دیرپا ۔ مضبوط
PAIDAR CEMENT

GHARIBWAL CEMENT LIMITED

ANNUAL REPORT
2012

CONTENTS

COMPANY PROFILE

Board of Directors:	Mr. Muhammad Tousif Peracha	Chairman & Chief Executive
	Mr. Abdur Rafique Khan	Director
	Mrs. Tabassum Tousif Peracha	Director
	Mian Nazir Ahmed Peracha	Director
	Mr. M. Ishaque Khokhar	Director
	Mr. M. Niaz Piracha	Director
	Mr. Muhammad Rahman	Director
Audit Committee:	Mian Nazir Ahmed Peracha	Chairman
	Mr. Muhammad Tousif Peracha	Member
	Mr. M. Niaz Piracha	Member
HR & R Committee:	Mr. M. Niaz Peracha	Member
	Mr. Muhammad Rahman	Member
	Mian Nazir Ahmed Piracha	Member
Company Secretary:	Mr. Muhammad Shamail Javed ACA	
External Auditors:	Hyder Bhimji & Co. Chartered Accountants	
Internal Auditors:	Aftab Nabi & Co. Chartered Accountants	
Legal Advisor:	Raja Muhammad Akram	
Bankers to the Company:	Askari Bank Limited Faysal Bank Limited Habib Bank Limited KASB Bank Limited MCB Bank Limited My Bank Limited National Bank of Pakistan NIB Bank Limited Silk Bank Limited The Bank of Khyber The Bank of Punjab United Bank Limited	
Registered & Head Office:	28-B/3, Gulberg III, P.O. Box 1285, Lahore. UAN : 042 - 111-210-310 Fax : 042 - 35871039 & 59 E-mail: info@gharibwalcement.com www.gharibwalcement.com	
Works:	Ismailwal, Distt. Chakwal	
Shares Registrar:	M/s. Corplink (Pvt.) Limited Shares Registrar, Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35887262, 35839182 Fax: 042-35869037	

VISION STATEMENT

GHARIBWAL has been at the forefront in building a strong and solid Pakistan over the past forty six years. Our cement has already endured the test of time which is reflected by its performance in the Mangla Dam, the Qadirabad Barrage, the Rasool / Sulemanki Barrage, and so forth. Our new brand titled "PAIDAR CEMENT" being produced from the new cement plant shall strive to become a household name both in quality and price in the near future.

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

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

GHARIBWAL's new cement plant, situated in the Punjab province near the Motorway and G.T. Road, has embraced up-to-date cement technology, plant and machinery. This new plant has already started production by the Grace of the Almighty.

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

MISSION STATEMENT

GHARIBWAL's mission is to constantly seek excellence in all spheres of its business activity and to develop and expand its market position in Punjab, Azad Kashmir, the South and export market for our PAIDAR CEMENT brand.

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

Notice of Annual General Meeting

Notice is hereby given that 52nd Annual General Meeting of Gharibwal Cement Limited will be held on Wednesday, October 31, 2012 at 12:30 p.m at Registered Office of the company (28-B/III, Gulberg-III, Lahore) to transact the following businesses:

Ordinary Business

1. To confirm minutes of last Extra Ordinary General Meeting (EOGM) held on March 01, 2012.

2. To receive, consider and adopt the Audited Financial Statements of the company for the year ended June 30, 2012 together with Auditor's and Director's report thereon.

3. To appoint Auditors' of the Company for the year ending June 30, 2013 and to fix their remuneration.

Other Business

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

By Order of the Board

Date: October 08, 2012
Place: Lahore

Muhammad Shamail Javed
Company Secretary

NOTES:

1. The share transfer books of the company will remain closed from October 24 to October 31, 2012 both days inclusive. Transfer received by the Share Registrar of the Company, M/s Corplink (Private) Limited, 1-K Commercial, Model Town Lahore up to October 23, 2012 will be considered in time for the purpose of attendance at AGM.

2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account /sub account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/ her proxy to attend, speak and vote instead of him/her.

4. Forms of proxy to be valid must be properly filled in/executed and received at the Company's head office situated at 28/B-III, Gulberg-III, Lahore not later than 48- hours before the time of meeting.

5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses and also provide Copy of their CNIC for updating record.

Dear members,

The Board of Directors' pleased to present its Annual Report along with the Audited Financial Statements of your company for the year ended June 30, 2012.

During the year cement industry achieved overall volumetric growth of 3%, however, domestic sales volume increased by 9% whereas export decreased by 10%. Your company has able to increase its sales volume by 11% as compared to last year despite of overall slow growth. Furthermore, capacity utilization of plant also improved slightly and remained at 42% as compared to 38% during the last year. The main reason of low capacity utilization is shortage of working capital and non-operation of plant due to liquidity problems. Brief summary of production and sales in volume along with comparison of last year is given below:

	FY 2012 Tons	FY 2011 Tons	% Change
Clinker production	838,242	762,998	9.9%
Dispatches	883,664	794,421	11.2%

Last three quarters of current year remained better for the company as selling prices increased as compared to last year which helped the company to recover its losses from Rs. 430.76 million in December 2011 to Rs. 241.43 million. Company performed better as compared to last year and earned operational profit as against loss in last year despite of low capacity utilization, severe energy crises in the country, continuous change in oil prices, loss of strength of Rupee against USD and increase in inflation and cost.

Comparative financial results of the Company for the year under review are summarized below:

	FY 2012 Rs. '000	FY 2011 Rs. '000	Increase / (Decrease)
Net sales	4,976,032	3,327,031	1,649,001
Gross profit	989,130	165,735	823,395
Operating (loss)/Profit	797,550	(171,026)	968,576
Finance cost	(989,224)	(764,740)	(224,484)
Loss before taxation	(191,674)	(935,766)	(744,092)
Loss after taxation	(241,434)	(971,451)	(730,017)
Loss per share	(0.60)	(3.08)	(2.48)
Dividend/Bonus Shares –Appropriations	Nil	Nil	

The above comparison shows favorable variances in all the key financial indicators over last year's performance. Sales during the year increased by 49.6% as compared to last year which helped the company to earn operating profit of Rs. 797.550 million as compared to loss of Rs. 171.026 million. In order to increase profitability of company, management has implemented tight monitoring controls and various measures are also taken to control cost of production. These measures along with increase in selling prices had helped the company to reduce loss during the year despite of increase in financial cost, low capacity utilization, shortage of working capital etc.

The Company is in process to reprofiles its debts with all its lenders. Company has given mandate to NBP in this regard and NBP is in active negotiation with all syndicate member and TFC holders so that a workable model can be agreed upon and much needed financial support can be extended to the company so that company can run its operations profitably.

Future Outlook

Keeping in view the increase in selling prices, recent reduction of discount rate by SBP, increase in local demand and future opportunities of exports, company's management is optimistic about better financial results in the coming years.

Auditors' Observation

Auditors have raised their observation about going concern of company. However, management of the Company believes that keeping in view the recent increase in selling prices, improvement in financial results, increase in demand, ongoing negotiation with company's lenders and continued support of directors, strong commitment of sponsoring directors toward project and other factors as explained in note 1.2 of financial statements, we foresee that company will continue as a going concern entity.

As already mantion, Management has implemented more strict financial controls as well taken steps to reduce cost that helped the company to improve its financial results as is evident from improvement in financial results of current year. We hope that financial health of the company will improve further in coming years. Furthermore, NBP being the lead banker is also under active discussion with all other lenders of the company for a workable restructuring model.

By considering all these factors, the management of the company is fully justified to prepare the financial statements by using going concern assumption.

Corporate Social Responsibility

Your Company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

Board & Audit Committee Meetings

During the year under report, four Board (BOD) & Audit Committee (AC) meetings were held. Attendance by each director is as under:

Name of directors	No. of Meeting Attend	
	BOD	AC
Mr. Muhammad Tousif Peracha	4	4
Mr. Abdur Rafique Khan	4	
Mrs. Tabassum Tousif Peracha	2	
Mian Nazir Ahmed Peracha	4	2
Mr. Muhammad Ishaque Khokhar	4	
Mr. Muhammad Niaz Peracha	4	4
Mr. Jawaid Aziz Peracha (Retired- Feb.29, 2012)	2	
Mr. Muhammad Rehman (Elected- w.e.f. March 01, 2012)	1	

No meeting of HR&R committee held during the year.

Corporate and Financial Reporting Framework

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Frame Work:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of account of the Company have been maintained.

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

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. Management feels that there is no significant doubt on the Company's ability to continue as going concern. We had already provided our reply on Auditors' Observation in this report and mitigating factors are also disclosed in detail.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. Company has also constituted Audit Committee and HR &R Committee and its members are disclosed in annual report.

8. The detail of trading in shares of the Company, if any, carried out by the directors, CEO, CFO, and Company Secretary and their spouses and minor children is provided in pattern of shareholding annexed with this report.

9. No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of Directors' report.

10. Key operating and financial data for six years is annexed.

11. The pattern of shareholding is annexed.

12. Value of investment of Provident Fund Trust as per last audited accounts is Rs. 31.625 million.

13. The Company has fulfilled its major statutory and financial obligations, except as disclosed in the Financial Statements rafer to note 16.4, 17.1.1, 17.1.5, 17.1.7, 17.1.8, 18.

14. No dividend or bonus shares are declared because of loss during the year.

15. Company has arranged in house training program for its directors, however, most of directors meet criteria (exemption from training) as laid down in code of corporate governance.

16. The Statement of compliance with the best practices of Code of Corporate Governance is annexed with this report.

Auditors

Hyder Bhimji & Co., Chartered Accountants being the retiring auditors are eligible for reappointment and Board has also endorsed their re-appointment for another term as per recommendation of Audit Committee.

Acknowledgment

Board is grateful to all the lenders for their continued support and cooperation with the Company. Board of Directors appreciates the hard work of its employees and support &cooperation extended by distributors, dealers, suppliers and other stakeholders of the company.

