NISHAT GROUP

ANNUAL REPORT

D.G. KHAN CEMENT
COMPANY LIMITED

CONTENTS

D.G. Khan Cement Company Limited

D.G. Khan Cement Company Limited and its Subsidiary

CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha	Chairperson
	Mian Raza Mansha	Chief Executive
	Mr. Khalid Qadeer Qureshi	
	Mr. Zaka-ud-Din	
	Mr. Muhammad Azam	
	Mr. Inayat Ullah Niazi	Chief Financial Officer
	Ms. Nabiha Shahnawaz Cheema	
Audit Committee	Mr. Khalid Qadeer Qureshi	Member/Chairman
	Mr. Muhammad Azam	Member
	Ms. Nabiha Shahnawaz Cheema	Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	Allied Bank Limited	Habib Metropolitan Bank Limited
	Askari Bank Limited	MCB Bank Limited
	Bank Alfalah Limited	NIB Bank
	Bank Islami Pakistan Limited	Meezan Bank Limited
	Barclays Bank Plc	National Bank of Pakistan
	Citibank N.A.	Royal Bank of Scotland
	Deutsche Bank AG	Samba Bank Limted
	Dubai Islamic Bank	Standard Chartered Bank (Pakistan) Limited
	Faysal Bank Limited	Silk Bank Limited
	First Women Bank Limited	The Bank of Punjab
	Habib Bank Limited	United Bank Limited
	HSBC	

External Auditors
KPMG Taseer Hadi & Co, Chartered Accountants

Cost Auditors
Avais Hyder Liaquat Nauman, Chartered Accountants

Legal Advisors
Mr. Shahid Hamid, Bar-at-Law

Registered Office
Nishat House, 53-A, Lawrence Road,
Lahore-Pakistan
Phone: 92-42-6367812-20 UAN: 111 11 33 33
Fax: 92-42-6367414
Email: info@dgcement.com
web site: www.dgcement.com

Factory

1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan
   Phone: 92-641-460025-7
   Fax: 92-641-462392
   Email: dgsite@dgcement.com

2. 12, K.M. Choa Saidan Shah Road,
   Khairpur, Tehsil Kallar Kahar,
   Distt. Chakwal-Pakistan
   Phone: 92-543-650215-8
   Fax: 92-543-650231

Mission Statement

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

Vision Statement

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of D. G. Khan Cement Company Limited ("the Company") will be held on October, 30, 2010 (Saturday) at 2:00 p. m. at Nishat House, 53-A, Lawrence Road, Lahore to transact the following business:

1. To confirm minutes of the last meeting.
2. To receive and adopt the audited financial statements of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' reports thereon.

3. To elect seven Directors of the Company for a period of three years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 in place of the following retiring Directors :-

    1. Mrs. Naz Mansha
    2. Mian Raza Mansha
    3. Mr. Khalid Qadeer Qureshi
    4. Mr. Muhammad Azam
    5. Mr. Zaka Ud Din
    6. Mr. I. U. Niazi
    7. Ms. Nabiha Shahnawaz Cheema

The Board of Directors has fixed 7 (Seven) numbers of elected Directors for the next term of three years.

4. To appoint statutory Auditors for the year 2010 - 2011 and fix their remuneration. The retiring Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, Lahore, being eligible offer themselves for re-appointment.

5. Any other matter with the permission of the Chair.

By order of the Board

LAHORE
SEPTEMBER 17, 2010

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

1. BOOK CLOSURE NOTICE:-

The Share Transfer Books of the Company will remain closed for attending of Annual General Meeting, and election of directors from 16-10-2010 to 30-10-2010 (both days inclusive). Physical transfers / CDS Transactions IDs received in order at Nishat House, 53-A, Lawrence Road, Lahore, up to 1:00 p.m. on 15-10-2010 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their CNIC. In case of corporate entity, the Board's Resolution/power of attorney with specimen signature shall be furnished along with proxy form to the Company. The shareholder through CDC are requested to bring original CNIC, Account Number and Participant Account Number to produce at the time of attending the meeting.

3. Shareholders are requested to immediately notify the change in address, if any.

4. Members who have not yet submitted photocopies of their CNIC to the Company are requested to send them at the earliest.

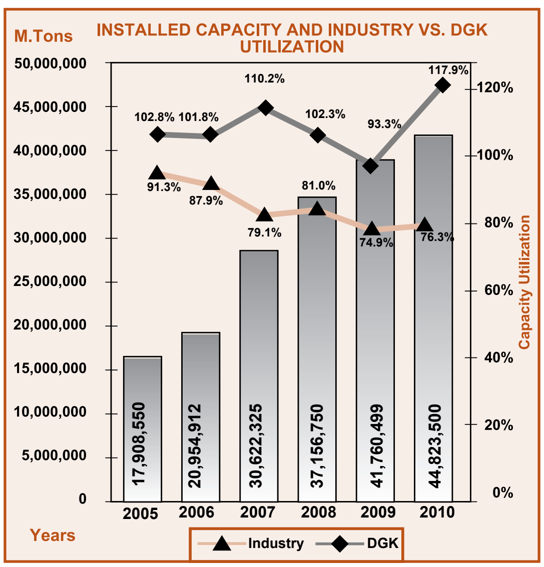
DIRECTORS' REPORT

I am delighted to present annual report of D.G. Khan Cement Company Ltd. for the year ended June 30, 2010 along with financial statements and auditor's report thereon.

INDUSTRY REVIEW

Poor economic indexes continue to flow on back of bleak security issues across the country, coupled with meager business activities. Waves of terrorist activities in all parts of the country seriously affected the investment climate in the country. Going forward growing concern of power outage and gas management badly hit the wheels of the country. Almost no major developmental and infrastructural activity witnessed during FY 2010.

GDP growth during the FY 2010 expected to be around 4.1% as announced in Federal Budget FY 2011 and target set is 4.5% for the next year which looks very ambitious specially in the aftermath of devastating flood across Pakistan. Last year both federal and provincial Govt. slashed developmental expenditure on the wake of financial crunch and diverted the funds to other important areas, which affected the infrastructure and development projects.



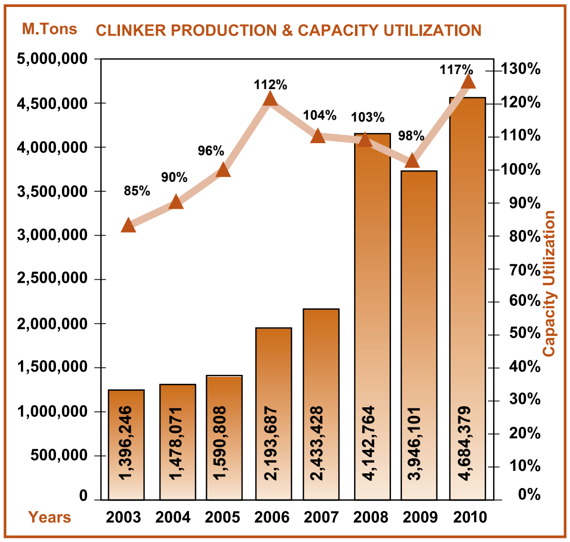
During the period under report the cement sales in the country witnessed a growth of around 15% despite unfavourable economic conditions. The growth was seen on account of historic low prices of cement in the country ensued from price war among cement manufacturers. Total cement sales in the country stood over 23 million tons against about 20 million tons during the corresponding period. Some new capacities also came online during the period under view which created further over supply of cement in the country. Export of cement remained flat during the year and marginally declined compared with the previous year. Total export of cement and clinker during the period was over 10 million tons.

Average capacity utilization of the industry was 76% during the period under report whereas your company managed to sell remarkably good at 118% of its rated capacity. During the year your company focused more on domestic demand on account of less attractive cement prices in the export markets and its market share was about 17% in local sales, largest in the cement industry.

PLANT PERFORMANCE

Plant performance during the period under review was good. The three Kilns operated well above their rated capacity. This was made possible due to excellent preventive maintenance of the plants and highly professional and skilled team of engineers and technicians. The machines run factor was also good. The Kiln-3 at Khairpur site operated 347 days which is a record.

Clinker Production	FY 2009-10		FY 2008-09	
	M.Tons	Utilization	M.Tons	Utilization
DGK-Unit-1	951,397	117.5%	913,872	112.8%
DGK-Unit-2	1,328,353	110.7%	1,086,267	90.5%
KHP-Unit-1	2,404,629	119.6%	1,945,962	96.8%
Total	**4,684,379**	**116.5%**	**3,946,101**	**98.2%**



Cement production	FY 2009-10	FY 2008-09
	M.Tons	M.Tons
DGK-Unit-1	855,116	873,063
DGK-Unit-2	1,553,301	1,118,774
KHP-Unit-1	2,500,176	1,885,459
Total	**4,908,593**	**3,877,296**

Cement production from both the production facilities witnessed an increase specially at Khairpur site. The growth in production was about 27% to meet the growing demand of cement.

SALES

During the period under report cement prices in the country were highly volatile and witnessed a steep decline to ever lowest. In addition, cement prices in international market were also not very much attractive compared with prices in local market. Your company focused more on domestic market due to better net retention sales prices. Total sales in the local market witnessed a growth of about 45% compared to corresponding period. Whereas export of cement plunged by nearly 20% from the last year. Overall increase in sales of cement is about 28% from the last year.

