance		63,257	60,229
Depreciation on property, plant and equipment	- note 17.1.2	1,468,832	1,458,716
Depreciation on assets subject to finance lease	- note 17.3.1	-	4
Lease rentals - Ijara financing		15,924	-
Amortisation of intangible assets	- note 18.1	12,916	-
Royalty		147,132	146,625
Excise duty		13,715	13,597
Vehicle running		25,771	26,694
Postage, telephone and telegram		3,222	4,228
Printing and stationery		5,037	7,338
Legal and professional charges		2,084	1,915
Travelling and conveyance		24,684	11,270
Estate development		19,822	15,298
Rent, rates and taxes		18,391	14,748
Freight charges		6,500	11,593
Other expenses		26,102	25,900
		<u>16,427,552</u>	<u>14,478,571</u>
Opening work-in-process	- note 22	169,612	537,539
Closing work-in-process	- note 22	(322,049)	(169,612)
		<u>(152,437)</u>	<u>367,927</u>
Cost of goods manufactured		<u>16,275,115</u>	<u>14,846,498</u>
Opening stock of finished goods	- note 22	288,079	249,740
Closing stock of finished goods	- note 22	(300,619)	(288,079)
		<u>(12,540)</u>	<u>(38,339)</u>
Less: Own consumption		26,558	10,293
		<u>16,236,017</u>	<u>14,797,866</u>

28.1 Salaries, wages and other benefits include Rs 25.203 million (2011: Rs 22.483 million), Rs 30.252 million (2011: Rs 20.382 million) and Rs 19.518 million (2011: Rs 15.907 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

2012 **2011**
----(Rupees in thousand)----

28.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity

Current service cost	15,967	14,202
Interest cost for the year	12,628	5,825
Expected return on plan assets	(1)	(2)
Actuarial loss	1,658	357
	30,252	20,382

Leave Encashment

Current service cost	3,340	7,973
Interest cost for the year	5,368	2,865
Expected return on plan assets	-	-
Actuarial loss	10,810	5,069
	19,518	15,907

29. Administrative expenses

Salaries, wages and other benefits	- note 29.1	143,047	120,637
Electricity, gas and water		5,678	5,908
Repairs and maintenance		8,518	5,995
Insurance		1,792	1,869
Depreciation on property, plant and equipment	- note 17.1.2	15,812	13,094
Amortisation of intangible assets	- note 18.1	2,768	-
Vehicle running		6,274	5,442
Postage, telephone and telegram		8,393	8,042
Printing and stationery		18,555	9,228
Legal and professional services	- note 29.2	17,143	9,225
Travelling and conveyance		7,866	5,735
Rent, rates and taxes		224	459
Entertainment		2,373	1,839
School expenses		18,888	15,083
Fee and subscription		11,549	7,681
Advances written off		-	782
Other expenses		5,004	5,908
		273,884	216,927

29.1 Salaries, wages and other benefits include Rs 5.013 million (2011: Rs 4.377 million), Rs 7.365 million (2011: Rs 7.983 million) and Rs 4.763 million (2011: Rs 2.305 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

2012 2011
 ----(Rupees in thousand)----

29.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity

Current service cost	3,887	5,562
Interest cost for the year	3,074	2,282
Expected return on plan assets	-	(1)
Actuarial loss	404	140
	<u>7,365</u>	<u>7,983</u>

Leave Encashment

Current service cost	815	1,155
Interest cost for the year	1,310	415
Expected return on plan assets	-	-
Actuarial loss	2,638	735
	<u>4,763</u>	<u>2,305</u>

29.2 Legal and professional charges

Legal and professional charges include the following in respect of auditors' services for:

A.F. Ferguson & Co.

Statutory audit - Parent Company (2011: Subsidiary Company)	1,500	400
Half yearly review	400	-
Certification and sundry services	100	-
Out of pocket expenses	75	25

KPMG Taseer Hadi & Co.