For and on behalf of the Board

Lahore: 08 October 2012

Muhammad Tousif Peracha
Chairman & Chief Executive

Summary of Six Years' Financial Results

	2012	2011	2010	2009	2008	2007
			(Rupees in Thousands)			
Trading Results						
Turnover	4,976,032	3,327,031	2,113,818	2,438,570	-	521,716
Gross Profit / (Loss)	989,130	165,735	(418,905)	233,080	(75,230)	(188,432)
Operating Profit / (Loss)	797,550	(171,026)	(928,107)	21,907	(293,582)	(334,508)
(Loss) / Profit Before Taxation	(191,674)	(935,766)	(2,112,763)	(859,499)	(363,082)	(202,074)
(Loss) / Profit After Taxation	(241,434)	(971,451)	(998,022)	(870,357)	(315,198)	(222,916)
Balance Sheet						
Shareholders Equity	2,787,537	3,028,970	4,000,421	1,965,807	1,995,779	1,678,007
Operating Fixed Assets	11,497,131	11,566,193	12,044,869	9,729,489	2,316,429	2,416,455
Net current assets / (liabilities)	(3,170,146)	(4,273,030)	(4,015,933)	(4,465,701)	(479,907)	131,917
Long term liabilities	5,550,741	4,280,148	4,086,430	3,360,334	5,873,548	4,349,215
Significant Ratios						
Gross (losss) / Profit Ratio %	19.88	5.02	(19.81)	9.56	-	(36.12)
Net (loss) / Profit Ratio %	(4.85)	(29.20)	(47.21)	(35.69)	-	(17.83)
Fixed Assets Turnover Ratio (times)	0.43	0.28	0.18	0.25	-	0.22
Debt : Equity Ratio (time)	0.63	0.63	0.66	0.90	2.94	2.59
Current Ratio (time)	0.24	0.20	0.17	0.22	0.70	1.12
Interest Cover Ratio (time)	0.81	(0.22)	(0.78)	(0.02)	(2.31)	(1.97)

Pattern of Shareholding as at June 30, 2012

Sr. No	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
1	889	1	100	36,423	0.0091%
2	601	101	500	166,558	0.0416%
3	311	501	1,000	234,492	0.0586%
4	422	1,001	5,000	1,020,226	0.2549%
5	96	5,001	10,000	673,572	0.1683%
6	23	10,001	15,000	273,225	0.0683%
7	15	15,001	20,000	267,000	0.0667%
8	9	20,001	25,000	209,205	0.0523%
9	5	25,001	30,000	142,235	0.0355%
10	5	30,001	35,000	162,733	0.0407%
11	3	35,001	40,000	118,390	0.0296%
12	1	40,001	45,000	42,454	0.0106%
13	3	45,001	50,000	142,947	0.0357%
14	1	50,001	55,000	54,000	0.0135%
15	1	55,001	60,000	60,000	0.0150%
16	1	60,001	65,000	60,945	0.0152%
17	1	65,001	70,000	69,499	0.0174%
18	1	80,001	85,000	81,618	0.0204%
19	1	95,001	100,000	100,000	0.0250%
20	1	100,001	105,000	102,500	0.0256%
21	1	105,001	110,000	109,705	0.0274%
22	1	110,001	115,000	113,342	0.0283%
23	1	115,001	120,000	116,943	0.0292%
24	1	125,001	130,000	127,500	0.0319%
25	2	150,001	155,000	305,866	0.0764%
26	1	245,001	250,000	250,000	0.0625%
27	1	395,001	400,000	400,000	0.0999%
28	1	470,001	475,000	473,770	0.1184%
29	1	495,001	500,000	495,645	0.1238%
30	2	505,001	510,000	1,018,160	0.2544%
31	1	525,001	530,000	530,000	0.1324%
32	1	1,335,001	1,340,000	1,339,000	0.3345%
33	1	1,340,001	1,345,000	1,343,525	0.3357%
34	1	2,530,001	2,535,000	2,533,691	0.6330%
35	1	2,995,001	3,000,000	3,000,000	0.7495%
36	1	3,945,001	3,950,000	3,950,000	0.9868%
37	1	4,080,001	4,085,000	4,082,112	1.0198%
38	1	4,105,001	4,110,000	4,106,500	1.0259%
39	1	4,280,001	4,285,000	4,282,112	1.0698%
40	1	4,595,001	4,600,000	4,600,000	1.1492%
41	1	5,380,001	5,385,000	5,381,028	1.3443%
42	1	5,745,001	5,750,000	5,750,000	1.4365%
43	1	5,995,001	6,000,000	6,000,000	1.4990%
44	1	6,665,001	6,670,000	6,666,666	1.6655%
45	1	8,095,001	8,100,000	8,098,343	2.0232%
46	1	9,195,001	9,200,000	9,195,200	2.2972%
47	1	16,060,001	16,065,000	16,062,541	4.0129%
48	1	17,930,001	17,935,000	17,933,497	4.4803%
49	1	44,995,001	45,000,000	45,000,000	11.2423%
50	1	69,100,001	69,105,000	69,103,942	17.2642%
51	1	173,885,001	173,890,000	173,886,850	43.4420%
	2,423			400,273,960	100.0000%

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor childern	277,299,931	69.2775%
NIT and ICP	630	0.0002%
Banks Development Financial Institutions, Non Banking Financial Institutions.	46,348,747	11.5793%
Insurance Companies	418	0.0001%
Modarabas and Mutual Funds	218	0.0001%
General Public (Local)	55,375,316	13.8344%
Joint Stock Companies	4,677,426	1.1686%
Foreign Companies	8,364,224	2.0896%
Associations	43,637	0.0109%
Government Authority	14,872	0.0037%
Investment Companies	8,098,343	2.00232%
Leasing Companies	50,000	0.0125%
Others	198	0.0000%
TOTAL:	400,273,960	100.0000%

PATTERN OF SHAREHOLDING as required under CODE OF CORPORATE GOVERNANCE as at June 30, 2012

	Category of Shareholders	No. of Shareholders	Holding	Percentage
I	Associated Companies, Undertakings and Related Parties	0	-	-
II	Mutual Funds (Name Wise Detail)	1	218	0.00%
	Prudential Stock Fund Ltd	1	218	0.00%
III	Directors and their Spouse and Minor Chidren (Name Wise Detail):	8	277,299,931	69.28%
	Mr. Abdur Rafique Khan	1	74,677,656	18.66%
	Mr. Muhammad Tousif Peracha	1	202,456,030	50.58%
	Mr. Muhammad Niaz Peracha	1	2,330	0.00%
	Mr. Nazir Ahmed Peracha	1	500	0.00%
	Mrs. Tabassum Tousif Peracha	1	6,025	0.00%
	Mr. Ishaque Khokhar	1	3,143	0.00%
	Mrs. Salma Khan	1	153,747	0.04%
	Mr. Muhammad Rehman	1	500	0.00%
IV	Executives	0	-	-
V	Public Sector Companies & Coporations:		-	-
VI	Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	15	54,497,508	11.58%
VII	Shareholders holding 5% or more voting intrest			
	Mr. Abdur Rafique Khan	1	74,677,656	18.66%
	Mr. Muhammad Tousif Peracha	1	202,456,030	50.58%
	Silk Bank Limited	1	45,000,000	11.24%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children is as under:

	Taransfer	Purchase
Mr. Abdur Rafique Khan	21,667,500	-
Mr. Muhammad Tousif Peracha	23,332,500	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 34 of listing regulations of Karachi and Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the 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 Director	Nil
Executive Directors	Mr. Muhammad Tousif Peracha Mr. Abdur Rafique Khan Mr. Ishaque Khokhar
Non-Executive Directors	Mr. Muhammad Rehman Mian Nazir Ahmed Peracha Mr. Muhammad Niaz Peracha Mrs. Tabbasum Tousif Peracha

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board during the year.

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

9. The board arranged two in house training programs for its directors during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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 three members, of whom two are non-executive directors and the chairman of the committee is a Non-Executive director.

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 three members, of whom two 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 and has outsourced the internal audit function to M/S Aftab Nabi & Company, Chartered Accounts, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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 except as required under provisions of clause i(a), i(b), i(d) & vi and these shall take effect when the board is reconstituted on expiry of its current term.

For and on behalf of the Board

Lahore: 08 October 2012

Muhammad Tousif Peracha
Chief Executive Officer

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

A member of
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with affiliated offices worldwide

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REVIEW REPORT TO THE MEMBERS
on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Gharibwal Cement Limited (the company) for the year ended June 30, 2012 to comply with the Listing Regulations of the respective stock exchanges, where the company is listed.

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

As part of our audit of the 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 control 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.

Further, listing regulations require the company to place before the Board of Directors for their consideration and approval of 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, except for that the internal audit function has not been appropriately and regularly set up, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of 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.

Lahore: 08 October 2012

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner - Syed Aftab Hameed, FCA

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gharibwal Cement Limited as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our report, we draw attention of the members towards note 1.2 of the financial statements, which indicates that the company incurred net loss for the year in the sum of Rs. 241.434 million, which increased accumulated loss to Rs. 3,747.404 million on June 30, 2012; and that the company's current liabilities exceeded its current assets by Rs. 3,170.146 million as at June 30, 2012. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Lahore: 08 October 2012

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CHARTERED ACCOUNTANTS
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BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012	2011
		(Rupees in 000s)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	11,497,131	11,566,193
Long term loans	7	1,552	2,111
Long term deposits	8	9,741	6,844
		11,508,424	11,575,148
CURRENT ASSETS			
Stores, spares and loose tools	9	383,978	329,537
Stock in trade	10	112,122	115,180
Trade debts	11	129,592	61,964
Advances, deposits and other receivables	12	363,710	418,787
Cash and bank balances	13	16,760	12,261
		1,006,162	937,729
Non current assets held for sale	6.1.3	13,812	13,812
Total current assets		1,019,974	951,541
TOTAL ASSETS		12,528,398	12,526,689
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
470,000,000 ordinary shares of Rs. 10 each		4,700,000	4,700,000
Issued, subscribed and paid up capital	14	4,002,739	4,002,739
General reserve		332,000	332,000
Accumulated loss		(3,747,404)	(3,576,437)
		587,335	758,302
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	2,200,202	2,270,668
NON CURRENT LIABILITIES			
Redeemable capital	16	-	-
Long term borrowings	17	3,390,384	3,389,554
Liabilities against assets subject to finance lease	18	-	2,345
Deferred income	17.1.7	6,810	16,156
Deferred liabilities	19	2,153,547	872,093
		5,550,741	4,280,148
CURRENT LIABILITIES			
Trade and other payables	20	988,031	1,299,955
Accrud markup/profit	21	951,078	730,120
Short term borrowings	22	719,316	787,368
Current portion of non-current liabilities	23	1,073,270	986,058
Taxes and duties payable	24	458,425	1,414,070
		4,190,120	5,217,571
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		12,528,398	12,526,689

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

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

	Note	2012	2011
		(Rupees in 000s)	
Net sales	26	4,976,032	3,327,031
Cost of sales	27	(3,986,902)	(3,161,296)
Gross profit		989,130	165,735
Selling and distribution expenses	28	(25,383)	(17,311)
General and administrative expenses	29	(161,123)	(192,803)
Other operating expenses	30	(19,907)	(145,383)
Other operating Income	31	14,833	18,736
		(191,580)	(336,761)
Profit / (Loss) from operations		797,550	(171,026)
Finance cost	32	(989,224)	(764,740)
Loss before taxation		(191,674)	(935,766)
Taxation	33	(49,760)	(35,685)
Loss after taxation		(241,434)	(971,451)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(241,434)	(971,451)
		Rupees	
Earnings per share (basic & diluted)	34	(0.60)	(3.08)