The follwing table portrays the sales summary:

	FY 2009-10	FY 2008-09
	M.Tons	M.Tons
DGK Site	2,392,632	1,981,487
KHP Site	2,516,330	1,873,463
Cement Sales	**4,908,962**	**3,854,950**
Clinker Sales	**71,042**	**177,064**

OPERATING RESULTS

		2010	2009
		----(Rupees in thousand)----	
- Net Sales		**16,275,354**	18,038,209
- Cost of Sales		**13,569,994**	12,358,479
- Gross Profit		**2,705,360**	5,679,730
- After tax profit		**233,022**	525,581
- EPS (BASIC)	Rs. /Share	**0.72**	1.63

Sales revenue during period under review declined by nearly 10% despite volumetric growth of about 28% compared with corresponding year. The decline in sale revenue attributed to sluggish cement prices in the country. Stiff competition emanated in the first quarter of FY 2010 and later turned into a price war. Cement manufacturers in an attempt to capture market share from others lowered cement prices which bodes negatively on revenues.

Gross profit declined significantly due to looming sales prices. During the period under review the cost of production was on the rise. Coal prices after touching the lowest started increasing and crossed US$ 115/ton, which badly affected the fuel costs. Series of hikes in electricity and gas tariff during the year also put pressure on the cost of production. In addition, cost of packing material also increased significantly and affected the profitability.

Selling & distribution costs declined significantly compared with last year due to less freight charges as export of cement and clinker declined during period under review compared with last year. Finance Cost for the period declined by nearly 27% mainly on account of repayment of long term loans and efficient management of funds. Your company is making all out efforts to lessen the financial costs by opting different financial management techniques.

Other incomes include dividend income and gain on sales of share of Rs. 766.4 million and 79.2 million respectively compared with Rs. 707.2 million and 5.0 million last year. Divided income is a great stimulus to the earnings of your company and always hatch much needed funds to finance operations and capital expenditures.
Your company earned a net profit of Rs. 233.022 million after charging of depreciation of Rs. 1,392.564 million, finance cost of Rs. 1,902.760 million and net tax of Rs. 125.381 (including a deferred tax of Rs. 24.383 million).

DIVIDEND

Your management, keeping in view profitability and liquidity position of the company decided not to recommend any dividend for the period under report.

OPERATING AND FINANCIAL DATA

Operating and financial data with key ratios for the last six years is annexed.

ONGOING PROJECTS

Waste Heat recovery project has started generating electricity. After some start up and teething issues the project has successfully started commercial operations from June 2010. Consequently the dependence on electricity from WAPDA has been reduced significantly. The project is generating electricity which is virtually free of cost except for some maintenance costs. This will off course help mitigate the impact of rising cost of production. In addition, it has favorable impact on environment and save huge amount of foreign currency spent on import of fossil fuels.

After the successful start up of the Waste Heat Recovery project at DG Khan Site your company has signed a memorandum of understanding with M/s. F.L. Smith Denmark for power generation from Waste Heat at Khairpur cement plant. M/s. F.L. Smith will design and provide necessary machinery and equipments for the project. The project is expected to generate about 10MW power which will eventually minimize dependence on WAPDA. This will also reduce the production cost substantially. The project is expected to be completed in 24 months.

FUTURE OUTLOOK

Ever biggest flood in the history of Pakistan has crushed almost everything that came in its way. The flood emerged from the northern areas of the country due to record level of rains and melting of glaciers. Most parts of the Khyber Puktunkhwa province have been badly affected causing a huge loss of property, standing crops and infrastructure.

Flood water founds its way and moved through Punjab province and ended up with devastating damage in Sindh province. Huge loss caused to agriculture, housing, infrastructure and industrial set ups. Although correct damage assessment is underway but estimates are that losses would be in billions of Dollars. This huge and wide spread damage is expected to affect the economy of the country in years to come. Federal Govt. along with provincial Govt. has given indications of substantial reduction in annual developmental expenditure. This will off course hit badly the economic indicators of the country. Although this natural disaster may turn into a great opportunity to build the infrastructure and residential of the masses which will provide demand stimulus for the cement industry.

It is anticipated that reconstruction of road networks and infrastructure across the country will generate a new wave of economic activities for next few years. It is also expected to generate a lot of new job opportunities and number of industries will get demand stimulus for next couple of years. Govt.'s announcement to finance every house that was either affected fully or partially would yield multi layer demand of goods and services which will bring a new life to economic and business activities.

Reconstruction activities will bring sizeable demand of cement in medium to long term period which is good for the cement industry.

CORPORATE SOCIAL RESPONSIBIBTY

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

COMMUNITY

D.G. Khan Cement fully realizes the role of local community and always gives maximum preference to local resident for employment opportunities. In addition, several social community projects by management of D.G. Khan Cement have been placed to uplift the living standards of local residents such as:

Health Care:
A free medical centre and hospital has been established providing medical facilities to the locals of the area at both the manufacturing facilities. A team of male and female doctors with paramedic staff has been appointed to provide round the clock medical services to the local residents. Facility to pick and drop for sick patients has also been provided at the factory expense. In addition fully equipped ambulance service is also available to transfer the emergency patients to nearby hospitals.

Education and Training:
D.G. Khan Cement is fully aware of its responsibility towards imparting education to future generation. For this purpose company has established two schools in its D.G. Khan cement manufacturing plant which provide quality education not only to children of employees of the company but also to the local residents. For this purpose company has established a school named Dera Model School which is run by a trust. All the expenses are borne by the company. In addition, a branch of renowned Bloomfield school is also running at the company premises. The company has provided building and complete infrastructure to this school. In addition company gives monthly subsidy to partly cover the running expenses. Your company spent Rs. 11.292 million against Rs. 9.790 million last year on account of school related expense. About 500 students are currently enrolled in both the schools.

In addition, your company has also provided financial assistance for the new campus of U.E.T at Chakwal. Going forward, students of Phd. programs from local universities as well from abroad are associated with professionals of your company for their thesis and research work.

Drinking Water:
Water is in short supply in surrounding area of our production facilities. Your company has made necessary arrangements to provide drinking water to local residents free of cost at different locations as per the needs of the residents. The company has spent huge amount to lay down the required pipelines.

Infrastructure
Your company always works together with the local administration and contributes its share for social uplifts. Therefore, we contributed for the construction of Choa Saiden Shah bye-pass road. In addition we also rebuilt factory road at D.G. Khan Site for smooth and safe transportation.

ENVIRONMENT

A complete environment management system is in place at D.G. Khan Cement and it provides a complete systematic approach to comply with Natural Environmental Quality Standards. Thorough plans have been developed for monitoring and continuous improvement in our environmental performance. Traditionally, cement plants are considered to be environmentally hazardous but your company has installed most modern and state of the art equipment for dust collection. Needed quantity of bag filters and electrostatic precipitators have been installed to collect the dust and waste gases and feed them again in the system. We feel pleasure to inform that your plants not only comply with the national environmental standards but also surpass the standards set by the World Bank.

The management of your company is so keen about the global warming and playing its part to cut down the use of fossil fuels to its minimum. For this purpose we have put a project of power generation from waste heat recovery. Earlier these heat and gases were going in the air. The company has spent about Rs. 2.0 billion on this project. This project is expected to save about 20K tons of fossil fuel annually and put its favorable impact on environment by reducing green house gases.

OCCUPTIONAL SAFETY & HEALTH

Being a safety conscious company your management has placed stiff occupational standards keeping in view the potential threats and associated risks. For operation of the system responsibilities, awareness & training, documentation operational control, departmental objectives and emergency preparedness/ response have been implemented at different levels. Consistent adherence to the system and continual improvements are ensured by periodic management reviews.
Primary focuses of these standards are:

- Prevent injuries and damage to health of employees, contractors, visitors and the company's infrastructure.
- Minimize environmental impact arising from plant operations.
- To make workplaces more safe that meets or surpass legislative and other requirements applicable.
- Establish measurable objective and targets that are reviewed periodically to ensure continual improvements.
- To provide awareness and information to all the employees, contractors and visitors.
- Ensure that all head of departments and employees understand and realize their responsibilities and accountabilities toward achieving the objectives of Health and Safety policy of the company.

HUMAN RESOURCE DEVELOPMENT

The management of DGK strongly believes that its' human resource is a valuable asset and considers it as a heart core of our company. We continuously strive to bring update and most modern knowledge and techniques for our employees in the form of training both in house and off shore. To impart employees and engineers with latest knowledge and hands on, a continuous training program is in place to bring effectiveness and efficiency in operations.

CONTRIBUTIONS TO FLOOD EFFECTIES

Your company is fully aware of the miseries of the flood affected people. In this regard, your company provided food to 300 people daily twice a day in the D.G. Khan area. In addition, DGKC also provided shelter in the form of tents to hundreds of families. Going forward, employees of the company have also surrendered their one day salary for the flood affected people.

RELATED PARTIES

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

CORPORATE & FINANCIAL REPORTING FRAME WORK

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

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.
Proper books of account of the Company have been maintained.
Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

The system of internal control is sound in design and has been effectively implemented and monitored.
There are no significant doubts upon the Company's ability to continue as a going concern.
There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Value of investments of Provident Fund as on June 30, 2010 is Rs. 389.378 million.

Board Meetings:

During the year under review, eight meetings were held. Attendance by each director is as follow:

S. No.	Name of Director	Attendance
1.	Mrs. Naz Mansha Chairperson	5
2.	Mian Raza Mansha Chief Executive	7
3.	Mr. Khalid Qadeer Qureshi	8
4.	Mr. Zaka ud din	8
5.	Mr. Muhammad Azam	7
6.	Ms. Nabiha Shahnawaz Cheema	8
7.	Mr. Inayat Ullah Niazi Chief Financial Officer	8

CORPORATE GOVERNANCE

The statement of compliance with the best practices of Code of Corporate Governance is annexed.