Statutory audit - Subsidiary Company (2011: Parent Company)	400	1,250
Half yearly review	-	270
Certification and sundry services	-	50
Out of pocket expenses	25	70

	<u>2,075</u>	<u>2,065</u>
--	--------------	--------------

30. Selling and distribution expenses

Salaries, wages and other benefits	- note 30.1	75,431	64,225
Electricity, gas and water		1,209	1,277
Repairs and maintenance		819	427
Insurance		1,391	1,494
Depreciation on property, plant and equipment	- note 17.1.2	2,755	2,729
Amortisation of intangible assets	- note 18.1	2,768	-
Vehicle running		3,824	3,134
Postage, telephone and telegram		2,095	2,153
Printing and stationery		3,393	1,346
Rent, rates and taxes		1,337	1,250
Legal and professional charges		695	633
Travelling and conveyance		3,354	3,796
Entertainment		852	529
Advertisement and sales promotion		7,349	3,056
Freight and handling charges		2,109,247	2,397,693
Other expenses		2,296	880
		<u>2,218,815</u>	<u>2,484,622</u>

30.1 Salaries, wages and other benefits include Rs 3.030 million (2011: Rs 2.610 million), Rs 3.526 million (2011: Rs 2.312 million) and Rs 2.280 million (2011: Rs 1.411 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

2012 **2011**
----(Rupees in thousand)----

30.1.1 Salaries, wages and other benefits

Salaries, wages and other benefits include the following in respect of retirement benefits:

Gratuity

Current service cost	1,861	1,611
Interest cost for the year	1,472	662
Expected return on plan assets	-	(1)
Actuarial loss	193	40
	3,526	2,312

Leave Encashment

Current service cost	390	707
Interest cost for the year	627	254
Expected return on plan assets	-	-
Actuarial loss	1,263	450
	2,280	1,411

31. Other operating expenses

Workers' profit participation fund		213,288	37,155
Donations	- note 31.1	1,700	140
Workers' welfare fund		-	2,095
Exchange loss		305,113	10,913
		520,101	50,303

31.1 None of the directors and their spouses had any interest in any of the donees.

32. Other operating income

Income from financial assets			
Income on bank deposits		7,430	5,053
Fair value gain on investment		2	4
Interest on loans to employees		24	53
Gain on derivative financial instruments		5,467	27,468
Dividend income from:			
- Related parties	- note 32.1	1,048,658	943,815
- Others		10,050	7,540
		1,058,708	951,355
		1,071,631	983,933
Income from non-financial assets			
Rental income		-	677
Gain on disposal of property, plant and equipment	- note 17.1.3	16,040	10,027
Scrap sales		29,138	13,226
Provisions and unclaimed balances written back		28,684	78,507
Mark-up on loan / advances to related parties		1,783	2,096
Others		149	200
		75,794	104,733
		1,147,425	1,088,666

	2012	2011
	----(Rupees in thousand)----	
32.1 Dividend income from related parties		
Nishat Mills Limited	99,955	75,724
MCB Bank Limited	945,162	859,238
Adamjee Insurance Company Limited	3,541	8,853
	<u>1,048,658</u>	<u>943,815</u>
33. Finance costs		
Interest and mark-up on:		
- Long term loans - secured	675,352	815,554
- Short term borrowings - secured	1,051,239	1,314,444
- Finance lease	-	2
- Workers' profit participation fund	2,321	1,090
Guarantee commission	15,020	21,242
Bank charges	38,939	37,281
	<u>1,782,871</u>	<u>2,189,613</u>
34. Taxation		
Current		
- For the year	118,954	205,769
- Prior	(114,571)	2
	<u>4,383</u>	<u>205,771</u>
Deferred		
- For the year	(128,136)	278,927
	<u>(123,753)</u>	<u>484,698</u>
34.1 Provision for taxation		
<p>The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 1% (2011: 1%) of turnover from local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of the Group's tax liability in respect of income arising from such source.</p>		
34.2	<p>For purposes of current taxation, the tax losses available for carry forward as at June 30, 2012 are estimated approximately at Rs 9,111.212 million (2011: Rs 8,508.783 million).</p>	
	2012	2011
	%	%
34.3 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
- Not deductible for tax purposes	0.19	12.55
- Chargeable to tax at different rates	(9.35)	-
Effect of change in prior years' tax	(24.71)	0.41
Tax credits and losses in respect of which no deferred tax asset has been recognised	1.20	20.70
Tax effect under presumptive tax regime and others	(4.06)	0.93
Rounding and others	-1.39	1.49
	<u>(38.12)</u>	<u>36.08</u>
Average effective tax rate charged to consolidated profit and loss account	<u>(3.12)</u>	<u>71.08</u>