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in 000s)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss before taxation		(191,674)	(935,766)
Adjustment for non-cash and other transactions:			
Depreciation		326,089	324,634
Provision for retirement benefits		18,129	11,537
Finance cost		881,849	764,740
Taxes and duties		36,924	31,515
Provision for slow moving stores items		11,744	7,440
Provision for doubtful debts		8,163	23,998
Impairment of non-current assets held for sale		-	5,918
Provision for obsolescence of stores and spares held for capitalization		-	16,951
Loss on disposal of property, plant and equipment		-	64,693
Profit / interest income for the year		(13,197)	(16,275)
		1,269,701	1,235,151
Operating profit before working capital changes		1,078,027	299,385
Increase / (decrease) in working capital:			
Stores, spares and loose tools		(66,185)	14,627
Stock in trade		3,062	(5,694)
Trade debts		(67,628)	(31,731)
Advances, deposits and other receivables		60,111	(178,321)
Trade and other payables		(418,948)	(275,795)
		(489,588)	(476,914)
Cash inflow/(outflow) from operation		588,439	(177,529)
Finance cost paid		(247,103)	(353,024)
Retirement benefits paid		(18,204)	(3,927)
Net increase/(decrease) in long term advances & deposits		(11,684)	41,960
Net increase/(decrease) in taxes & deposits		8,047	387,911
Net Cash inflow/(outflow) from operating activities		319,495	(104,609)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred during the year		(257,027)	(188,580)
Proceeds on disposal of operating fixed assets		-	240,806
Net cash (outflow)/inflow from investing activities		(257,027)	52,226
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long term borrowings		(436,605)	(428,442)
Change in redeemable capital		-	(10,660)
Change in short term borrowings		(68,052)	284,851
Change in directors' loan		461,000	265,694
Change in liabilities against assets subject to finance lease		(14,312)	(57,939)
Net cash (outflow)/inflow from financing activities		(57,969)	53,504
Net increase in cash and cash equivalents		4,499	1,121
Cash and cash equivalents at beginning of the year		12,261	11,140
Cash and cash equivalents at end of the year	13	16,760	12,261

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

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

	Share Capital	General Reserves	Accumulated Loss	Total
	------------------------- (Rupees in 000s) -------------------------			
Balance as at June 30, 2010	2,318,764	332,000	(2,694,482)	(43,718)
Shares issue other wise than right	1,683,975	-	-	1,683,975
Total Comprehensive loss for the year ended June 30, 2011	-	-	(971,451)	(971,451)
Surplus on revaluation of fixed assets transferred:				
- On disposal of fixed assets	-	-	19,060	19,060
- Incremental depreciation charged during the year [net off deferred tax of Rs. 37.927 million]	-	-	70,436	70,436
Balance as at June 30, 2011	4,002,739	332,000	(3,576,437)	758,302
Total Comprehensive loss for the year ended June 30, 2012	-	-	(241,434)	(241,434)
Incremental depreciation on revaluation of property, plant and equipment [net off deferred tax of Rs. 37.944 million]	-	-	70,467	70,467
Balance as at June 30, 2012	4,002,739	332,000	(3,747,404)	587,335

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive Officer

Director

1 LEGAL STATUS AND OPERATIONS

1.1 The Company was incorporated in Pakistan on December 29, 1960 as a Public Limited Company; its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in production and sale of cement. The registered office of the Company is situated at 28-B/3, Gulberg III, Lahore.

1.2 During the year, the Company again incurred net loss amounting to Rs. 241.434 million (2011: Rs. 971.451 million) which increased accumulated loss to Rs. 3,747.404 million (2011: Rs. 3,576.437 million). Further, as of the balance sheet date, the current liabilities exceeded current assets by Rs. 3,170.146 million (2011: Rs. 4,253.635 million).

In order to mitigate the above situation, the Company had already taken appropriate steps which included reduction in the cost of production and employing experienced technical staff to ensure the smooth operation of the plant, which has resulted in improved production efficiency and other financial results. Moreover, the management of the Company anticipates that the present increase in sale prices will continue; and hopeful that demand for cement would rise significantly in the years ahead. The sponsoring directors has injected further funds into the Company in order to meet its working capital requirements. Hence, the aforementioned factors and other measures together with the injection of further funds by the sponsoring directors will further improve the profitability and liquidity position of the Company.

Furthermore, management of the Company is continuously persuading its lenders by giving them various proposals for repayment/settlement of outstanding dues including offering additional collaterals for such settlement, so that cash generated out of company operations can be utilized toward the Company's business; and at the same time ensuring that there should not be any default in meeting its repayment obligations which may cause difficulties for the smooth running of the Company's business. The Company has also given restructuring mandate to NBP (being major lender) and NBP is under discussion with all other lenders of the company so that they can reach jointly at some appropriate and workable restructuring model. Subsequent to the balance sheet date, NBP management has also given in principle approval for restructuring model for GCL, which include additional working capital facilities for the company. A few banks have also rescheduled their re-payments and deferred the payment of markup. The management of the Company sincerely believes that their efforts for the restructuring / settlement / revision in re-payment schedule of the long term borrowings would be accepted by all the members of the lenders' syndicate in due course of time. Until now management is successful in dealing with lenders due to which there are no indications of any call of immediate payment of the financing providing by them.

Based on the support of sponsoring directors, prevailing selling prices, future demand of cement, and NBP “in principal approval”, the management is of the view that the Company would have adequate resources to continue its business on a sustainable basis in the foreseeable future; and therefore will continue to be a going concern.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards adopted during the year

The Company has adopted the following new and amended IFRS and IFRIC interpretation which become effective during the year:

IAS-1	Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented
IAS-12	Income Taxes (amendment) - deferred tax on investment property
IAS-24	Related Party Disclosures (Revised)
IFRIC-14	Prepayments of Minimum Funding Requirement (Amendment)

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project. Such improvements are mostly effective for accounting periods beginning on or after January 01, 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

2.3 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned against the respective standard or interpretation:

	Standard or Interpretation	Effective date periods beginning on or after
IFRS-7	Financial Instruments: Disclosure - Amendments enhancing disclosure about transfers of financial instruments	January 01, 2013
IAS-19	Employee Benefits-Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS-27	Consolidated and Separate Financial Statements	January 01, 2013
IAS-28	Investments in Associates and Joint Ventures	January 01, 2013
IAS-32	Financial Instruments: Presentation - Amendments relating to offsetting of financial assets and liabilities	January 01, 2014

The company expects that the adoption of the above standards and interpretations will not have any material impact on its financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

		IASB Effective date (periods beginning on or after)
IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interest in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013

3 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for freehold land, factory building and plant & machinery which have been carried at revalued amount as referred to in the relevant notes while staff retirement benefits for gratuity and compensated absences have been recognized at present value. The financial statements are presented in Company’s functional currency of Pakistan Rupee.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of setting up and applying the Company’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. 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:

4.1 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4.2 Provision for doubtful receivables

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.3 Useful life and residual values of property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment, if any.

4.4 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable.

4.5 Provision for defined employees' benefits

Defined benefit plans are provided for permanent employees of the Company subject to completion of a prescribed qualifying period of service. The plans are structured as separate legal entities managed by trustees except compensated absences for which liability is recognized in the Company's financial statements. These plans are evaluated with reference to uncertain events and based upon actuarial assumptions including inter alia, discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost rates and mortality rates.

The actuarial valuations are conducted by independent actuaries on annual basis. Gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

4.6 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

4.7 Stock in trade and stores and spare parts

The company reviews the net realizable value of stock–in–trade and stores & spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant & equipment and depreciation

Owned

Operating fixed assets, except freehold land which is stated at revalued amount, are stated at cost or revalued amounts less accumulated depreciation and impairment, if any.

Depreciation is charged at the rates stated in note 6.1 applying reducing balance method except plant and machinery of Line-II on which depreciation is charged on the basis of units of production method. The useful life and residual value of major components of fixed assets is reviewed annually to determine that expectations are not significantly different from the previous estimates. Adjustment in depreciation rate for current and future periods is made if expectations are significantly different from the previous estimates. Depreciation is charged from the month when an asset becomes available for use, whereas no depreciation is charged in the month of its disposal. Gain/loss on disposal of fixed assets is taken to profit and loss account.

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

Leased

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

Depreciation is charged at the rates stated in note 6.1 by applying reducing balance method. Financial charges and depreciation on leased assets are charged to profit and loss account.

5.2 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 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 its intended use.

5.3 Stores and spares

These are valued at lower of moving (monthly weighted) average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

5.4 Stock-in-trade

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

Raw materials	Lower of annual average cost and NRV
Work in process and finished goods	Lower of annual average cost (comprising quarrying cost, transportation, government levies, direct cost of raw material, labour and other manufacturing overheads) and NRV
Packing materials	Lower of simple moving average cost and NRV

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to affect such sale.

5.5 Trade debts

Trade debts are carried at invoice amount on transaction date less any estimate of provision for doubtful receivables. Known bad debts are written off as and when identified.

5.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand, current, escrow, saving and deposit accounts with commercial banks net of temporary bank overdrafts.

5.7 Assets classified as held for sale

These are measured at the lower of carrying amount and fair value less cost to sell.

5.8 Surplus on revaluation of property, plant and equipments

The surplus arising on revaluation of these assets is credited to the "Surplus on revaluation of property, plant and equipment"' account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The Company has adopted the following accounting treatment of depreciation on revalued assets in accordance with the provisions of the above said section:

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profits/losses through Statement of Changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

5.9 Employees benefits

(a) Defined benefit plan

The Company operates a funded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund is made annually on the basis of actuarial recommendation to cover obligation under the scheme.

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions disclosed in note 20.5. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

Actuarial gains or losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceeds 10% of the higher of the present value of the defined benefit obligation and fair value of plan assets. These gains or losses are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

(b) Defined contribution plan

The Company also operates a funded contributory provident fund scheme for its employees. Equal monthly contributions @ 10% of the basic salaries are made by the Company and the employees to the fund. Contribution of the Company is charged to the profit and loss account for the year.

(c) Compensated absences

Provisions are made to cover the obligation for accumulated compensated absences on the basis of actuarial valuation and are charged to profit and loss account. Actuarial gains and losses are recognized immediately.

5.10 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid for goods and services.

5.11 Ijarah

Ijarah payments under an Ijarah are recognized as an expense in the profit and loss account on a straight-line basis over the Ijarah term.