PATTERN OF SHAREHOLDING AND INFORMATION UNDER CLAUSE XIX (i) AND (j) OF THE CODE OF CORPORATE GOVERNANCE

The information under this head as on June 30, 2010 is annexed.

AUDIT COMMITEE

The Board of Directors in compliance with the Code of Corporate Governance has established an audit committee. The names of its members are given in the company profile.

AUDITORS

M/s. KPMG Taseer Hadi and Khalid, Chartered Accountants, Lahore, retire and being eligible, offer themselves for the reappointment.

M/s. Avais Hyder Liaquat Nauman Rizwan, Chartered Accountants, Lahore have been appointed as Cost Auditors.

ACKNOWLEDGEMENT

The management acknowledges on record the efforts and commitment showed by dedicated engineers' role of all the financial institutions, dealers, customers, suppliers and other stakeholders for their continued support.

For and on behalf of the Board

MIAN RAZA MANSHA
Chief Executive

Lahore
September 17, 2010

OPERATING AND FINANCIAL DATA

		2010	2009	2008	2007	2006	2005
PRODUCTION & SALES							
							(M.Tons)
Clinker		4,684,379	3,946,101	4,142,764	2,433,428	2,193,687	1,590,808
Cement		4,908,593	3,877,296	4,227,767	2,542,602	2,125,585	1,812,333
Cement Sales:		4,908,962	3,854,949	4,233,953	2,502,306	2,134,355	1,812,546
Local		4,103,861	2,831,115	3,572,078	2,348,829	1,968,114	1,522,341
Export		805,101	1,023,834	661,875	153,477	166,241	290,205
Clinker Sale							
Local		-	-	72,481	25,000	80,000	-
Export		71,041	177,064	95,202	-	-	-
OPERATING RESULTS							
							(Rupees in thousand)
Net sales		16,275,354	18,038,209	12,445,996	6,419,625	7,955,665	5,279,560
Gross profit		2,705,360	5,679,730	1,915,273	2,031,985	3,962,843	1,948,791
Pre-tax profit /(loss)		358,403	776,900	(250,930)	1,720,471	3,448,533	2,121,271
After tax profit /(loss)		233,022	525,581	(53,230)	1,622,471	2,418,455	1,682,078
FINANCIAL POSITION							
Current assets		16,417,492	13,287,591	19,202,591	19,214,954	9,909,895	4,196,769
Current liablilities		13,786,189	15,834,799	12,054,718	7,390,229	6,015,436	3,055,858
Property, plant & equipment		25,307,302	24,345,793	22,977,894	22,117,551	7,521,723	6,637,237
Total assets		47,046,043	42,723,041	51,992,934	51,744,331	34,304,376	18,016,505
Long term liabilites		5,274,674	4,528,224	8,538,959	8,806,917	7,461,740	5,105,649
Shareholder's equity		26,519,220	20,918,442	30,080,257	33,923,185	19,268,200	9,317,998
RATIOS							
Current ratio		1.19:1	0.84:1	1.59:1	2.6 : 1	1.64 : 1	1.37 : 1
Debt to equity ratio		28 : 72	27:73	45 : 55	44 : 56	48 : 52	35 : 65
Gross profit to sales	(%)	16.62	31.49	15.39	31.65	49.81	36.91
Net profit to sales	(%)	1.43	2.91	(0.43)	25.27	30.40	31.86
Break up value per Share	(Rs.)	37.28	39.97	41.89	43.60	44.34	31.06
Earnings per share							
Basic	(Rs.)	0.72	1.63	(0.21)	6.43	10.37	9.12
Diluted	(Rs.)	0.72	1.63	(0.21)	6.43	9.14	7.82

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2010 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
1481	1	100 Shares	73569
2470	101	500 Shares	835302
1901	501	1000 Shares	1630081
2825	1001	5000 Shares	7056962
638	5001	10000 Shares	4834697
219	10001	15000 Shares	2802012
117	15001	20000 Shares	2101628
89	20001	25000 Shares	2051988
49	25001	30000 Shares	1390070
31	30001	35000 Shares	1020496
31	35001	40000 Shares	1161454
28	40001	45000 Shares	1213306
31	45001	50000 Shares	1523712
15	50001	55000 Shares	801834
19	55001	60000 Shares	1107959
7	60001	65000 Shares	446948
8	65001	70000 Shares	548035
13	70001	75000 Shares	965035
8	75001	80000 Shares	615969
9	80001	85000 Shares	745718
6	85001	90000 Shares	532942
4	90001	95000 Shares	366456
15	95001	100000 Shares	1488400
2	100001	105000 Shares	208200
6	105001	110000 Shares	649661
2	110001	115000 Shares	225500
6	115001	120000 Shares	711797
4	120001	125000 Shares	495800
4	125001	130000 Shares	514984
1	130001	135000 Shares	131505
3	135001	140000 Shares	408674
2	140001	145000 Shares	288000
2	145001	150000 Shares	300000
1	150001	155000 Shares	151300
4	155001	160000 Shares	630544
3	160001	165000 Shares	489950
3	165001	170000 Shares	502024
3	170001	175000 Shares	516977
1	175001	180000 Shares	180000
2	180001	185000 Shares	365864
1	185001	190000 Shares	186404
2	190001	195000 Shares	387640
4	195001	200000 Shares	797000
4	200001	205000 Shares	813545
5	205001	210000 Shares	1046134
1	210001	215000 Shares	212000
1	215001	220000 Shares	216000
1	220001	225000 Shares	225000
3	230001	235000 Shares	695474
2	240001	245000 Shares	488088
2	245001	250000 Shares	495360

Continued →

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
1	260001	265000 Shares	265000
1	270001	275000 Shares	275000
1	275001	280000 Shares	280000
2	280001	285000 Shares	562839
1	285001	290000 Shares	285526
3	295001	300000 Shares	896003
1	310001	315000 Shares	312214
2	320001	325000 Shares	650000
1	335001	340000 Shares	335543
2	340001	345000 Shares	684650
2	345001	350000 Shares	700000
2	350001	355000 Shares	709800
1	355001	360000 Shares	360000
1	375001	380000 Shares	380000
1	385001	390000 Shares	385600
2	395001	400000 Shares	799400
1	400001	405000 Shares	401034
1	410001	415000 Shares	414300
1	415001	420000 Shares	418200
1	420001	425000 Shares	425000
1	425001	430000 Shares	427200
1	440001	445000 Shares	444696
1	455001	460000 Shares	460000
2	465001	470000 Shares	936800
3	495001	500000 Shares	1500000
1	510001	515000 Shares	514120
1	515001	520000 Shares	520000
1	535001	540000 Shares	540000
1	545001	550000 Shares	545021
1	555001	560000 Shares	555961
1	575001	580000 Shares	578871
1	580001	585000 Shares	582432
1	595001	600000 Shares	600000
1	610001	615000 Shares	611000
1	625001	630000 Shares	625200
2	645001	650000 Shares	1300000
1	700001	705000 Shares	703900
1	715001	720000 Shares	716870
1	735001	740000 Shares	735046
2	745001	750000 Shares	1494320
1	790001	795000 Shares	792000
1	800001	805000 Shares	802080
2	815001	820000 Shares	1635533
1	835001	840000 Shares	840000
1	995001	1000000 Shares	1000000
1	1005001	1010000 Shares	1008000
1	1040001	1045000 Shares	1041276
1	1065001	1070000 Shares	1066800
1	1105001	1110000 Shares	1109978
1	1215001	1220000 Shares	1215708
1	1315001	1320000 Shares	1316923

Continued →

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES) TO	TOTAL SHARES HELD
1	1340001	1345000 Shares	1343484
1	1345001	1350000 Shares	1349606
1	1405001	1410000 Shares	1407944
1	1530001	1535000 Shares	1534000
1	1545001	1550000 Shares	1548485
1	1550001	1555000 Shares	1554496
1	1615001	1620000 Shares	1620000
1	1865001	1870000 Shares	1870000
1	1870001	1875000 Shares	1872000
1	1945001	1950000 Shares	1948800
1	2085001	2090000 Shares	2089233
1	2235001	2240000 Shares	2237116
1	2745001	2750000 Shares	2747828
1	2930001	2935000 Shares	2934644
1	2985001	2990000 Shares	2987942
2	3335001	3340000 Shares	6676915
1	3870001	3875000 Shares	3871404
1	3980001	3985000 Shares	3980548
1	4090001	4095000 Shares	4091041
1	4195001	4200000 Shares	4200000
1	4385001	4390000 Shares	4389227
1	4685001	4690000 Shares	4688378
1	4705001	4710000 Shares	4709216
1	5005001	5010000 Shares	5005211
1	6715001	6720000 Shares	6717422
1	7700001	7705000 Shares	7700907
1	8610001	8615000 Shares	8611560
1	9290001	9295000 Shares	9291600
1	9495001	9500000 Shares	9500000
1	14840001	14845000 Shares	14844700
1	18105001	18110000 Shares	18108331
1	19105001	19110000 Shares	19107528
1	21610001	21615000 Shares	21614217
1	95535001	95540000 Shares	95537640
10189	TOTAL		365099265

CLASSIFICATION OF ORDINARY SHARES BY CATEGORIES AS AT JUNE 30, 2010

CATEGORIES OF MEMBERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	9,826	134,225,349	36.76
Investment Companies	18	1,515,924	0.42
Insurance Companies	14	9,112,416	2.50
Joint Stock Companies	203	143,247,826	39.24
Financial Institutions	22	16,517,320	4.52
Modaraba Companies	22	3,585,197	0.98
Foreign Investors	22	40,263,866	11.03
Others	62	16,631,367	4.55
TOTAL:	10,189	365,099,265	100.00