35. Earnings per share

35.1 Earnings per share - Basic		2012	2011 Restated
Profit for the year - attributable to equity holders of the Parent Company	Rupees	4,096,975,000	184,060,000
Weighted average number of ordinary shares	Number	438,119,118	380,437,368
Earnings per share - basic	Rupees	<u>9.35</u>	<u>0.48</u>

35.2 Earnings per share - Diluted

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

2012 2011
-----(Rupees in thousand)----

36. Cash generated from operations

Profit before tax		3,962,078	681,859
Adjustments for:			
- Depreciation on property, plant and equipment		1,487,399	1,474,539
- Depreciation on assets subject to finance lease		-	4
- Amortisation on intangible assets		18,452	-
- Gain on disposal of property, plant and equipment		(16,040)	(10,027)
- Gain on derivative financial instruments		(5,467)	(27,468)
- Dividend income		(1,058,708)	(951,355)
- Impairment charged on investments		-	118,836
- Mark-up income		(1,783)	(2,096)
- Fair value gain on revaluation of investment		(2)	(4)
- Provision for retirement benefits		67,883	56,193
- Exchange loss		305,113	10,913
- Finance costs		1,782,871	2,189,613
Profit before working capital changes		2,579,718	2,859,148
Effect on cash flow due to working capital changes			
- Increase in stores, spares and loose tools		(593,523)	(555,545)
- (Increase) / decrease in stock-in-trade		(83,770)	123,815
- Decrease / (increase) in trade debts		180,366	(187,916)
- (Increase) / decrease in advances, deposits, prepayments and other receivables		(41,864)	55,573
- Increase in trade and other payables		188,385	47,317
		<u>(350,406)</u>	<u>(516,756)</u>
		<u>6,191,390</u>	<u>3,024,251</u>

37. Cash and cash equivalents

Cash and bank balances	- note 26	462,393	239,478
Short term borrowings - secured	- note 14	(7,559,348)	(9,362,051)
		<u>(7,096,955)</u>	<u>(9,122,573)</u>

38. Remuneration of Chief Executive, Directors and Executives

38.1 The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working Directors and Executives of the Group are as follows:

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration	8,621	7,496	20,869	19,368	170,867	149,147
Contributions to Provident and Gratuity Fund	-	-	3,690	3,408	26,170	22,231
Housing	270	270	1,398	1,417	62,400	49,776
Utilities	-	-	-	-	13,494	10,637
Leave passage	-	-	818	1,770	4,461	3,925
Medical expenses	169	529	171	693	5,764	4,505
Others	5,477	4,547	3,593	2,154	43,847	34,811
	<u>14,537</u>	<u>12,842</u>	<u>30,539</u>	<u>28,810</u>	<u>327,003</u>	<u>275,032</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>154</u>	<u>132</u>

The Group also provides the chief executive and some of the directors and executives with Group maintained cars, travelling and utilities.

The Group does not provide any remuneration and benefits to non-executive directors of the Group.

38.2 Remuneration to other directors

Aggregate amount charged in the consolidated financial statements for the year for fee to 5 directors (2011: 5 directors) is Rs Nil (2011: Rs Nil).

39. Transactions with related parties

The related parties comprise associated companies, other related companies, directors, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, dividend income is disclosed in note 32.1, expense charged in respect of staff retirement benefit plans is disclosed in note 10, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 38. Other significant transactions with related parties are as follows:

Relationship with the Group	Nature of transaction	2012	2011
		----(Rupees in thousand)----	
i. Related parties	Sale of goods	97,101	30,882
	Sale of equipment	-	23,187
	Purchase of asset	1,700	-
	Insurance premium	94,475	74,757
	Purchase of services	1,033,558	632,526
	Insurance claims received	10,539	2,468
	Mark-up income on balances with related parties	1,782	2,096
	Dividend income	1,048,658	943,815

All transactions with related parties have been carried out on commercial terms and conditions.