5.12 Provisions

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

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

5.13 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of one percent of the turnover, in case there is gross profit, whichever is higher. For income covered under Final Taxation Regime (FTR), taxation is based on the applicable tax rates under such Regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against these can be utilized. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5.14 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account.

5.15 Financial instruments

Financial assets are long term deposits, long term advances, trade debtors, advances & other receivables and cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred; and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are liabilities against assets subject to finance lease, long term loans & finances, short term loans & borrowing and trade payables. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

5.16 Offsetting of financial assets and liabilities

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

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

5.17 Revenue recognition

Sale of goods:	Revenue from sales is recognized when the significant risks and rewards of ownership of the goods have passed to customers, which coincide with the dispatch of goods to customers.
Interest Income:	Interest income is accounted for on accrual basis.
Scrap sales:	These are recognized on physical delivery to customer.
Dividend Income:	It is recognized when the company's right to receive payment is established.

5.18 Borrowing costs

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

5.19 Impairment of assets

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

5.20 Related party transactions

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

	Note	2012	2011
		(Rupees in 000s)	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - Tangible	6.1	11,177,058	11,459,998
Capital work in progress	6.2	320,073	106,195
		11,497,131	11,566,193

6.1 OPERATING FIXED ASSETS - TANGIBLE

	COST / REVALUED AMOUNT					ACCUMULATED DEPRECIATION				Book Value Revaulation Modle as at 30-06-2012	Rate of Depreciation
	Balance as at 01-07-2011	Addition	Deletion	Transfer /Adjustment	Balance as at 30-06-2012	Balance as at 01-07-2011	For the year	Adjustment /Deletion	Balance as at 30-06-2012		
Owned assets											
Land - freehold	83,377	-	-	-	83,377	-	-	-	-	83,377	
Buildings and foundations	2,973,166	2,696	-	-	2,975,862	601,728	134,189	-	735,917	2,239,945	5%-10%
Building on Leasehold land	19,796	-	-	-	19,796	14,244	555	-	14,799	4,997	10%
Heavy vehicles	122,452	-	-	-	122,452	113,350	1,820	-	115,170	7,282	20%
Plant and machinery	9,030,100	25,463	-	-	9,055,563	379,539	167,679	-	547,218	8,508,345	unit of prod.
Infrastructure	103,020	13,759	-	-	116,779	10,430	6,567	-	16,997	99,782	7%
Tools and equipments	1,403	-	-	-	1,403	1,334	7	-	1,341	62	10%
Furniture, fixtures and office equipment	47,319	323	-	-	47,642	32,083	1,528	-	33,611	14,031	10%
Transport assets	30,542	2,744	-	17,504	50,790	24,166	1,557	13,397	39,120	11,670	20%
	12,411,175	44,985	-	17,504	12,473,664	1,176,874	313,902	13,397	1,504,173	10,969,491	
Assets subject to finance lease											
Plant and machinery	283,486	-	-	-	283,486	65,912	10,879	-	76,791	206,695	5%
Vehicles	21,362	-	(1,999)	(17,504)	1,859	13,239	1,308	(13,560)	987	872	20%
	304,848	-	(1,999)	(17,504)	285,345	79,151	12,187	(13,560)	77,778	207,567	
Rupees in 000s - 2012	12,716,023	44,985	(1,999)	-	12,759,009	1,256,025	326,089	(163)	1,581,951	11,177,058	

	COST / REVALUED AMOUNT					ACCUMULATED DEPRECIATION				Book Value Revaulation Modle as at 30-06-2011	
	Balance as at 01-07-2010	Addition	Deletion	Transfer /Adjustment	Balance as at 30-06-2010	Balance as at 01-07-2011	For the year	Adjustment /Deletion	Balance as at 30-06-2011		
Owned Assets											
Land - freehold	134,137	-	(50,760)	-	83,377	-	-	-	-	83,377	
Buildings and foundations	2,897,636	75,530	-	-	2,973,166	462,219	139,509	-	601,728	2,371,438	5%-10%
Building on Leasehold land	19,796	-	-	-	19,796	13,627	617	-	14,244	5,552	10%
Heavy vehicles	162,381	-	(39,929)	-	122,452	146,486	2,276	(35,411)	113,350	9,102	20%
Plant and machinery - Line I	1,080,674	156	(930,110)	(150,720)	-	793,174	13,210	(806,384)	-	-	5%
Plant and machinery - Line II	8,939,782	28,883	-	61,435	9,030,100	175,112	150,904	53,523	379,539	8,650,561	unit of prod.
Infrastructure	14,186	88,834	-	-	103,020	9,589	841	-	10,430	92,590	7%
Tools and equipments	1,403	-	-	-	1,403	1,326	8	-	1,334	69	10%
Furniture, fixtures and office equipment	47,436	1,890	(2,007)	-	47,319	31,280	2,810	(2,007)	32,083	15,236	10%
Transport assets	35,026	4,134	(8,618)	-	30,542	29,319	1,296	(6,449)	24,166	6,376	20%
	13,332,457	199,427	(1,031,424)	(89,285)	12,411,175	1,662,132	311,471	(796,729)	1,176,874	11,234,301	
Assets subject to finance lease											
Plant and machinery	283,486	-	-	-	283,486	54,461	11,451	-	65,912	217,574	5%
Vehicles	22,398	1,999	(3,035)	-	21,362	13,400	1,712	(1,873)	13,239	8,123	20%
	305,884	1,999	(3,035)	-	304,848	67,861	13,163	(1,873)	79,151	225,697	
Rupees in 000s - 2011	13,638,341	201,426	(1,034,459)	(89,285)	12,716,023	1,729,993	324,634	(798,602)	1,256,025	11,459,998	

6.1.1 Vehicles subject to finance lease include vehicles amounting to Rs. 0.872 million (2011: Rs. 5.940 million), which are in the name of one (2011: seven) employees of the company.

6.1.2 The revaluation of the Company's freehold land, building and plant & machinery situated at its plant site was again carried out on January 30, 2011 by an independent valuer - Messrs Diemen Associates (Pvt) Ltd, Lahore. The revaluation exercise was carried out on the basis of depreciated replacement cost method except freehold land which was revalued on the basis of reassessed replacement cost as at June 30, 2010. This revaluation produced incremental revaluation surplus of Rs. 2,363.048 million. Had the revaluation of these assets not been made, the carrying value of these assets would have been as under:

	Note	2012	2011
		(Rupees in 000s)	
Factory land		19,914	19,914
Building and foundation		1,468,243	1,544,879
Building and foundation on leasehold land		117	130
Heavy vehicles		983	1,229
Plant and machinery		5,838,163	5,929,122
		7,327,420	7,495,274

6.1.3 The members of the Company in Extra Ordinary General Meeting held on May 30, 2011, had approved the disposal of the plant and machinery of the wet process plant line (Line - I), being out of date technology no more viable for the operation of the Company. Accordingly such plant and machinery having book value of Rs. 246.889 million had been disposed off during the year ended June 30, 2011, whereas plant and machinery having book value of Rs. 19.730 million have been classified as non-current assets held for sale and its fair value at balance sheet date has been arrived at as under:

	Note	2012	2011
Book value		13,812	19,730
Less: Impairment		-	(5,918)
		13,812	13,812

6.1.4 Depreciation charge for the year has been allocated as under

	Note	2012	2011
Cost of sales	27	291,478	278,796
Selling and distribution expenses	28	329	196
General and administrative expenses	29	34,282	45,642
		326,089	324,634

6.1.5 The carrying amount of temporarily idle property, plant and equipment are as under

	Note	2012	2011
Building and foundations		280,903	312,114
Plant and machinery		-	7,912
Railway sidings		2,407	2,587
		283,310	322,613

6.1.6 During the year, one vehicle had been disposed off to Mr. Ehsan R. Shaikh (Ex-employee) at book value of Rs. 1.804 million.

6.2 CAPITAL WORK-IN-PROGRESS

	Opening Balance	Additions / Adjustment	Transfer to operating fixed assets	Closing Balance
	---------------------- (Rupees in 000s)			----------------------
Civil work and buildings	66,536	22,103	16,456	72,183
Plant and machinery	38,306	159,103	912	196,497
Intangible assets	1,352	2,868	-	4,220
	106,194	184,074	17,368	272,900
Stores and spares held for capital expenditure	75,146	47,172	-	122,318
Less: provision for impairment	(75,145)	-	-	(75,145)
	1	47,172	-	47,173
	106,195	231,246	17,368	320,073

	Note	2012	2011
		(Rupees in 000s)	
7 LONG TERM LOANS - secured and considered good			
House building loans to executive (related party)	7.1	1,277	1,798
Emergency loans and house repair loans	7.2	428	582
		1,705	2,380
Less: current portion shown under current assets	12	(153)	(269)
		1,552	2,111

7.1 House building loans are secured against retirement benefits and are repayable in 96 to 240 equal monthly installments. House building loans carry no interest. Maximum aggregate balance outstanding at the end of any month was Rs. 1.785 million (2011: Rs. 1.798 million).

7.2 These loans are secured against charge on the related assets, lien on retirement benefits and personal / third party guarantees and are repayable in 15 - 125 equal monthly installments. Interest on vehicle loans is charged @ 3% to 5% (2011: 3% to 5%) per annum.

7.3 A reconciliation of the house building loans to executive (related party) is as follows:

	2012	2011
Opening balance	1,798	862
Loan given during the year	-	1,000
Deducted/adjusted during the year	(521)	(64)
Closing balance	1,277	1,798

	Note	2012	2011
		(Rupees in 000s)	

8 LONG TERM DEPOSITS

	Note	2012	2011
Ijarah facility		5,474	5,474
Lease key money		8,558	22,081
Rented premises		1,790	2,118
Utilities and supplies		2,477	1,602
		18,299	31,275
Less: Current portion shown under current assets	12	(8,558)	(24,431)
		9,741	6,844

9 STORES, SPARES AND LOOSE TOOLS

	Note	2012	2011
General stores	9.1	392,278	272,059
Spares		26,638	80,917
Loose tools		780	535
		419,696	353,511
Less: Provision for slow moving and obsolete items		(35,718)	(23,974)
		383,978	329,537

9.1 This includes store-in-transit amounting to Rs. 30.075 million (2011: Rs. 52.239 million).

10 STOCK IN TRADE

	Note	2012	2011
Raw material		37,770	43,857
Work in process		57,751	51,745
Finished goods		12,792	15,128
Packing material		3,809	4,450
		112,122	115,180

10.1 Amounts totaling Rs. Nill (2011: 1.614 million) have been set off against the value of stock in trade on account of impairment loss.