INFORMATION UNDER CLAUSE XIX (i) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2010

(A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES AS ON 30/06/2010:-

		No. of Shares	Percentage
1. NISHAT MILLS LTD		114,645,168	31.40
2. ADAMJEE INSURANCE COMPANY LIMITED		1,407,944	0.39
(B) NIT AND ICP:-			
1. INVESTMENT CORPORATION OF PAKISTAN		1,400	0.00
2. NATIONAL BANK OF PAKISTAN-TRUSTEE WING (NATIONAL INVESTMENT (UNIT) TRUST)		8,267,289	2.26
(C) DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDERN:-			
1. MRS. NAZ MANSHA	DIRECTOR/CHAIRPERSON	94,249	0.03
2. MIAN RAZA MANSHA	DIRECTOR/CHIEF EXECUTIVE	8,060,906	2.21
3. MR. KHALID QADEER QURESHI	DIRECTOR	600	0.00
4. MR. ZAKA UD DIN	DIRECTOR	600	0.00
5. MR. I.U. NIAZI	DIRECTOR/CFO	2,313	0.00
6. MS. NABIHA SHAHNAWAZ CHEEMA	DIRECTOR	3,600	0.00
7. MRS. AMMIL RAZA MANSHA (SPOUSE OF CHIEF EXECUTIVE)		4,909,249	1.34
(D) EXECUTIVES:-			
NIL			
(E) PUBLIC SECTOR COMPANIES & CORPORATIONS:-			
1. Joint Stock Companies		143,247,826	39.24
(F) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS:-			
1. Investment Companies		1,515,924	0.42
2. Insurance Companies		9,112,416	2.50
3. Financial Institutions		16,517,320	4.52
4. Modaraba Companies		3,585,197	0.98
(G) SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY:-			
1. NISHAT MILLS LTD.		114,645,168	31.40

INFORMATION UNDER CLAUSE XIX (J) OF THE CODE OF CORPORATE GOVERNANCE

The trading in the Company's Shares during the period July 1, 2009 to June 30, 2010 by the related parties is as under:-

	Sale (No. of Shares)	Purchase (No. of Shares)
MR. KHALID QADEER QURESHI (DIRECTOR)	-	500
MR. ZAKA UD DIN (DIRECTOR)	-	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. 35, 35 & 37 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors.

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

3. 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 vacancies occurred in the Board during the year.

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

6. The Board has developed a vision/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 and other executive directors, have been taken by the Board.

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. Orientation course has been arranged at group level.

10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code 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 Code.

15. The audit committee is continued and it comprises 3 members, of whom all are non-executive directors including the chairman of the committee.

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

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. All transactions with related parties were made on an arm's length basis.

21. We confirm that all other material principles contained in the Code have been substantially complied with.

MIAN RAZA MANSHA
CHIEF EXECUTIVE
NIC Number : 35202-2539500-5

LAHORE
SEPTEMBER 17, 2010

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of D.G. Khan Cement Company Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company the year ended 30 June 2010.

KPMG Taseer Hadi & Co.

KPMGTH

Lahore
September 17, 2010

KPMG Taseer Hadi & Co
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D. G. Khan Cement Company Limited (“the Company”) as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change referred to in note 2.3 with which we concur ;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 30 June 2010 and of the profit, its comprehensive income, 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 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Lahore
September 17, 2010

KPMGTH

KPMG Taseer Hadi & Co
Chartered Accountants
(Bilal Ali)

BALANCE SHEET

	Note	2010	2009
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2009: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2009: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital	3	3,650,993	3,042,494
Reserves	4	22,160,477	17,401,220
Accumulated profit		707,750	474,728
		26,519,220	20,918,442
NON-CURRENT LIABILITIES			
Long term finances	5	5,089,507	4,375,837
Long term deposits	6	81,138	73,765
Retirement and other benefits	7	104,029	78,622
Deferred taxation	8	1,465,960	1,441,576
		6,740,634	5,969,800
CURRENT LIABILITIES			
Trade and other payables	9	1,679,749	1,435,420
Accrued markup	10	346,425	531,772
Short term borrowing - secured	11	9,585,642	9,068,575
Current portion of non-current liabilities	12	2,139,283	4,763,942
Provision for taxation		35,090	35,090
		13,786,189	15,834,799
CONTINGENCIES AND COMMITMENTS	13		
		47,046,043	42,723,041

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

AS AT JUNE 30, 2010

	Note	2010	2009
		----(Rupees in thousand)-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	25,307,302	24,345,793
Capital work in progress	15	465,650	1,750,208
Investments	16	4,696,922	3,172,508
Long term loans, advances and deposits	17	158,677	166,940
		30,628,551	29,435,449
CURRENT ASSETS			
Stores, spares and loose tools	18	3,017,742	2,935,880
Stock-in-trade	19	1,036,876	899,836
Trade debts	20	303,949	513,966
Investments	21	10,740,972	7,785,968
Advances, deposits, prepayments and other receivables	22	1,087,161	908,100
Cash and bank balances	23	230,792	243,842
		16,417,492	13,287,592
		47,046,043	42,723,041

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		----(Rupees in thousand)----	
Sales - net	24	16,275,354	18,038,209
Cost of sales	25	(13,569,994)	(12,358,479)
Gross profit		2,705,360	5,679,730
Administrative expenses	26	(172,436)	(141,852)
Selling and distribution expenses	27	(994,418)	(1,871,517)
Other operating expenses	28	(189,015)	(795,854)
Other operating income	29	911,672	770,137
Impairment on investment		-	(257,386)
Profit from operations		2,261,163	3,383,258
Finance cost	30	(1,902,760)	(2,606,358)
Profit before tax		358,403	776,900
Taxation	31	(125,381)	(251,319)
Profit for the year		233,022	525,581
Earnings per share - basic and diluted	32	0.72	1.63

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	-----(Rupees in thousand)----	
Profit after taxation	**233,022**	525,581
Other comprehensive income :		
Available for sale financial assets		
- Change in fair value	**4,209,530**	(10,958,946)
- Realized gain through profit and loss account	**(58,772)**	-
- Impairment loss through profit and loss account	**-**	257,386
Other comprehensive income / (loss) for the year - net of taxes	**4,150,758**	(10,701,560)
Total comprehensive income / (loss) for the year	**4,383,780**	(10,175,979)

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		-----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	33	3,194,599	3,829,987
Finance cost paid		(2,088,107)	(2,439,250)
Retirement and other benefits paid		(11,368)	(6,934)
Taxes paid		(260,492)	(235,684)
Net increase/ (decrease) in long term deposits		7,373	(125)
Net cash generated from operating activities		842,005	1,147,994
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(1,079,494)	(1,995,630)
Proceeds from sale of property, plant and equipment		16,785	4,076
Investments - net		(249,445)	(38,878)
Net decrease in long term loans, advances and deposits		8,489	356,106
Dividend received		766,398	707,242
Interest received		2,555	42,205
Net cash used in investing activities		(534,712)	(924,879)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,216,998	1,014,164
Proceeds from long term finances		3,050,000	300,000
Repayment of long term finances		(5,104,383)	(2,989,690)
Repayment of liabilities against assets subject to finance lease		-	(1,141)
Dividend paid		(25)	(533)
Net cash used in financing activities		(837,410)	(1,677,200)
Net decrease in cash and cash equivalents		(530,117)	(1,454,085)
Cash and cash equivalents at the beginning of year		(8,824,733)	(7,370,648)
Cash and cash equivalents at the end of year	34	(9,354,850)	(8,824,733)

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

		CAPITAL RESERVE			REVENUE RESERVE		
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated (loss) /profit	Total
	(Rupees in thousand)						
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,071,827	(50,853)	30,080,257
Capital transactions with owner							
- Right issue	507,082	507,082	-	-	-	-	1,014,164
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	525,581	525,581
- Other comprehensive loss for the year	-	-	(10,701,560)	-	-	-	(10,701,560)
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,071,827	474,728	20,918,442
Capital transactions with owner							
- Right issue	608,499	608,499	-	-	-	-	1,216,998
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	233,022	233,022
- Other comprehensive income for the year	-	-	4,150,758	-	-	-	4,150,758
Balance as at 30 June 2010	**3,650,993**	**3,826,965**	**12,908,175**	**353,510**	**5,071,827**	**707,750**	**26,519,220**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1 Legal status and nature of business

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

2 Summary of significant accounting policies

The significant accounting policies adopted in preparation of financial statements are set out below.

2.1 Basis of preparation and statement of compliance

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 provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

- Provision for taxation	*note*	*2.5*
- Retirement and other benefits	*note*	*2.6*
- Residual values and useful lives of depreciable assets	*note*	*2.8*
- Interest rate and cross currency swaps	*note*	*2.18*
- Provisions and contingencies	*note*	*2.20*

2.3 Changes in accounting policy

Starting 01 July 2009, the Company has changed its accounting policy in the following area:

The Company has applied Revised IAS 1 : "Presentation of Financial Statements (2007)" which became effective from financial year beginning on or after 01 January 2009. This standard required the Company to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

2.4 Borrowings

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

2.5 Taxation

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

Current

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

Deferred

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

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

2.6 Retirement and other benefits

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

Defined benefit plan

The Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at 30 June 2010 using the "Projected Unit Credit Method".

The amount recognised in balance sheet represents the present value of the defined benefit obligation as on 30 June 2010 as adjusted for unrecognised actuarial gains and losses.