	Capacity		Actual production	
	2012	2011	2012	2011
40. Capacity and production				
Clinker (Metric Tonnes)				
Unit I	810,000	810,000	839,989	694,835
Unit II	1,200,000	1,200,000	1,253,632	1,325,877
Unit III	2,010,000	2,010,000	1,680,327	1,717,692
Cement bags (number of bags)	120,000,000	120,000,000	87,476,085	92,090,336

41. Financial risk management

41.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group's Board of Directors (the Board). The Group's finance department evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group's overall risk management procedures to minimise the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Group's foreign exchange risk exposure is restricted to bank balances and amounts receivable from / payable to the foreign entities.

At June 30, 2012, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 255.797 million (2011: Rs 161.156 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

At June 30, 2012, if the Rupee had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been Rs 0.075 million (2011: Rs 19.633 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of Euro-denominated financial assets and liabilities.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available for sale and fair value through profit or loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments in equity of other entities that are publicly traded are included in all of the following three stock exchanges, Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange.

The table below summarises the impact of increases / decreases of the KSE-100 index on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the KSE had increased / decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

	Impact on post-tax profit		Impact on other components of equity	
	2012	2011	2012	2011
	(Rupees in thousand)			
Karachi Stock Exchange	-	-	157,874	171,821

Post-tax profit for the year would increase / decrease as a result of gains / losses on equity securities classified as at fair value through profit or loss, this impact is considered to be immaterial. Other components of equity would increase / decrease as a result of gains / losses on equity securities classified as available for sale.

(iii) Interest rate risk

As the Group has no significant floating interest rate assets, the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk arises from short term and long-term borrowings. These borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on consolidated profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At June 30, 2012, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs 117.216 million (2011: Rs 154.758 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk of the Group arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to distributors and wholesale and retail customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

	2012	2011
	----(Rupees in thousand)----	
Long term loans, advances and deposits	138,748	34,125
Trade debts	123,699	222,597
Advances, deposits, prepayments and other receivables	47,317	40,286
Balances with banks	459,159	239,335
	<u>768,923</u>	<u>636,343</u>

The ageing analysis of trade receivables is as follows:

Up to 90 days	45,678	96,020
90 to 180 days	16,097	32,680
181 to 365 days	6,482	42,763
Above 365 days	55,442	51,134
	<u>123,699</u>	<u>222,597</u>

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Group when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to consolidated profit and loss account.

The credit quality of Group's bank balances can be assessed with reference to external credit ratings as follows:

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating Agency	(Rupees in thousand)	
	Short term	Long term		2012	2011
Allied Bank Limited	A1 +	AA+	PACRA	-	49
Askari Bank Limited	A1 +	AA	PACRA	32,942	39,818
Bank Alfalah Limited	A1 +	AA	PACRA	85,044	-
Bank Islami Pakistan Limited	A1	A	PACRA	1,499	77
Bank of Punjab	A1 +	AA-	PACRA	10,022	358
Barclay's Bank PLC Pakistan	A1	A+	S&P	9,157	5,883
Citibank N.A.	A1	A+	S&P	96	1,067
Dubai Islamic Bank (Pakistan) Limited	A1	A	PACRA	1,079	960
Faysal Bank Limited	AA	A1 +	PACRA	47,499	39,457
Habib Bank Limited	A1 +	AA	JCR-VIS	-	59
HSBC Bank Middle East Limited	P1	A1	Moody's	40	-
MCB Bank Limited	A1 +	AA+	PACRA	251,788	125,508
Meezan Bank Limited	A1 +	AA-	JCR-VIS	160	611
National Bank of Pakistan	A1 +	AAA	JCR-VIS	1,442	704
NIB Bank Limited	A1 +	AA-	PACRA	14,924	14,505
Silk Bank Limited	A2	A-	JCR-VIS	376	366
Standard Chartered Bank Pakistan Limited	A1 +	AAA	PACRA	2,852	2
United Bank Limited	A1 +	AA+	JCR-VIS	239	9,911
				<u>459,159</u>	<u>239,335</u>