11 TRADE DEBTS - unsecured

	Note	2012	2011
Considered good		129,592	61,964
Considered doubtful		3,971	3,971
		133,563	65,935
Less: provision for doubtful debts		(3,971)	(3,971)
		129,592	61,964

11.1 As at June 30, 2012, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	past due but not impaired		
			1 - 90 days	90 - 180 days	More than 180 days
2012 (Rupees in 000s)	129,592	-	128,033	960	599
2011 (Rupees in 000s)	61,964	-	55,095	726	6,143

	Note	2012	2011
		(Rupees in 000s)	

12 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Note	2012	2011
Considered good			
Advances to staff	12.1	15,723	17,229
Long term loans - current maturity	7	153	269
Advances to suppliers		97,374	120,676
Balochistan Glass Limited - related party	12.2	-	95,428
Deposits - Utilities and others (including current portion of long-term deposits)	8	186,585	131,406
Prepayments and other receivables	12.3	10,630	13,731
Accrued interest from related party - Balochistan Glass Limited		53,245	40,048
		363,710	418,787
Considered doubtfull			
Advances to suppliers		8,443	20,027
Other receivables		2,298	-
		374,451	438,814
Less: provision for doubtful of recovery		(10,741)	(20,027)
		363,710	418,787

12.1 This includes advances amounting to Rs. 6.481 million (2011: Rs. 6.356 million) given for the company's business. No advances were given to Chief Executive Officer and Directors of the company during the year (2011: Nil).

12.2 This represents advanced made to related party for its working capital requirement, out of limit of Rs. 100 million excluding markup, as duly approved and sanctioned by the members of the Company in the Annual General Meeting held on February 28, 2011. It carries markup at the rate of 18% (2011: 18%) per annum. The highest aggregated balance due from the related party at the end of any month was Rs. 95.428 million (2011: Rs. 95.428 million).

12.3 This includes fixed deposit of Rs. 10 million (2011: Rs. 10.000 million) with First Dawood Investment Bank under lien against Privately Placed Term Finance Certificate (PPTFC) (Note 16).

13 CASH AND BANK BALANCES

	2012	2011
Cash in hand	1,750	943
Cash at bank - in		
Current accounts	7,773	10,137
Saving accounts	7,237	1,181
	15,010	11,318
	16,760	12,261

14 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012	2011		Note	2012	2011
(Numbers)				(Rupees in 000s)	
		Ordinary shares of Rs. 10 each:			
386,842,543	386,842,543	fully paid in cash		3,868,425	3,868,425
13,431,417	13,431,417	fully paid as bonus shares		134,314	134,314
400,273,960	400,273,960			4,002,739	4,002,739

15 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Opening balance		3,746,448	3,873,871
Incremental depreciation for the year		(108,410)	(108,363)
Surplus attributed to disposal of property, plant and equipment		-	(19,060)
		3,638,039	3,746,448
Deferred Tax Attributed to Surplus:			
Opening balance		(1,475,780)	(1,513,707)
Incremental depreciation for the year		37,944	37,927
		(1,437,836)	(1,475,780)
		2,200,202	2,270,668

16 REDEEMABLE CAPITAL

	Note	2012	2011
Privately Placed Term Finance Certificates (PPTFC)		389,020	389,020
Less: current maturity shown under current liabilities	23	(389,020)	(389,020)
		-	-

16.1 This represents redeemable capital in the form of PPTFC issued on January 18, 2008 to the financial institutions aggregating to Rs. 400.000 million (i.e. 80,000 certificates of Rs 5,000 each), registered with Central Depository Company. Proceeds from these PPTFC were used to swap higher interest debts.

16.2 The company entered into the restructuring agreement with all the PPTFC holders through its Trustee on December 28, 2010; and the company is committed to redeem these certificates in 24 unequal quarterly installments along with profit @ 3 months KIBOR plus 0% (2011: 3 months KIBOR plus 0% p.a.), where last installment will be paid on or before September 30, 2016.

16.3 These PPTFCs are secured against first joint pari passu equitable mortgage and hypothecation charge as mentioned in note 17.1.8. Further these are secured against personal guarantees of the sponsoring directors.

16.4 Due to financial constraints, the company could not make redemption payments including deferred and arrued markup to PPTFC holders to the extent of Rs. 119.619 million until June 30, 2012 (2011: Rs. 39.126 million). Therefore, the whole amount is again shown under current liabilities as per terms of the trust deed.

17 LONG TERM BORROWINGS

	Note	2012	2011
Borrowings from banks and financial institutions	17.1	2,450,190	2,985,971
Borrowings from related parties	17.2	940,194	403,583
		3,390,384	3,389,554

	Note	2012	2011
		(Rupees in 000s)	

17.1 Borrowings from banks and financial institutions - Secured

	Note	2012	2011
Consolidated Term Finance	17.1.1	2,208,454	2,253,448
NIB Bank Limited	17.1.2	424,103	448,285
KASB Bank Limited	17.1.3	243,459	356,248
National Bank of Pakistan	17.1.4	-	209,000
Bank Islamic Pakistan Limited	17.1.5	214,375	232,750
Saudi Pak Industrial & Agricultural Investment Co. Ltd	17.1.6	-	7,623
Term Finance Facility	17.1.7	5,778	25,417
		3,096,169	3,532,771
Less: current and overdue portion shown under current liabilities	23	(645,979)	(546,800)
		2,450,190	2,985,971

17.1.1 This represents the principal amounts of long term borrowings and short term borrowings outstanding as at March 31, 2010, which were converted to a "Consolidated Term Finance" facility as a result of restructuring agreement executed with the consortium of banks and financial institutions on June 30, 2010.

The “Consolidated Term Finance” facility is repayable uptil September 30, 2016 in 24 unequal quarterly installments carrying markup @ 3 months KIBOR plus 0%. This facility is secured under the ' First Joint Pari Passu Hypothecation Agreement' referred to note 17.1.8.

Sponsors will pledge 50% of the shares being raised by converting sponsors loan into equity wherein the pledged shares would be released upon injection of Rs. 500 million which would be utilized to pay down restructured loan by Rs. 330 million and partially additional working capital provided by the consortium/syndicate lenders.

Due to financial constraints, the company could not make payments including deferred and accrued markup to consortium to the extent of Rs. 501.445 million until June 30, 2012 (2011: Rs. 228.767 million). However, the Company is in the process of realignment of the repayments of Consolidated Term Finance, which is favorably being considered by the Bankers Syndicate/consortium. Accordingly, there is no demand/call of the payment of any or all the outstanding liability for which any adjustment could have been necessary in these financial statements.

17.1.2 During the year, the Company has entered into a 'Bilateral Restructuring Agreement' with NIB Bank Limited, a member of syndicate for consolidated term finance referred to note 17.1.1. According to this new agreement, the principal repayment has been restructured which now will be payable in unequal quartely installments till December 31, 2020 starting from March 31, 2012. Markup will be chared @ 3 months KIBOR plus 0% (2011: @ 3 months KIBOR plus 0%). Markup accrued till June 30, 2012 have been deferred and will be payable in unequal quarterly installments till December 31, 2021 starting from March 31, 2017, whereas markup accrued from July 01, 2012 has also been deferred and will be payable in unequal quarterly installments till December 31, 2021 starting from March 31, 2016 (refer to note 19.1). This facility is secured under the ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

17.1.3 During the year, the Company has entered into a 'Bilateral Restructuring Agreement' with KASB Bank Limited, a member of syndicate for consolidated term finance referred to note 17.1.1. According to this new agreement, the principal repayment has been restructured which now will be payable in equal monthly installments till May 31, 2020 starting from June 30, 2012. Markup will be charged @ 1 month KIBOR plus 0% (upto March 31, 2012 @ 3 months KIBOR plus 0%) and will be payable in two years after the payment of the whole principal amount, accordingly this markup has been grouped under deferred markup (note 19.1). This facility is secured under the ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

17.1.4 This demand finance facility is settled with the personal property of a sponsoring director of the Company.

17.1.5 This represents the finance facility under which Company irrevocably agreed to purchase musharika units from the bank in trenches at its applicable unit purchase price on or before September 30, 2016. However, it was rescheduled on June 30, 2010 and the principal outstanding as on March 31, 2010 was converted to a new facility repayable till September 30, 2016 in unequal 24 quarterly installments carrying markup @ 3 months KIBOR plus 0%. This facility is secured against the ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

Due to financial constraints, the company could not make payments including deferred and accrued markup to the extent of Rs. 34.837 million (2011 : Rs. 17.202 million) until June 30, 2012.

17.1.6 This facility has been repaid by the Company during the year.

17.1.7 During the financial year 2011, the Company has entered into full and final settlement with four members of consortium for the two gas based power generators. These financial institutions has agreed to reschedule the overdue lease rentals / installments and waived the outstanding markup thereupon. The rescheduled full and final liability is classified as Long Term Finance Facility and the income on debt extinguishment is capitalized and will be realized in proportion of actual payments made. This facility is secured under the ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

Due to financial constraints, the company could not make payments to the extent of Rs. 5.778 million until June 30, 2012.

17.1.8 The Company has entered into a First Joint Pari Passu Hypothecation Agreement with the members of syndicates and banks and financial institution. As a result of this agreement, the consolidated term finance, frozen markup, deferred markup, lease finances for gas based power generators, long term loans and shorter term loans are secured by way of first pari passu charge over the fixed assets of the Company to the extent of Rs. 10,019.157 million. In addition to this, Bank of Punjab has exclusive charge to the extent of Rs. 600.000 million on three dual fuel Wartsila Generators.

	Note	2012	2011
		(Rupees in 000s)	
17.2 Borrowings from related parties - Unsecured			
Mr. Muhammad Tousif Peracha - Sponsoring Director		681,123	214,648
Mr. Abdur Rafique Khan - Sponsoring Director		259,071	188,935
		940,194	403,583

These are repayable after June 30, 2013 and carry markup @ 1 month KIBOR plus 0% (2011: 13% p.a.)

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies against purchase of plant & machinery and vehicles. The rentals are payable in quarterly installments in arrears. The lease finances for two gas based power generators are secured under the 'First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8. While remaining leases are secured against security deposit of Rs. 8.558 million (2011: Rs. 25.457 million). Financing rates approximately ranges from 21% to 28% per annum (2011: 12% to 22% per annum) have been used as discounting factor. The company intends to exercise its option to purchase the leased assets upon completion of the respective lease terms. Transport vehicles, whose leases have been matured, have been transferred to owned assets.

Four members of consortium to lease finance of gas based power generators have rescheduled the overdue lease rentals which are classified as 'Term Finance Facility' as mentioned in note 17.1.7.