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

Defined contribution plan

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

Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at 30 June 2010 using the "Projected Unit Credit Method".

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

2.7 Trade and other payables

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

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

2.8 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 2.18 and borrowing costs as referred to in note 2.21.

Depreciation on all property, plant and equipment is charged to the profit and loss account on the reducing balance method, except for plant and machinery which is being depreciated using the straight line method, so as to write off the historical cost of such asset over its estimated useful life at annual rates mentioned in note 14 after taking into account their residual values.

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

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

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

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

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

2.9 Capital work-in-progress

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

2.10 Leases

Finance leases

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

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

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

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

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

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

Operating leases

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

2.11 Investments

Investment in equity instruments of subsidiary company

Investment in subsidiary company is measured at cost as per the requirements of IAS-27 "Consolidated and

Separate Financial Statements". However, at subsequent reporting dates, the Company reviews the carrying amount of the investment and its recoverability to determine whether there is an indication that such investment has suffered an impairment loss. If any such indication exists the carrying amount of the investment is adjusted to the extent of impairment loss. Impairment losses are recognized as an expense.

Investments in equity instruments of associated companies

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

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

Available for sale

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

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

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

At subsequent reporting dates, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment.

2.12 Stores and spares

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

2.13 Stock-in-trade

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

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

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

2.14 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.15 Offsetting of financial assets and financial liabilities

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

2.16 Trade debts

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

2.17 Cash and cash equivalents

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

2.18 Derivative financial instruments and hedging activities

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

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

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

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

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

2.19 Foreign currencies

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

2.20 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.21 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in which they are incurred.

2.22 Revenue recognition

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

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

2.23 Dividend

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

2.24 Related party transactions

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

2.25 Standards and amendments to published approved International Financial Reporting Standards not yet effective

A number of new standards and amendments to standards are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements other than increase in disclosures.

- Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Company's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption.

These amendments are unlikely to have an impact on the Company's financial statements.

3 Issued, subscribed and paid up capital

3.1 Issued, subscribed and paid up capital

2010	2009		2010	2009
----(Number of shares)----			----(Rupees in thousand)----	
270,492,177	209,642,299	Ordinary shares of Rs.10 each fully paid in cash	2,704,922	2,096,423
20,000,000	20,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	746,071	746,071
365,099,266	304,249,388		3,650,993	3,042,494

114,645,168 (2009: 95,537,640) ordinary shares of the Company are held by Nishat Mills Limited, an associated concern as at 30 June 2010. In addition 1,407,944 (2009: 1,173,287) ordinary shares are held by the Adamjee Insurance Company Limited, a related party as at 30 June 2010.

3.2 Reconciliation of number of shares

	2010	2009
	----(Number of shares)----	
Number of shares as at 01 July	304,249,388	253,541,157
Issued during the year in cash	60,849,878	50,708,231
Number of shares as at 30 June	365,099,266	304,249,388

4 Reserves

Movement in and composition of reserves is as follows:

	Note	2010	2009
		----(Rupees in thousand)----	
Capital Reserves			
Share premium	4.1		
At the beginning of the year		3,218,466	2,711,384
Additions during the year		608,499	507,082
At the end of the year		3,826,965	3,218,466

	Note	2010	2009
		----(Rupees in thousand)----	
Fair value reserves	4.2		
At the beginning of the year		8,757,417	19,458,977
Fair value adjustments during the year		4,150,758	(10,701,560)
At the end of the year		12,908,175	8,757,417
Capital redemption reserve fund	4.3	353,510	353,510
		17,088,650	12,329,393
Revenue reserves			
General reserves			
At the beginning of the year		5,071,827	5,071,827
Transfer from profit and loss account		-	-
At the end of the year		5,071,827	5,071,827
		22,160,477	17,401,220

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

4.2 As referred to in note 2.11 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This amount will be transferred to profit and loss account on realisation.

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

5 Long term finances

These are composed of:

	Note	2010	2009
		----(Rupees in thousand)----	
- Long term loans	5.1 & 5.2	7,222,988	7,135,311
- Loan under musharika arrangement	5.3	-	2,000,000
		7,222,988	9,135,311
Less: Current portion shown under current liabilities	12	2,133,481	4,759,474
		5,089,507	4,375,837

5.1 Long term loans

Long term finances utilized under mark up arrangements from banking companies are composed of:

Loan	Lender	2010	2009	Rate of interest per annum	Outstanding installments	Interest payable
		(Rupees in thousand)				
1	Habib Bank Limited	-	228,571	* Base rate + 3.0%	The loan has been fully repaid during the year	Quarterly
2	Habib Bank Limited	-	57,143	* Base rate + 3.0%	The loan has been fully repaid during the year	Quarterly
3	National Bank of Pakistan	-	85,721	** Base rate + 0.65%	The loan has been fully repaid during the year	Semi annual
4	Standard Chartered Bank	-	20,000	** Base rate + 0.6%	The loan has been fully repaid during the year	Semi annual
5	Standard Chartered Bank	-	60,000	** Base rate + 0.6%	The loan has been fully repaid during the year	Semi annual
6	United Bank Limited	-	500,000	** Base rate + 0.60%	The loan has been fully repaid during the year	Semi annual
7	Habib Bank Limited	-	300,000	** Base rate + 2.5%	The loan has been fully repaid during the year	Quarterly
8	Allied Bank Limited	260,000	520,000	** Base rate + 0.65%	2 equal semi-annual installments ending 30 June 2011	Semi annual
9	Habib Bank Limited	272,727	454,545	** Base rate + 1.1%	3 equal semi-annual installments ending 29 September 2011	Quarterly
10	National Bank of Pakistan	300,000	500,000	** Base rate + 0.65%	3 equal semi-annual installments ending 16 November 2011	Semi annual
11	Habib Bank Limited	300,000	500,000	* Base rate + 1.25%	3 equal semi-annual installments ending 30 December 2011	Quraterly
12	United Bank Limited	500,000	700,000	** Base rate + 1.10%	5 equal semi-annual installments ending 30 September 2012	Semi annual
13	Bank Alfalah	461,091	576,364	** Base rate + 1.00%	8 equal semi-annual installments ending 16 March 2014	Quraterly
14	Standard Chartered Bank	1,000,000	-	** Base rate + 1.5%	12 unequal quarterly installments ending 30 June 2012	Quarterly
15	Bank of Punjab	300,000	-	** Base rate + 1.5%	18 equal quarterly installments ending 31 March 2015	Quarterly
16	Allied Bank Limited	750,000	-	** Base rate + 1.5%	20 step-up quarterly installments ending 30 June 2016	Quarterly
17	Allied Bank Limited	1,000,000	-	** Base rate + 1.5%	20 step-up quarterly installments ending 30 November 2015	Quarterly
	Foreign currency-unsecured					
18	European Investment Bank US$ 24.289 million (2009 : US$ 32.386 million)	2,079,170	2,632,967	*** Base rate + 0.063%	6 equal semi-annual installments ending on 29 March 2013	Quarterly
		7,222,988	7,135,311			

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

5.2 These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs. 16,547 million (2009: Rs. 14,524 million).

5.3 This finance facility was arranged under syndicated arrangement, led by Meezan Bank Limited. The aggregate sanction limit was Rs. 2,000 million and carried four unequal semi annual rentals. Principle amount was repaid on 08 May 2010. The facility was secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs. 2,666 million.

	2010	2009
	----(Rupees in thousand)----	
6 Long term deposits		
Customers	32,167	29,462
Others	48,971	44,303
	81,138	73,765

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

	Note	2010	2009
		----(Rupees in thousand)----	
7 Retirement and other benefits			
Staff gratuity	7.1	60,678	40,537
Leave encashment	7.2	43,351	38,085
		104,029	78,622

7.1 Staff gratuity - net

The amounts recognised in the balance sheet are as follows :

	2010	2009
Present value of defined benefit obligation	75,264	56,040
Fair value of plan assets	(394)	(274)
Benefits payable	323	115
Unrecognised actuarial losses	(14,515)	(15,344)
Liability as at 30 June	60,678	40,537

7.1.1 Change in present value of defined benefit obligation

	2010	2009
Liability as at 01 July	40,537	26,362
Charge for the year including capitalized during the year	23,086	15,328
Contributions plus benefit payments made directly by the Company during the year	(2,945)	(1,153)
Liability as at 30 June	60,678	40,537

7.1.2 Movement in liability for defined benefit obligation

	2010	2009
Present value of defined benefit obligation as at 01 July	56,040	33,122
Current service cost	15,583	11,088
Interest cost	6,725	3,975
Benefits due but not paid	(323)	(115)
Benefits paid during the year	(2,715)	(880)
Actuarial (gain)/loss on present value of defined benefit obligation	(46)	8,850
Present value of defined benefit obligation as at 30 June	75,264	56,040

	2010	2009
	----(Rupees in thousand)----	
7.1.3 Movement in fair value of plan assets		
Fair value of plan assets as at 01 July	274	1
Expected return on plan assets	33	-
Contributions during the year	2,945	1,153
Benefits paid during the year	(2,830)	(880)
Actuarial (loss) on plan assets	(28)	-
Fair value of plan assets as at 30 June	394	274
7.1.4 Actual return on plan assets		
Expected return on plan assets	33	-
Actuarial (loss) on plan assets	(28)	-
	5	-
7.1.5 Plan assets consist of the following :		
Cash and other deposits	394	274
7.1.6 Movement in unrecognised actuarial losses		
Un recognised actuarial losses as at 01 July	(15,344)	(6,759)
Actuarial gain/(losses) arising during the year	18	(8,850)
Actuarial losses charged to profit during the year	811	265
Un recognised actuarial losses as at 30 June	(14,515)	(15,344)
7.1.7 Charge for the year (including capitalized during the year)		
Current service cost	15,583	11,088
Interest cost	6,725	3,975
Expected return on plan assets	(33)	-
Actuarial losses charged to profit during the year	811	265
	23,086	15,328