(c) Liquidity risk

Liquidity risk represents the risk that the Group shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Group's businesses, the Group's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Group's cash and cash equivalents (note 37) on the basis of expected cash flows. This is generally carried out in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)

At June 30, 2012	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	6,885,851	2,236,768	1,376,225	3,272,858
Trade and other payables	1,699,134	1,699,134	-	-
Accrued finance cost	178,652	178,652	-	-
Short term borrowings - secured	7,559,348	7,559,348	-	-
	<u>16,322,985</u>	<u>11,673,902</u>	<u>1,376,225</u>	<u>3,272,858</u>
At June 30, 2011	Carrying value	Less than 1 year	Between 1 and 2 years	3 to 5 years
Long term finances	7,085,127	1,994,548	2,008,639	3,081,940
Trade and other payables	1,126,650	1,126,650	-	-
Accrued finance cost	304,800	304,800	-	-
Short term borrowings - secured	9,362,051	9,362,051	-	-
	<u>17,878,628</u>	<u>12,788,049</u>	<u>2,008,639</u>	<u>3,081,940</u>

41.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as total debt divided by total capital employed. Total debt represent long term and short-term finances obtained by the Group. Total capital employed includes

equity as shown in the consolidated balance sheet plus total debt. The Group's strategy, which was unchanged from last year, was to maintain a gearing ratio of 60% debt and 40% equity. The gearing ratio as at June 30, 2012 and June 30, 2011 is as follows:

	2012	2011
	----(Rupees in thousand)----	
Total debt	14,445,199	16,447,178
Total equity	33,019,718	30,317,512
Total capital employed	<u>47,464,917</u>	<u>46,764,690</u>
Gearing ratio	30%	35%

41.3 Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

42. Operating Segments

Segment information is presented in respect of the Group's business. The primary format, business segment, is based on the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Group's operations comprise of the following main business segment types:

Type of segments	Nature of business
Cement	Production and sale of clinker, ordinary portland and sulphate resistant cements
Paper	Manufacture and supply of paper products and packing material

The identification of operating segments was based on the internal organisational and reporting structure, built on the different products and services within the Group. Allocation of the individual organisational entities to the operating segments was exclusively based on economic criteria, irrespective of the participation structure under Companies Ordinance, 1984.

42.1 Segment analysis and reconciliation

The information by operating segment is based on internal reporting to the Group executive committee, identified as the 'Chief Operating Decision Maker' as defined by IFRS 8. This information is prepared under the IFRSs applicable to the consolidated financial statements. All Group financial data are assigned to the operating segments.

	Cement		paper		Elimination - net		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Rupees in thousands								
Revenue from								
- External customers	22,949,853	18,577,198	896,488	874,162	-	-	23,846,341	19,451,360
- Inter group	-	-	848,924	871,097	(848,924)	(871,097)	-	-
	<u>22,949,853</u>	<u>18,577,198</u>	<u>1,745,412</u>	<u>1,745,259</u>	<u>(848,924)</u>	<u>(871,097)</u>	<u>23,846,341</u>	<u>19,451,360</u>
Segment gross profit	7,506,755	4,384,969	79,871	290,551	23,698	(22,026)	7,610,324	4,653,494
Segment expenses	(2,971,441)	(2,719,925)	(25,214)	(27,992)	(16,145)	(3,935)	(3,012,800)	(2,751,852)
Impairment on investments	-	(118,836)	-	-	-	-	-	(118,836)
Other income	1,187,936	1,134,130	11,587	6,152	(52,098)	(51,616)	1,147,425	1,088,666
Financial charges	(1,670,784)	(2,079,146)	(179,570)	(166,017)	67,483	55,550	(1,782,871)	(2,189,613)
Taxation	55,652	(430,231)	68,101	(54,467)	-	-	123,753	(484,698)
Profit after taxation	<u>4,108,118</u>	<u>170,961</u>	<u>(45,225)</u>	<u>48,227</u>	<u>22,938</u>	<u>(22,027)</u>	<u>4,085,831</u>	<u>197,161</u>
Segment net assets	<u>32,930,632</u>	<u>30,217,283</u>	<u>371,362</u>	<u>416,588</u>	<u>47,989</u>	<u>25,050</u>	<u>33,349,983</u>	<u>30,658,921</u>
Segment liabilities	<u>17,754,566</u>	<u>19,485,946</u>	<u>1,403,509</u>	<u>1,469,355</u>	<u>(402,257)</u>	<u>(342,537)</u>	<u>18,755,818</u>	<u>20,612,764</u>
Depreciation and amortisation	<u>1,466,164</u>	<u>1,430,410</u>	<u>29,612</u>	<u>34,058</u>	<u>10,075</u>	<u>10,075</u>	<u>1,505,851</u>	<u>1,474,543</u>
Net cash generated from operating activities	<u>4,011,634</u>	<u>370,314</u>	<u>(223,638)</u>	<u>(9,883)</u>	<u>73,480</u>	<u>48,472</u>	<u>3,861,476</u>	<u>408,903</u>
Capital expenditure	<u>(2,751,451)</u>	<u>(1,672,612)</u>	<u>(10,042)</u>	<u>(1,468)</u>	<u>-</u>	<u>-</u>	<u>(2,761,493)</u>	<u>(1,674,080)</u>
Net cash used in investing activities	<u>(1,596,832)</u>	<u>(615,980)</u>	<u>(4,879)</u>	<u>(4,065)</u>	<u>101,520</u>	<u>(35,610)</u>	<u>(1,500,191)</u>	<u>(655,655)</u>