The amount of future rental payments of the leases and period in which these will become due are as follows:

	2012		2011	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	(Rupees in 000s)			
Up to one year	46,216	38,271	58,085	50,238
One year to five years	-	-	3,186	2,345
	46,216	38,271	61,271	52,583
Less: Finance charges allocated to future periods	(7,945)	-	(8,688)	-
	38,271	38,271	52,583	52,583
Less: Current and overdue portion shown under current liabilities (Note 23)	(38,271)	(38,271)	(50,238)	(50,238)
Rupees in 000s	-	-	2,345	2,345

During the year, the company due to financial constraints failed to make payments of lease rentals amounting to Rs. 38.271 million (2011: Rs. 13.363 million).

	Note	2012	2011
		(Rupees in 000s)	
19 DEFERRED LIABILITIES			
Deferred markup	19.1	927,188	854,737
Deferred taxation	19.2	-	-
Deferred Excise Duty and Sales Tax	24	1,205,972	-
Employees' benefits	19.3	20,387	17,356
		2,153,547	872,093
19.1 Deferred Markup			
Redeemable capital	19.1.1	129,378	129,379
Consolidated term finance	19.1.2	730,710	734,103
NIB Bank Limited	17.1.2	200,986	129,783
KASB Bank Limited	17.1.3	114,807	58,268
Bank Islami Pakistan Limited	19.1.3	40,357	40,357
		1,216,238	1,091,890
Less: Current and overdue portion shown under current liabilities	21	(289,050)	(237,153)
		927,188	854,737

19.1.1 This represents the accrued profit up to March 31, 2010 (DF-1) and accrued profit from April 01, 2010 to March 31, 2011 (DF-2) on redeemable capital referred to note 16. DF-1 will be payable till September 30, 2016 in 24 unequal quarterly installments starting from September 30, 2010 whereas DF-2 will be payable till June 2015 in 17 unequal quarterly installments starting from June 30, 2011. These facilities carry no markup and are secured under ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

19.1.2 This represents the markups payable to syndicates as on March 31, 2010 (DF-1) and markups accrued on consolidated term finance from April 01, 2010 to March 31, 2011 (DF-2). DF-1 will be payable till September 30, 2016 in 24 unequal quarterly installments starting from September 30, 2010, whereas DF-2 will be payable till June 30, 2015 in 17 unequal quarterly installments starting from June 30, 2011. These facilities carry no markup and are secured under ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

19.1.3 This represents the accrued profit on musharika units (note 17.1.5) up to March 31, 2010 (DF-1) and profit accrued from April 1, 2010 to March 31, 2011 (DF-2). DF-1 will be payable till September 30, 2016 in 24 unequal quarterly installments starting from September 30, 2010, whereas DF-2 will be payable till June 30, 2015 in 17 unequal quarterly installments starting from June 30, 2011 and are secured under 'First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.1.8.

	Note	2012	2011
		(Rupees in 000s)	
19.2 Deferred taxation			
Deferred tax on taxable temporary differences:			
- Accelerated depreciation for tax purposes		2,395,131	2,409,845
- Leased assets		46,926	47,368
		2,442,057	2,457,213
Deferred tax on deductible temporary differences:			
- Lease finance liabilities		(8,424)	(11,502)
- Provisions for retirement benefits		(3,192)	(14,064)
		(11,616)	(25,566)
		2,430,441	2,431,647
Deferred tax on unused tax losses		(2,850,581)	(2,950,459)
Net deferred tax liability/(asset)		(420,140)	(518,812)

19.2.1 Due to continues tax losses, it is expected that these would not be set off against the profit of the Company in near future. Therefore, the deferred tax asset of Rs. 420.140 million (2011: Rs. 518.812 million) is not recognized.

	Note	2012	2011
19.3 Employee benefits			
Accumulated Compensation Absences	19.3.1	19,811	15,411
Frozen Termination Benefits	19.3.2	576	1,945
		20,387	17,356

	Note	2012	2011
		(Rupees in 000s)	

19.3.1 Accumulated compensation absences

		2012	2011
Net liability - opening balance		15,411	12,866
Expense for the period		7,485	3,683
Payments made during the year		(3,085)	(1,138)
Net liability - closing balance		19,811	15,411
Reconciliation of the present value of defined benefit obligation			
Present value of defined benefit obligations-opening		15,411	12,866
Current service cost		2,460	1,648
Interest cost		2,158	1,543
Benefits paid		(3,085)	(1,138)
Actuarial (gain) / loss		2,867	492
Present value of defined benefit obligations-closing		19,811	15,411
Expense recognized in Profit and Loss account			
Current service cost		2,460	1,648
Interest cost		2,158	1,543
Actuarial (gain) / loss		2,867	492
		7,485	3,683

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2012 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

		2012	2011
Discount rate		13% p.a.	14% p.a.
Expected rate of future salary increase		12% p.a.	13% p.a.
Average number of leaves accumulated per annum by the employees		10 days	7 days

		2012	2011
19.3.2 Frozen termination benefits		576	1,945

These are termination benefits which are frozen on the reappointment of two (2011: three) employees who had accepted golden handshake offered by the Company and shall be paid when they leave the Company.

20 TRADE AND OTHER PAYABLES

	Note	2012	2011
Trade creditors	20.1	411,341	369,339
Retention money		142,417	143,465
Accrued liabilities	20.2	257,331	578,041
Ijarah payable	20.3	9,664	23,039
Advances from customers		115,425	128,110
Workers' Profit Participation Fund (related party)	20.4	-	9,180
Employees' Provident Fund Trust (related party)		438	684
Gratuity Fund (related party)	20.5	31,069	34,175
Other payables		20,346	13,922
		988,031	1,299,955

20.1 These include a balance payable to Pak Hy-Oils Limited (an associated company) for Rs. 2.658 million (2011: Rs. 2.658 million).

20.2 These include termination benefits payable to employees for Rs. 8.289 million (2011: Rs. 16.197 million) who had opted for golden handshake scheme.

	Note	2012	2011
		(Rupees in 000s)	
20.3 Ijarah Payable			
Askari Bank Limited	20.3.1	-	8,378
First Punjab Modaraba	20.3.2	9,635	14,661
Meezan Bank Limited	20.3.3	29	-
		9,664	23,039

20.3.1 This represents the Ijarah finance facility obtained for Rs. 120.000 million for import of cement packing (stationery machine), wagon loading machines, belt conveyors and associated equipments.

This facility is rescheduled during the financial year 2011 and will be paid in quarterly installments till June 2014; profit rate is also revised at 3 months KIBOR plus 1% p.a. w.e.f. June 2011. This facility is secured against the exclusive ownership of the bank on such machinery and equipment the extent of Rs. 120.000 million and personal guarantee of the sponsoring directors.

20.3.2 This inlcude three trenches of Ijarah facility amounting to Rs. 18.842 million obtained for transport vehicles, carrying profit rate at KIBOR plus 4.25%. This facility is secured against the exclusive ownership of the Modaraba on the transport vehicles. This also includes an overdue ijara facility of rotary kiln fan, which is secured against the exclusive ownership of machinery.

20.3.3 This represents Ijarah facility amounting to Rs. 1.048 million for one car and carries profit rate at 32%p.a.

20.3.4 The total of future Ijarah payments are as under:

	2012		2011	
	within 1 year	between 1-5 years	within 1 year	between 1-5 years
	------------------ (Rupees in 000s) ------------------			
Askari Bank Limited	38,885	53,300	28,997	57,994
First Punjab Modaraba	13,339	8,442	3,669	4,292
Meezan Bank Limited	349	291	349	640

	Note	2012	2011
		(Rupees in 000s)	
20.4 Due to workers' profit participation fund			
Opening balance		18,093	16,603
Add: Interest on funds utilized by the company		-	1,490
		18,093	18,093
Less: amount paid during the year		(18,093)	-
Less: markup payable shown separately	21	-	(8,913)
		-	9,180

	2012	2011
	(Rupees in 000s)	

20.5 Gratuity Fund

The amounts recognized in the balance sheet are as follows:

	2012	2011
Movement in the liability recognized in the balance sheet		
Net liability - opening balance	34,175	29,110
Expense for the period	10,644	7,854
Contribution by the company	(13,750)	(2,789)
Net liability - closing balance	31,069	34,175
Reconciliation of the liability as at 30th June:		
Present value of defined benefit obligations as at 30th June	41,304	38,107
Fair value of plan assets	(465)	(465)
Un-recognized actuarial gain/(loss)	(9,770)	(3,467)
	31,069	34,175
Reconciliation of the present value of defined benefit obligation		
Present value of defined benefit obligations-opening	38,107	30,244
Current service cost	5,373	4,280
Interest cost	5,335	3,629
Benefits paid	(13,750)	(2,789)
Actuarial loss / (gain)	6,239	2,743
Present value of defined benefit obligations-closing	41,304	38,107
Expense recognized in profit and loss account		
Current service cost	5,373	4,280
Interest cost	5,335	3,629
Expected return on plan assets	(64)	(55)
	10,644	7,854
Reconciliation of fair value of plan assets		
Fair value of plan assets - as at June 30,	465	467
Contribution to the fund by the company	13,750	2,789
Benefits paid	(13,750)	(2,789)
Expected return on plan assets	64	55
Actuarial (gain)/loss	(64)	(57)
Fair value of plan assets - as at June 30,	465	465
Plan assets comprise of:		
Debt instrument	465	465
Cash and bank	-	-
	465	465
Actual return on plan assets		
Expected return on plan assets	64	55
Actuarial (gain)/loss	(64)	(57)
	-	(2)

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2012 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2012	2011
Discount rate	13% p.a.	14% p.a.
Expected rate of future salary increase	12% p.a.	13% p.a.
Expected rate of return	14% p.a.	12% p.a.
Average working life time of employees	13 years	13 years

	Note	2012	2011
		(Rupees in 000s)	
21 ACCRUED MARKUP / PROFITS			
Banks and financial institutions:			
Redeemable capital		62,044	12,799
Long term borrowings		397,450	111,330
Short term borrowings		12,187	35,962
Deferred markup and profit	19.1	289,050	237,153
Lease finances		7,945	8,013
		768,676	405,257
Related parties:			
Pak Hy-Oils Limited		8,454	8,454
Sponsoring Directors		170,531	288,064
Workers' Profit Participation Fund	20.4	-	8,913
Employees' Provident Fund Trust		-	16,015
		178,985	321,446
Payable to other parties		3,417	3,417
		951,078	730,120
22 SHORT TERM BORROWINGS			
Banks and financial institutions:			
Bills payable against letters of credit	22.1	426,550	448,142
Running finances - secured	22.2	-	60,676
Temporary bank overdraft		-	5,068
		426,550	513,886
Realted parties:			
Director	22.3	42,766	-
Advances from Employees' Provident Fund Trust	22.4	-	23,482
		42,766	23,482
Other parties:			
Loans from other party	22.5	250,000	250,000
		719,316	787,368

22.1 These represent outstanding amounts of bills payable for coal, packing material and furnace oil purchased under local letters of credit facilities aggregating to Rs. 487.000 million (2011: Rs. 535.000 million) available from commercial banks. These facilities are secured against lien on import/local L/C documents, accepted draft/bill of exchange, 1st pari passu charge over all present and future fixed assets to some extent, and personal guarantees of the sponsoring directors.