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
7.1.8 Historical Information					
Present value of defined benefit obligation	75,264	56,040	33,122	22,741	11,685
Present value of plan assets	(394)	(274)	(1)	(36)	N/A
Deficit in the plan	74,870	55,766	33,121	22,705	11,685
Experience adjustment arising on plan liabilities	(46)	8,850	1,414	2,859	(495)
Experience adjustment arising on plan assets	(28)	-	(39)	(2)	N/A

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

		2010	2009
Discount rate	Per annum	12 %	12 %
Expected rate of increase in salary	Per annum	11 %	11 %
Expected rate of return on plan assets	Per annum	12 %	12 %
Average expected remaining working life time of employee	Number of years	12	12

7.1.10 The Company expects to pay Rs. 28.352 million in contributions to defined benefit plan in 2011.

	2010	2009
	----(Rupees in thousand)----	

7.2 Leave encashment

	2010	2009
Opening balance	**38,085**	27,656
Expenses recognized	**15,023**	17,272
Payments made	**(3,955)**	(2,375)
	49,153	42,553
Payable within one year	**(5,802)**	(4,468)
Closing balance	**43,351**	38,085

7.2.1 Movement in liability for defined benefit obligation

	2010	2009
Present value of defined benefit obligation as at 01 July	**38,085**	27,656
Current service cost	**9,866**	7,984
Interest cost	**4,570**	3,319
Benefits paid during the year	**(3,955)**	(2,375)
Actuarial loss on present value of defined benefit obligation	**587**	5,969
Payable within one year	**(5,802)**	(4,468)
Present value of defined benefit obligation as at 30 June	**43,351**	38,085

7.2.2 Charge for the year (including capitalized during the year)

	2010	2009
Current service cost	**9,866**	7,984
Interest cost	**4,570**	3,319
Actuarial losses charged to profit during the year	**587**	5,969
	15,023	17,272

7.2.3 Historical Information

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Present value of defined benefit obligation	**49,153**	42,553	31,062	25,839	17,711
Experience adjustment arising on plan liabilities	**587**	5,969	3,010	2,168	8,149

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

		2010	2009
Discount rate	Per annum	12 %	12 %
Expected rate of increase in salary	Per annum	11%	11%
Average expected remaining working life time of eployees	Number of years	12	12
Expected withdrawal and early retirement rate		Based on experience	

	Officers		Workers	
	2010 (days)	2009 (days)	2010 (days)	2009 (days)
Average number of leaves				
- Utilized per annum	**14.00**	14.00	**19.00**	19.00
- Encashed per annum	**6.00**	6.00	**6.00**	6.00
- Utilized per annum in excess of accrued leave of 30 days	**1.00**	1.00	**2.00**	2.00
- Encashed per annum in excess of accrued leave of 30 days	**0.25**	0.25	**1.00**	1.00

	Note	2010	2009
		----(Rupees in thousand)----	

8 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

		2010	2009
Deferred tax liability			
Accelerated tax depreciation		**4,288,029**	4,365,652
Deferred tax assets			
Provision for retirement and other benefits		**(23,640)**	(6,946)
Unabsorbed tax credits		**(2,798,429)**	(2,917,130)
		1,465,960	1,441,576

9 Trade and other payables

	Note	2010	2009
Trade creditors		**376,307**	264,089
Customers' balances		**552,463**	446,579
Accrued liabilities		**307,152**	258,265
Workers' profit participation fund	9.1	**20,251**	41,724
Workers welfare fund payable		**77,320**	50,967
Sales tax payable		**32,850**	81,468
Federal excise duty payable		**221,636**	227,319
Special excise duty payable		**-**	2,036
Withholding tax payable		**6,564**	5,414
Retention money		**20,485**	16,884
Unclaimed dividend		**4,869**	4,894
Advances against sale of scrap		**1,030**	1,504
Redeemable preference shares (non-voting) - unsecured		**127**	127
Other payables		**58,695**	34,150
		1,679,749	1,435,420

	Note	2010	2009
		----(Rupees in thousand)----	

9.1 Workers' profit participation fund

	Note	2010	2009
Balance as at 01 July		41,724	-
Provision for the year	28	20,251	41,724
Interest for the year	30	2,051	-
		64,026	41,724
Less: Payments during the year		43,775	-
Balance as at 30 June		20,251	41,724

10 Accrued markup

	Note	2010	2009
Long term finances		185,223	313,097
Short term borrowing - secured		161,118	218,591
Preferred dividend on redeemable preference shares		84	84
		346,425	531,772

11 Short term borrowing - secured

	Note	2010	2009
Short term running finances	11.1	7,906,872	5,137,780
Import finances	11.2	1,678,770	1,822,397
Export refinance	11.3	-	2,108,398
		9,585,642	9,068,575

11.1 Short term running finances

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 9,820 million (2009: Rs. 9,695 million). The rates of mark up range from 12.24% to 16.26% (2009: 13.17% to 17.17%) or part thereof on the balance outstanding. The aggregate short term running finances of Rs. 9,820 million (2009: Rs. 9,695 million) are secured by a first registered charge on all present and future current assets of the company wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.75 million (2009: 10.0 million) shares of MCB Bank Limited, 10.0 million (2009: 18.0) shares of Nishat Mills Limited and 2.3 million (2009 : Nil) shares of Adamjee Insurance Company Limited.

11.2 Import finances

The Company has obtained import finance facilities aggregating to Rs. 3,737 million (2009: Rs. 2,537 million) from commercial banks. The rates of mark-up range from 3.11% to 15.98% (2009: 3.11% to 17.17%). The aggregate import finances are secured by a registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility of Rs. 7,077.42 million (2009: Rs. 5,277.42 million) for opening letters of credit and Rs. 1,601.4 million (2009: Rs. 1,551.4 million) for guarantees, the amount utilized as at 30 June 2010 was Rs. 1,458.95 million (2009: Rs. 986.966 million) and Rs. 989.84 million (2009: Rs. 927.1 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Company. Of the facility for guarantees, Rs. 14.48 million (2009: Rs. 14.48 million) is secured by a lien over bank deposits as referred to in note 23.2.

11.3 Export refinance

This represents ERF loans obtained from various commercial banks, which carry mark-up at 7.5% per annum (2009: 7.5%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Company.

	Note	2010	2009
		----(Rupees in thousand)----	
12 Current portion of non-current liabilities			
Long term finances	5	**2,133,481**	4,759,474
Retirement and other benefits	7.2	**5,802**	4,468
		2,139,283	4,763,942

13 Contingencies and commitments

13.1 Contingencies

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

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

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Company on the grounds that the said machinery was being manufactured locally during the time when it was imported. The total demand as raised against the Company amounts to Rs. 715.372 million out of which Rs. 200.645 million has been paid.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. Hence, no provision for the balance amount of Rs. 514.727 million has been made in the financial statements as according to the management of the company there are meritorious grounds that the ultimate decision would be in its favour.

13.1.3 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 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 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 28 August 2009 and imposed a penalty of Rs. 933 million on the Company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

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

13.1.4 The Company has issued following guarantees in favour of :

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise duty amounting to Rs. 20.460 million (2009: Rs. 20.460 million)

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs. 240.9 million (2009: Rs. 180.9 million)

- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs. 3 million (2009: Rs. 3 million)

- Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs. 3 million (2009: Rs. 3 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs. 3 Million (2009: Rs. 1 million).

- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs. 1.835 million (2009: Rs. 1.835 million)

- Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D.G. Khan Project amounting to Rs. 715.455 million (2009: Rs. 714.883 million)

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, D. G. Khan) amounting to Rs. 50,000 (2009: Rs. 50,000).

- Bank guarantee in respect of Alternative Energy Development Board (AEDB) amounting to Rs. 2.140 million (2009: Rs. 1.973 million).

13.2 Commitments

(i) Contracts for capital expenditure Rs. 115.335 million (2009: Rs. 196.252 million).

(ii) Letters of credit for capital expenditure Rs. 41.891 million (2009: Rs. 0.068 million).

(iii) Letters of credit other than capital expenditure Rs. 1,375.171 million (2009: Rs. 986.898 million).