42.2 Geographical segments

All segments of the Group are managed on nation-wide basis and operate manufacturing facilities and sales offices in Pakistan only.

43. Date of authorisation for issue

These consolidated financial statements were authorised for issue on September 10, 2012 by the Board of Directors of the Parent Company.

44. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the ended June 30, 2012 of Rs 1.50 (2011: Rs Nil) per share, amounting to Rs 657.179 million (2011: Rs Nil) at their meeting held on September 10, 2012 for approval of the members at the Annual General Meeting to be held on October 24, 2012. These financial statements do not reflect this dividend payable.

45. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison. Further, significant re-arrangements made are as follows:

(Rupees in thousand)

"Capital work in progress" has been reclassified to "Property, Plant and Equipment" as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.	1,373,820
Nishat (Chunian) Limited previously classified under Available for sale - (related parties') long-term Investments, now reclassified under Available for Sale - (Others') long-term Investments.	45,254
Amount classified previously under secured trade debtors, now reclassified as unsecured trade debtors.	166,620
Negative bank balances previously appearing in "Cash and bank balances - current accounts" now reclassified under "Trade and other payables - others"	30,179
Gain on derivative financial instruments previously classified under "Finance cost" now reclassified to "Other operating income"	27,468
Amount previously classified under "Accrued Liabilities", now reclassified as a separate line item "Infrastructure Cess" in "Trade and other payables"	89,164
Amount previously classified under "Others", now reclassified as a separate line item "Infrastructure Cess" in "Trade and other payables"	30,635

The above figures have been re-arranged as the reclassifications made are considered more appropriate for the purposes of presentation.



Chief Executive



Director

PROXY FORM

Folio No. _____ CDC Participant I.D. No. _____

CDC Participant's Name _____ A/C, Sub A/C No. _____

Shares Held _____

I/We _____

of _____

being a member of D.G. KHAN CEMENT COMPANY LIMITED hereby appoint

_____ (NAME)

of _____

or falling him/her _____

_____ (NAME)

of _____

who is also a member of the Company, vide Registered Folio No./CDC A/C Sub A/C No. _____ as my/our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 24th October 2012 at 11:00 a.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2012

Witness

Signature _____

Name _____

Dated _____

Place _____

CNIC _____

Signature on
Five Rupees
Revenue Stamp

Note: Proxies, in order to be effective, must be received at the Company's Registered Office not less than forty eight hours before the time for holding the meeting and must be stamped, signed and witnessed. Proxies of the members through CDC shall be accompanied with attested copies of their NIC. The shareholders through CDC are requested to bring their original NIC, Sub Account Number and Participant I.D. No. to produce at the time of attending the meeting.