22.2 This facility had been expired during the year and not renewed thereafter.

22.3 This loan carries mark-up at the rate of 22.5% p.a. The Company intend to pay this loan at priority basis.

	Note	2012	2011
		(Rupees in 000s)	
22.4 Advances from Employees' Provident Fund			
Current advance	22.4.1	-	5,982
Soft loan	22.4.2	-	17,500
		-	23,482

22.4.1 This advance is paid off during the year. A reasonable rate of interest @ 16% p.a. was duly credited on this advance and also paid off during the year (Note 21).

22.4.2 This represents old loan of Rs. 17.500 million obtained from Employee's Provident Fund Trust. Interest @ 16% was charged on the outstanding balance on quarterly basis with effect from July 01, 2009 (Note 21). This loan is also paid off during the year.

22.5 This represents loan obtained from a past associated company, Dandot Cement Company Limited (DCCL) in 2007. It carried mark-up at the rate of 10% p.a. However, at the request of the Company, DCCL agreed not to charge mark-up on the said loan with effect from February 2007.

23 CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2012	2011
Redeemable Capital [PPTFCs]	16	389,020	389,020
Borrowings from banks and financial institutions	17.1	645,979	546,800
Liabilities against assets subject to finance lease	18	38,271	50,238
		1,073,270	986,058

24 TAXES AND DUTIES PAYABLE

	Note	2012	2011
Excise duty payable		712,211	719,888
Sales tax payable		361,953	307,319
Provision for default surcharge		383,272	231,297
		1,457,436	1,258,504
Less: payable after 12 months	19	(1,205,972)	-
		251,464	1,258,504
Provision for current income tax		49,085	20,743
Withholding tax payable		88,853	49,892
Excise duties		23,865	-
Royalty on raw material		24,905	28,797
Import tax payable		12,719	50,361
Other local taxes		7,534	5,773
		458,425	1,414,070

25 CONTINGENCIES AND COMMITMENTS

25.1 District Council - Chakwal served notices dated 25-07-1998 & 05-08-1998, whereby the Company had been directed to deposit an amount of Rs. 5.400 million being 'exit tax' pertaining to the year 1996-97 plus 0.108 million as Talkana / Revenue Commission (2% of total revenue) and also for the deposit of such tax on the prescribed rate in future. The Supreme Court of Pakistan had issued a stay order in respect of the payment of Rs. 5.400 million as demanded by the District Council.

The Company also filed a writ petition in the Lahore High Court (the Court) against imposition of export tax on raw materials by District Council, Chakwal (the Council) and refund of amounts already paid on this account. The Court vide its judgment dated 18-02-1997 directed the Council to refrain from collecting export tax on raw materials brought by the Company from its quarries to its factory.

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

The Lahore High Court Rawalpindi Bench vide its order dated 17-03-1997 on a revision application by the District Council, suspended the operation of the judgment dated 18-02-1997. The matter is still pending for adjudication with the Lahore High Court - Rawalpindi Bench.

25.2 The Company, through a writ petition in the Lahore High Court - Rawalpindi Bench, challenged the refusal of Islamabad Electric Supply Company (IESCO) in accepting the decision by the Electric Inspector and Advisory Board in favour of the Company wherein it was held that with effect from May 1999, the Company be treated as permanently disconnected from IESCO and no bill be issued to the Company by IESCO after May 1999. The Lahore High Court, vide its order dated October 24, 2000, accepted the Company's petition and directed the IESCO not to issue any bills to the Company which was challenged by the IESCO in the Supreme Court of Pakistan (SCP). SCP dismissed the appeal filed by the IESCO and directed to pursue the writ petition already pending before Lahore High Court - Rawalpindi Bench. The petition is yet to be fixed for hearing before the Lahore High Court - Rawalpindi Bench.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the Lahore High Court.

25.3 The Competition Commission of Pakistan (the CCP) took suo moto action under Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 2008 for increase in the 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 the final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty amounting to Rs 39.126 million which has been challenged in the Court of law.

The Company's legal counsel is confident that the Company has a good case and there are reasonable chances of success to avoid the penalty, hence, no provision for the above has been made in these financial statements.

25.4 The Pakistan Standards and Quality Control Authority (PSQCA) charged a marking fee @ 0.15% of the total production of cement to manufacturer for the renewal of license and imposed liability amounting to Rs. 24.000 million but management disagreed with this amount of liability.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the court.

25.5 Lahore High Court has granted stay order against the impugned order of the Member (Colonies), Board of Revenue, Government of Punjab for cancelling registered sales deed in respect of 400 kanals land purchased by the Company from the Government of Punjab to set up its new plant and converting this into long term lease. Adjudication in this appeal is pending.

Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the Petition pending before the Lahore High Court.

25.6 Due to non performance of contractual obligations by the supplier namely, Tianjin Cement Industry Design & Research Institute Company (TCDRI), of new cement production line of 6,700 TPD capacity, the Company proceeded for the encashment of performance guarantees in the sum of US$ 2.690 million and Euro 0.708 million. However, the Chinese Court on the case filed by the TCDRI rendered its judgment against the Company, thereby restraining it from encashment of such guarantees and also ordered to pay a sum of RMB 0.174 million as court fees. The Company has filed an appeal in superior court against this order. The Company's legal counsels dealing with this case are hopeful for a favourable decision. The Company has also held retention money from supplier's bills in the sum of Rs. 135.705 million that can be adjusted in case the supplier succeeded in restraining the encashment of performance guarantees. Pending the outcome of this case, no adjustment has been made in these financial statements at this stage.

25.7 The Company has issued post dated cheque amounting to Rs. 25.928 million from a scheduled bank in favour of Collector of Customs for differential amount of duties in respect of clearance of imported plant items. The cheque is issued as collateral in the course of an interim relief allowed by the Sind High Court to release the plant and machinery.

25.8 During the year company entered into litigation with Security Leasing Corporation Limited (SLC). Company has paid the full amount as per restructuring terms, however, SLC has sold some pledged securities and also insisted for extra payment which was not payable as per agreement. Company has filed case against SLC in the Banking Court, Lahore for redemption of charge over assets, given as securities. The Company has strong legal grounds to contest the case as last instalment was also deposited in the Banking Court. However, after our case, SLC has also filed recovery suit in the same banking court against the company for Rs. 15.227 million. Both cases are pending for adjudication at the terminal date.

	Note	2012	2011
		(Rupees in 000s)	
26 NET SALES			
Local sales		5,986,051	4,353,306
Export sales		260,259	244,112
		6,246,310	4,597,418
Less:			
Sales tax		(825,662)	(625,149)
Federal Excise Duty		(410,180)	(503,359)
Special Excise Duty		-	(50,809)
Discount / rebate to dealers		(34,436)	(91,070)
		(1,270,278)	(1,270,387)
		4,976,032	3,327,031
27 COST OF SALES			
Raw materials consumed		315,588	235,767
Packing materials consumed		335,420	299,218
Stores and spares consumed		123,221	98,665
Salaries, wages and benefits	27.1	122,740	137,975
Fuel and power consumed		2,655,271	2,009,328
Rent, rates and taxes		42,438	59,518
Repair and maintenance		83,262	48,926
Insurance		8,907	11,355
Vehicle running and traveling		6,035	4,508
Other expenses		6,212	6,272
Depreciation	6.1.4	291,478	278,796
		3,990,572	3,190,328
Adjustment of work-in-process inventory			
Opening balance		51,745	29,546
Closing balance		(57,751)	(51,745)
		(6,006)	(22,199)
Cost of goods manufactured		3,984,566	3,168,129
Adjustment of finished goods inventory			
Opening balance		15,128	8,295
Closing balance		(12,792)	(15,128)
		2,336	(6,833)
		3,986,902	3,161,296

27.1 Salaries, wages and benefits include contribution to provident fund aggregating Rs. 1.609 million (2011: Rs. 1.534 million) and gratuity fund aggregating Rs. 8.270 million (2011 : Rs. 6.283 million).

	Note	2012	2011
		(Rupees in 000s)	
28 SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits	28.1	5,744	4,211
Vehicle running and traveling		1,007	1,550
Professional charges		3,923	4,522
Advertisement and sale promotion		1,090	1,168
Forwarding on export sales		12,767	4,501
Others		523	1,163
Depreciation	6.1.4	329	196
		25,383	17,311

28.1 Salaries, wages and benefits include contribution to gratuity fund aggregating Rs. 0.387 million (2011 : Rs. 0.393 million).

	Note	2012	2011
29 GENERAL AND ADMINISTRATION EXPENSES			
Salaries, wages and benefits	29.1	29,491	33,609
Vehicle running and traveling		12,836	8,457
Legal and professional charges		58,092	71,430
Auditors' remuneration	29.2	1,720	1,845
Communication expenses		6,622	5,068
Insurance		470	-
Rent, rates and taxes		2,974	3,343
Fee and subscription		5,773	15,523
Utilities		1,722	918
Repair and maintenance		3,562	3,716
Miscellaneous		3,579	3,252
Depreciation	6.1.4	34,282	45,642
		161,123	192,803

29.1 Salaries, wages and benefits include contribution to gratuity fund aggregating Rs. 1.987 million (2011 : Rs. 1.178 million)

29.2 Auditors' remuneration

	2012	2011
Hyder Bhimji & Co.		
Audit fee	1,000	1,000
Half year review fee	500	500
Certification fee	50	175
Out-of-pocket expenses	170	170
	1,720	1,845

	2012	2011
30 OTHER OPERATING EXPENSES		
Provision for slow moving stores items	11,744	7,440
Obsolete stock and store written off	-	4,383
Provision for doubtful debts	-	3,971
WAPDA old claim paid	-	22,000
Impairment of non-current assets held for sale	-	5,918
Provision for balances doubtfull of recovery	8,163	20,027
Provision for obsolescence of capital stores and spares	-	16,951
Loss on disposal of property, plant and equipment	-	64,693
	19,907	145,383

	Note	2012	2011
		(Rupees in 000s)	

31 OTHER OPERATING INCOME

Income from financial assets			
Profit on bank deposits		299	182
Old credit balances written back - net		1,337	-
Rental income		-	298
Income from balances due from related party			
Interest on amounts advanced to Balochistan Glass Limited		13,197	16,275
Income from non-financial assets			
Income from sale of scrap		-	1,981
		14,833	18,736

32 FINANCE COST

Banks and financial institutions:			
Redeemable capital		49,246	55,969
Long term borrowings		499,984	430,435
Short term borrowings		66,543	28,020
Lease finance charges		351	2,807
Ijarah rentals		18,643	12,717
		634,767	529,948
Related parties:			
Directors' loan		107,375	39,997
Employees Provident Fund Trust		3,246	4,007
Workers' Profit Participation Fund		-	1,491
		110,621	45,495
Foreign exchange loss		540	-
Late payment surcharge - utilities bills		78,998	68,127
Provision for Default Surcharge on taxation		155,596	113,152
Bank charges and others		8,702	8,018
		989,224	764,740

33 TAXATION

Current tax for current period		49,760	35,685
Deferred tax	19.2	-	-
		49,760	35,685

33.1 This represents minimum tax on local turnover and tax on income chargeable under Final Tax regime (FTR), therefore, no numerical tax reconciliation is given.