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2010	2009
	----(Rupees in thousand)----	
Not later than one year	331	268
Later than one year and not later than five years	1,488	917
Later than five years	6,833	3,866
	8,652	5,051

14. Property, plant and equipment

	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value (NBV) as at 01 July 2009	Additions/ transfers	Disposals (at NBV)	Depreciation charge	Net book value (NBV) as at 30 June 2010	Cost as at 30 June 2010	Accumulated depreciation as at 30 June 2010	Net book value as at 30 June 2010	Depreciation rate (% per annum)
	(Rupees in thousand)					(Rupees in thousand)			
Freehold land	340,892	-	-	-	340,892	340,892	-	340,892	-
Leasehold land	59,850	-	-	(2,100)	57,750	63,000	(5,250)	57,750	3.33%
Building on freehold land									
- Factory Building	3,313,310	126,775	-	(332,381)	3,107,704	4,847,944	(1,740,240)	3,107,704	10%
- Office Building and housing colony	467,990	42,031	-	(23,709)	486,312	681,049	(194,737)	486,312	5%
Roads	280,466	18,279	-	(28,199)	270,546	434,874	(164,328)	270,546	10%
Plant and machinery	18,423,265	2,100,649	-	(791,965)	19,731,949	26,045,208	(6,313,259)	19,731,949	4.76% - 4.98%
Quarry equipment	886,766	-	-	(149,131)	737,635	1,497,966	(760,331)	737,635	20%
Furniture, fixture and office equipment	184,603	15,357	(279)	(18,816)	180,865	284,709	(103,844)	180,865	10%
Vehicles	83,942	13,659	(9,700)	(14,646)	73,255	148,301	(75,046)	73,255	20%
Aircraft	3,540	-	-	(1,062)	2,478	38,185	(35,707)	2,478	30%
Power and water supply line	301,169	47,302	-	(30,555)	317,916	463,229	(145,313)	317,916	10%
2010	24,345,793	2,364,052	(9,979)	(1,392,564)	25,307,302	34,845,357	(9,538,055)	25,307,302	

	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value (NBV) as at 01 July 2008	Additions/ transfers	Disposals (at NBV)	Depreciation charge	Net book value (NBV) as at 30 June 2009	Cost as at 30 June 2009	Accumulated depreciation as at 30 June 2009	Net book value as at 30 June 2009	Depreciation rate (% per annum)
	(Rupees in thousand)					(Rupees in thousand)			
Freehold land	275,999	64,893	-	-	340,892	340,892	-	340,892	-
Leasehold land	61,950	-	-	(2,100)	59,850	63,000	(3,150)	59,850	3.33%
Building on freehold land									
- Factory Building	3,437,421	230,454	-	(354,565)	3,313,310	4,721,169	(1,407,859)	3,313,310	10%
- Office Building and housing colony	430,270	61,134	-	(23,414)	467,990	639,018	(171,028)	467,990	5%
Roads	252,816	56,058	-	(28,408)	280,466	416,595	(136,129)	280,466	10%
Plant and machinery	17,074,195	2,082,744	(257)	(733,417)	18,423,265	23,944,559	(5,521,294)	18,423,265	4.76% - 4.98%
Quarry equipment	869,786	174,380	-	(157,400)	886,766	1,497,966	(611,200)	886,766	20%
Furniture, fixture and office equipment	181,183	23,285	(729)	(19,136)	184,603	269,752	(85,149)	184,603	10%
Vehicles	91,872	9,932	(1,025)	(16,837)	83,942	153,434	(69,492)	83,942	20%
Aircraft	5,059	-	-	(1,519)	3,540	38,185	(34,645)	3,540	30%
Power and water supply line	297,343	35,895	-	(32,069)	301,169	415,927	(114,758)	301,169	10%
2009	22,977,894	2,738,775	(2,011)	(1,368,865)	24,345,793	32,500,497	(8,154,704)	24,345,793	

14.1 Freehold land and building include book values of Rs 12 million (2009: Rs 12 million) and Rs 9.177 million (2009: Rs 9.177 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defense Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Company.

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

	Note	2010	2009
		----(Rupees in thousand)----	
Cost of sales	25	1,379,750	1,354,851
Administrative expenses	26	11,538	12,679
Selling and distribution expenses	27	1,276	1,335
		1,392,564	1,368,865

14.3 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
		(Rupees in thousand)					
Office equipment	Limton Innovative System	326	66	260	100	(160)	Auction
Vehicles	Performance Automotive (Private) Limited	10,407	4,716	5,691	10,500	4,809	Negotiation
	International Motors	3,233	1,110	2,123	2,800	677	-do-
	Mr. Irfan Ahmed	1,125	542	583	813	230	Auction
	Mr. Irfan Ahmed	575	408	167	383	216	-do-
	Mr. Rashid Maqbool	571	402	169	408	239	-do-
	Mr. Agha Naveed Ahmed	566	402	164	421	257	-do-
	Mr. Agha Naveed Ahmed	566	398	168	401	233	-do-
	Mrs. Nawaz Heraj	571	170	401	203	(198)	-do-
	Mr. Salahuddin (Employee)	576	405	171	431	260	-do-
Others	Assets with book value less than Rs. 50,000	676	594	82	325	243	Auction
	2010	19,192	9,213	9,979	16,785	6,806	
	2009	5,110	3,099	2,011	4,076	2,065	

15 Capital work in progress

	2010	2009
	----(Rupees in thousand)----	
Civil works	**84,874**	120,157
Plant and machinery	**226,353**	1,474,504
Advances	**28,988**	10,434
Others	**78,491**	110,944
Expansion project :		
- Civil works	**18,992**	34,166
- Others	**27,952**	3
	46,944	34,169
	465,650	1,750,208

	Note	2010	2009
		----(Rupees in thousand)----	
16 Investments			
Investment in subsidiary company	16.1	203,629	203,629
Available for sale	16.2	4,493,293	2,968,879
		4,696,922	3,172,508
16.1 Investment in subsidiary company			
Un-quoted			
Nishat Paper Products Company Limited			
23,268,398 (2009: 23,268,398) fully paid ordinary shares of Rs. 10 each			
Equity held: 50% (2009: 50%)		203,629	203,629
16.2 Available for sale			
Related parties	16.2.1	1,846,505	1,406,068
Others	16.2.2	519	519
		1,847,024	1,406,587
Revaluation surplus		2,646,269	1,562,292
		4,493,293	2,968,879
16.2.1 Related parties			
Quoted			
Nishat Mills Limited - associated company			
27,569,798 (2009: 19,013,654) fully paid ordinary shares of Rs. 10 each		1,371,619	1,029,373
Transferred from short term investments			
2,719,703 (2009: 1,875,658) fully paid ordinary shares of Rs. 10 each	21.1	205,555	-
Market value - Rs. 1,306.084 million (2009: Rs. 719.096 million)			
Less: Cumulative impairment loss		(250,615)	(184,915)
		1,326,559	844,458
Nishat (Chunian) Limited			
4,926,900 (2009: 7,609,163) fully paid ordinary shares of Rs. 10 each		45,254	48,872
Market value - Rs. 77.746 million (2009: Rs. 65.15 million)			
Nil (2009: 3,804,582) fully paid Preference shares of Rs. 10 each		-	38,046
Market value - Rs. Nil (2009: Rs. 38.046 million)			
MCB Bank Limited			
14,551,820 (2009: 13,228,929) fully paid ordinary shares of Rs. 10 each		125,834	125,834
Market value - Rs. 2,825.817 million (2009: Rs 2,050.881 million)			
Adamjee Insurance Company Limited - associated company			
3,541,391 (2009: 3,219,447) fully paid ordinary shares of Rs. 10 each		348,858	348,858
Market value - Rs. 282.886 million (2009: Rs. 270.401 million)			
		519,946	561,610
		1,846,505	1,406,068

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

	2010	2009
	----(Rupees in thousand)----	
16.2.2 Others-Quoted		
Maple Leaf Cement Factory Limited		
13,747 (2009: 13,747) fully paid ordinary shares of Rs. 10 each	282	282
Market value - Rs. 0.0428 million (2009: Rs. 0.058 million)		
Less: Impairment loss	(128)	(128)
	154	154
1,999 (2009: 1,999) fully paid preference shares of Rs. 10 each	20	20
Market value - Rs. 0.083 million (2009: Rs. 0.015 million)		
Less: Impairment loss	(3)	(3)
	17	17
First Capital Mutual Fund		
89,000 (2009: 89,000) certificates of Rs. 10 each	890	890
Market value - Rs. 0.205 million (2009: Rs. 0.212 million)		
Less: Impairment loss	(678)	(678)
	212	212
Habib Bank Limited		
145 (2009: 132) fully paid ordinary shares of Rs. 10 each	24	24
Market value - Rs. 0.014 million (2009: Rs. 0.012 million)		
Less: Impairment loss	(6)	(6)
	18	18
Oil and Gas Development Company Limited		
2,353 (2009: 2,353) fully paid ordinary shares of Rs. 10 each	76	76
Market value - Rs. 0.333 million (2009: Rs. 0.185 million)		
Pakistan Petroleum Limited		
726 (2009: 605) fully paid ordinary shares of Rs. 10 each	27	27
Market value - Rs. 0.134 million (2009: Rs. 0.115 million)		
Kot Addu Power Company Limited		
500 (2009: 500) fully paid ordinary shares of Rs. 10 each	15	15
Market value - Rs. 0.021 million (2008: Rs. 0.021 million)		
	519	519

16.3 Investments with a face value of Rs. 230.5 million (2009: Rs. 280 million) are pledged as security against bank facilities. 2,396,924 (2009: 2,396,924) shares of MCB Bank Limited are blocked in CDC account.

	Note	2010	2009
		----(Rupees in thousand)----	

17 Long term loans, advances and deposits

	Note	2010	2009
Loans to employees - considered good			
- Executives	17.1	410	17
- Others		3,204	5,017
		3,614	5,034
Less: Receivable within one year			
- Executives		113	17
- Others		1,282	1,604
		1,395	1,621
		2,219	3,413
Loan to related party - considered good	17.2	120,440	137,645
Less : receivable within one year	22	17,206	17,206
		103,234	120,439
Security deposits		53,224	43,088
		158,677	166,940

17.1 Executives

	2010	2009
Opening balance	17	89
Transfer from Others to Executives	505	-
Interest accrued	26	-
	548	89
Less: Repayment during the year	138	72
	410	17

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate 10% per annum (2009: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs. 3.614 million (2009: Rs. 5.034 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs. 0.298 million (2009: Rs. 0.082 million).