34 EARNINGS PER SHARE - Basic and diluted

Weighted average number of ordinary shares (in thousands)		400,273,960	315,844,507
Loss after tax (Rupees in thousands)		(241,434)	(971,451)
Earnings per share - after tax (Rupees)		(0.60)	(3.08)

There is no dilutive effect on the basic earning per share of the company.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price / equity risk, credit risk and liquidity risk. The company's principal financial liabilities comprise long term borrowings, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations. The company has various financial assets such as loans, deposits, trade debts, prepayments and other receivables and cash and bank balances, which are directly related to its operations. The company's finance department oversee the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite. No changes were made in the objectives, policies, procedures and assumptions during the year ended June 30, 2012. The policies for managing each of these risks are summarized below:

35.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and other price risk, such as equity risk. Financial instruments susceptible to / affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2011 and 2012.

35.1.1 Yield/Mark-up rate risk

Yield/mark-up rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatch of financial assets and liabilities that mature or reprice in a given period. Significant interest rate risk exposure are primarily managed by a mix of borrowings at fixed and variable interest rates.

The effective yield/mark-up rate on the financial assets and liabilities to which the company is exposed, are disclosed in their respective notes to the financial statements.

35.1.2 Currency risk / Foreign Exchange risk

Currency risk arises due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises mainly on sales and purchases of certain materials by the company that are denominated in a currency other than the functional currency i.e. Pakistani Rupee, primarily U.S. Dollars (USD). Payables exposed to foreign currency are not covered through any forward foreign exchange contracts or through hedging.

35.1.3 Other price risk / Equity Price risk

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

35.2 Credit risk and concentration of credit risk

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs. 129.592 million (2011: Rs. 61.964 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and suppliers considered credit worthy and also by obtaining advance against sales from customers. The carrying values of financial assets which are neither past due nor impaired are as under:

	Note	2012	2011
		(Rupees in 000s)	
Financial assets			
Long term loans	7	1,705	2,380
Long term deposits	8	4,267	3,720
Trade debts	11	129,592	61,964
Advances, deposits and other receivables	12	186,585	131,406
Cash and bank balances	13	16,760	12,261
		338,909	211,731

Credit quality of financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank (in current, saving and deposit accounts) as per credit rating agencies are as follows:

Credit Ratings	2012	2011
A 1 +	10,240	10,103
A -1 +	4,466	-
A 1	158	1,195
A 2	-	20
A 3	146	-
	15,010	11,318

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

35.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The Company's production from its new line (Line-II) remained inconsistent and much below its installed normal capacity. Due to this situation the working capital of the Company is negative as at the balance sheet date. The Company's Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer. Management also foresees that the said negative working capital position will become favorable in the period to come due to increased revenues from the continuous operation of plant and increase in demand and price of the cement. The company is also persuading the lenders consortium through NBP for the restructuring of, its long term and short term debts to mitigate its liquidity crisis, which is being favourably considered.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2012 and 2011 based on contractual undisconnected payments date and present market interest rates.

	Within 6 months	More than 6 months and up to 12 months	More than 1 year and up to 5 years	More than 5 years and up to 10 years	Total
	(Rupees in 000s)				
June 30, 2012					
Redeemable capital	389,020	-	-	-	389,020
Long term financing	336,889	299,112	3,134,509	265,853	4,036,363
Finance leases	38,271	-	-	-	38,271
Deferred liabilities	240,073	48,977	1,792,283	361,264	2,442,597
Trade and other payables	814,545	173,486	-	-	988,031
Markup and profits payable	951,078	-	-	-	951,078
Short term borrowings	-	719,316	-	-	719,316
	2,769,876	1,240,891	4,926,792	627,117	9,564,676
June 30, 2011					
Redeemable capital	389,020	-	-	-	389,020
Long term financing	459,727	87,075	3,233,505	156,047	3,936,354
Finance leases	62,787	132	2,836	-	65,755
Deferred liabilities	200,504	23,372	834,485	33,529	1,091,890
Trade and other payables	1,241,796	44,039	-	-	1,285,835
Accrued interest/markup	493,915	-	-	-	493,915
Short term borrowings	66,108	721,260	-	-	787,368
	2,913,857	875,878	4,070,826	189,576	8,050,137

35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm’s length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

35.5 Capital risk Management

The primary objective of the Company’s capital management is to safeguard the company's ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for shareholders thereby maximizing their wealth, benefits for other stakeholders and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares. No changes were made in the capital structure during the year ended June 30, 2012.

The Company monitors capital by using a debt equity ratio, which is net debt divided by total capital plus debt. Net debt includes interest bearing borrowings and equity comprises of share capital, revenue reserves and surplus on revaluation of fixed assets. The gearing ratios as at June 30, 2012 and 2011 were as follows:

	Note	2012	2011
		(Rupees in 000s)	
FINANCIAL LIABILITIES			
Long term financing	17	3,096,169	3,532,771
Short term borrowings	22	676,550	787,368
Current portion of non-current liabilities	23	1,034,999	935,820
Debts		4,807,718	5,255,959
Equity	15-17	2,787,537	3,028,970
Total capital (equity + debt)		7,595,255	8,284,929
Debt to equity ratio		63%	63%

The Company finances its operations / expansion projects through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The sponsoring directors, being the majority shareholder of the Company, has extended their commitments to support and assist the company in ensuring that it remains viable in achieving its objectives in the long run, accordingly, they had allowed their loan for conversion into equity and rendered their personal properties for repayment of company's obligations towards banking companies and financial institutions. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to African countries.

36 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS & EXECUTIVES

The aggregated amount charged in the financial statements on these accounts are as under:

Particulars	Chief Executive		Dirctors		Executives	
	2012	2011	2012	2011	2012	2011
			(R u p e e s i n ‘ 0 0 0 s)			
Managerial Remuneration	-	-	900	927	31,175	24,461
Perquisites and benefits						
House rent	-	-	405	417	6,529	4,666
Entertainment	-	-	-	-	1,963	3,493
Utilities and others	-	-	195	201	12,292	10,533
Contribution to:						
Retirement benefits	-	-	4	85	210	1,876
	-	-	1,504	1,630	52,169	45,029
Number of persons	-	-	1	2	51	44

The chief executive, directors and executives are entitled to free use of the company’s transport and residential telephones.

37 TRANSACTIONS WITH RELATED PARTIES

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

	2012	2011
	(Rupees in 000s)	
Balochistan Glass Limited (BGL) - associated undertaking		
Advance given to BGL	76,876	6,000
Advance received back from BGL	(77,299)	(6,550)
Trade liability undertaken by BGL	(95,500)	-
Balance of BGL taken over by the CEO	(15,894)	-
Expenses incurred on behalf of BGL	265	10,296
Expenses incurred by BGL	-	(877)
Supply of goods	230	274
Advance against supply of goods	-	843
Asian Hotel & Resorts (Pvt) Ltd - associated undertaking		
Purchase of coal (including GST)	-	75,001

All transactions were carried out on commercial terms and conditions and were valued at arm's length price using Comparable Uncontrollable Price method. Remuneration and benefits to key management personnel under the terms of their employment are given in note 36.

38 CAPACITY AND PRODUCTION

	Capacity		Actual	
	2012	2011	2012	2011
Clinker (M. Ton)	2,010,000	2,010,000	838,242	762,998
Cement (M.Ton)	2,110,500	2,110,500	882,555	796,702

The under utilization of the plant is mainly due to cut throat competition in the industry due to excessive supply and comparatively less demand in the market.

39 CORRESPONDING FIGURES

Correspondence figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Major reclassification made in the corresponding figures for better presentation are as under:

		Reclassification	
	(Rupees in 000s)	From	To
Ijara facility with First Punjab Modaraba properly grouped as Ijara			
Security deposit	3,375	Long Term Deposit - Lease	Long Term Deposit - Ijara
Security with WAPDA	7,000	Long Term Deposit - Utilities and supplies	Advances, deposits, prepay ments and other receivables
Principal payable	13,172	Current portion of non-current liabilities	Ijara payable
Markup payable	948	Markup payable - lease finance	Ijara payable
Income tax refunds and input sales tax adjusted against payable	87,889	Tax refunds due from government	Tax and duties payable
Deposit with First Dawood Investment Bank	10,000	Cash and Bank balances	Other Receivables
Water supply for colony and plant	3,727	Salaries, wages and benefits (CGS)	Other expenses (CGS)
Repair and maintenance bills	50,096	Salaries, wages and benefits (CGS)	Repair and maintenance (CGS)
Buses rent for transpotation of employees	8,574	Salaries, wages and benefits (CGS)	Rent, rate and taxes (CGS)
Loaders and bouldozers rent	37,328	Raw material consumed (CGS)	Rent, rate and taxes (CGS)

40 GENERAL

40.1 Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on October 08, 2012.

40.2 Figures have been rounded off to the nearest of thousands rupees, unless otherwise stated.

Chief Executive Officer

Director

FORM OF PROXY

The Secretary
Gharibwal Cement Limited
28-B/III, Gulberg III,
LAHORE.

I/We ______________________ of ______________________ being a member of

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

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

of ____

Folio No. ______________ who is also a member of Gharibwal Cement Limited as my/our proxy to attend and vote for and on my / our behalf at the 52nd Annual General Meeting of the Company to be held on Wednesday, October 31, 2012 at 12:30 pm at the registered office of the Company (Gharibwal Cement Limited 28-B/III, Gulberg III,Lahore.) and at any adjournment threof.

As witnessed given under my / our hand (s) __________ day of __________, 2012.

Signature

WITNESS:

Signature ______________

Name ______________

Address ______________

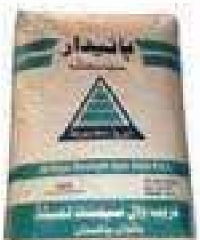
On five
Rupees
Revenue
Stamp

Note:

1. The Proxy in order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he is a member of the Company.

3. Signature should agree with the specimen signature registered with the Company.



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