17.2 This represents un-secured loan of Rs. 85.750 million and Rs. 34.690 million (2009 : Rs. 98 million and Rs. 39.645 million) given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plants at D. G. Khan and Khairpur respectively. Mark-up is charged at rates ranging from 1.5% to 2% per annum (2009: 1.5% to 2% per annum) respectively and is receivable annually. This amount is receivable in 10 annual installments commencing 01 January 2007 and 28 March 2008.

	2010	2009
	----(Rupees in thousand)----	

18 Stores, spares and loose tools

	2010	2009
Stores [including in transit Rs. 9.556 million (2009: Rs. 462.422 million)]	870,113	1,669,358
Spares [including in transit Rs. 306.053 million (2009: Rs. 45.189 million)]	2,130,891	1,251,795
Loose tools	16,738	14,727
	3,017,742	2,935,880

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

	Note	2010	2009
		----(Rupees in thousand)----	

19 Stock-in-trade

	Note	2010	2009
Raw materials		127,756	121,414
Packing material [including in transit Rs. Nil (2009: Rs. 14.633 million)]		152,216	141,062
Work-in-process		537,539	387,444
Finished goods		219,365	249,916
		1,036,876	899,836

20 Trade debts - considered good

	Note	2010	2009
Secured		252,980	417,680
Unsecured			
- Related parties	20.1	2,776	11,106
- Others		48,193	85,180
		303,949	513,966

20.1 Due from related parties

	2010	2009
Nishat Mills Limited	-	11,106
Nishat (Chunian) Limited	1,100	-
Nishat Power Limited	1	-
Nishat Developers	1,675	-
	2,776	11,106

These are in the normal course of business and are interest free.

21 Investments

	Note	2010	2009
Available-for-sale			
Related parties	21.1	479,066	590,843
Add: Revaluation surplus		10,261,906	7,195,125
		10,740,972	7,785,968

	Note	2010	2009
		----(Rupees in thousand)----	
21.1 Related parties-Quoted			
Nishat Mills Limited - associated company			
2,719,703 (2009: 1,875,658) fully paid ordinary shares of Rs. 10 each		205,555	171,794
Market value -Rs. 117.274 million (2009: Rs. 70.937 million)			
Less: Impairment Loss		(65,700)	(65,700)
		139,855	106,094
Less : transferred to long term investments	16.2.1	(139,855)	-
		-	106,094
Nishat (Chunian) Limited			
Nil (2009: 166,318) fully paid ordinary shares of Rs. 10 each		-	11,638
83,159 (2009: Nil) fully paid ordinary shares of Rs. 10 each	21.2	832	-
Market value - Rs. 1.312 million (2009: Rs. 1.432 million)			
Less: Impairment Loss		-	(5,955)
		832	5,683
Nil (2009: 83,159) fully paid preference of Rs. 10 each		-	832
Market value - Rs Nil (2009: Rs. 0.832 million)			
MCB Bank Limited			
55,304,911 (2009: 50,277,195) fully paid ordinary shares of Rs. 10 each		478,234	478,234
Market value Rs. 10,739.661 million (2009: Rs 7,794.474 million)			
		479,066	590,843

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

21.2 During the year the preference shares of Nishat (Chunian) Limited have been converted into fully paid ordinary shares.

	Note	2010	2009
		----(Rupees in thousand)----	
22 Advances, deposits, prepayments and other receivables			
Loans to employees - considered good	17	1,395	1,621
Advances - considered good			
- to employees	22.1	2,025	3,386
- to trade suppliers	22.2	430,169	325,063
		432,194	328,449
Current portion of long term receivable from related party	17	17,206	17,206
Due from related parties	22.3	30,828	9,774

	Note	2010	2009
		----(Rupees in thousand)----	
Mark-up receivable from related party	22.4	40,834	1,116
Derivative financial instruments	22.5,22.6 & 22.7	9,422	213,072
Profit receivable on bank deposits		981	1,282
Prepayments		-	180
Letters of credit - margins, deposits, opening charges, etc.		35,341	21,807
Excise duty recoverable		3,019	-
Claims recoverable from government			
Income tax		381,654	222,159
Sales tax	22.8	51,307	50,699
Freight subsidy		27,422	-
Excise duty		17,243	17,243
Export rebate		35,514	17,646
		513,140	307,747
Other receivables		2,801	5,846
		1,087,161	908,100

22.1 Included in advances to employees are amounts due from executives of Rs. 1,009 thousand (2009: Rs. 277 thousand).

22.2 This includes amount due from Subsidiary company amounting to Rs. 346.414 million (2009: Rs. 266.973 million) relating to advance for purchase of paper bags carrying interest at average borrowing rate of the Company.

	Note	2010	2009
		----(Rupees in thousand)----	
22.3 Due from related parties			
Nishat Mills Limited	22.3.1	30,656	9,602
Nishat Hotels and Properties Ltd.	22.3.1	172	172
		30,828	9,774

22.3.1 These relate to normal business of the Company and are interest free.

22.4 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 17.2.

22.5 The Company had entered into two interest rate cross currency swap agreements with banks for a notional amount of USD 15 million (2009: USD 15 million), which were settled pre-maturely during the year. The outstanding balance of these arrangements as at 30 June 2010 is USD Nil (2009: USD 11.138 million). Under interest rate swap arrangements the Company had to pay 3 months KIBOR rates and receive 3 months LIBOR rates as per the respective arrangements on quarterly basis, further under cross currency swap arrangements the Company had to pay PKR and receive USD, which had to be settled semi annually.

22.6 The Company had entered into an interest rate cross currency swap agreements with a bank for a notional amount of Rs. 750 million (2009: Rs 750 million), which matured during the year. The outstanding balance of these arrangements as at 30 June 2010 is Rs. Nil (2009: Rs 750 million). Under interest rate swap arrangements the Company had to receive 6 months KIBOR rates and pay 6 months LIBOR rates as per the respective arrangements, further under cross currency swaps arrangements the Company would pay USD and receive PKR, which had to be settled semi annually.

22.7 The Company has entered into 9 forward agreements with various banks for a total amount of USD 16.5 million (2009 : USD Nil), having 1 to 6 months maturity. Under forward agreement, the Company would sell the contracted quantity of USD to the bank at the Contracted rate. As at 30 June 2010, the unrealized gain on these forward contracts amount to Rs. 9.422 million (2009 : Nil).

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

	2010	2009
	----(Rupees in thousand)----	

23 Cash and bank balances

	2010	2009
At banks		
Saving accounts		
Pak rupee	61,426	29,785
Foreign currency US $ 22.20 (2009: US $ 22.22)	2	2
Current accounts	168,268	212,060
	229,696	241,847
Cash in hand	1,096	1,995
	230,792	243,842

23.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2009: 0.1% to 5% per annum).

23.2 Included in balances at banks on saving accounts are Rs 14.480 million (2009: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 11.2.

24 Sales - net

	Note	2010	2009
		----(Rupees in thousand)----	
Local sales		18,337,945	17,590,823
Export sales	24.1	3,698,676	5,801,994
		22,036,621	23,392,817
Less: Government levies		5,509,345	5,046,757
Commission to stockists and export agents		251,922	307,851
		5,761,267	5,354,608
		16,275,354	18,038,209

24.1 Export sales include rebate on exports amounting to Rs. 23.020 million (2009: Rs. 11.936 million).

25 Cost of sales

	Note	2010	2009
		----(Rupees in thousand)----	
Raw and packing materials consumed		1,912,808	1,527,430
Salaries, wages and other benefits	25.1	695,739	641,408
Electricity and gas		1,991,243	1,427,631
Furnace oil and coal		6,100,305	6,603,908
Stores and spares consumed	25.2	1,096,570	879,772
Repair and maintenance		165,951	131,911
Insurance		52,727	45,573
Depreciation on property, plant and equipment	14.2	1,379,750	1,354,851
Depreciation on assets subject to finance lease		-	80
Royalty		185,052	86,514
Excise duty		34,839	30,023
Vehicle running		21,041	18,208
Postage, telephone and telegram		4,829	4,188
Printing and stationery		4,821	8,149
Legal and professional charges		2,079	2,856
Traveling and conveyance		8,652	6,297
Estate development		12,514	10,285
Rent, rates and taxes		1,492	7,731
Freight charges		4,924	5,600
Other expenses		19,834	16,150
		13,695,170	12,808,565

	2010	2009
	----(Rupees in thousand)----	
Opening work-in-process	387,444	118,292
Closing work-in-process	(537,539)	(387,444)
	(150,095)	(269,152)
Cost of goods manufactured	13,545,075	12,539,413
Opening stock of finished goods	249,916	78,369
Closing stock of finished goods	(219,365)	(249,916)
	30,551	(171,547)
Less : own consumption	5,632	9,387
	13,569,994	12,358,479

25.1 Salaries, wages and other benefits include Rs. 19.256 million (2009: Rs. 16.323 million), Rs. 17.584 million (2009: Rs. 11.640 million) and Rs. 12.394 million (2009: Rs. 13.937 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

25.2 Stores and spares consumed during the year include Rs. Nil (2009: Rs. 3.814 million) being stores and spares written off.

26 Administrative expenses

	Note	2010	2009
		----(Rupees in thousand)----	
Salaries, wages and other benefits	26.1	91,633	73,858
Electricity, gas and water		3,868	3,482
Repair and maintenance		6,052	6,753
Insurance		1,596	1,707
Depreciation on property, plant and equipment	14.2	11,538	12,679
Depreciation on assets subject to finance lease		-	9
Vehicle running		5,252	4,259
Postage, telephone and telegram		9,568	3,353
Printing and stationery		5,716	3,423
Legal and professional charges	26.2	8,478	8,014
Traveling and conveyance		4,983	5,289
Rent, rates and taxes		1,480	185
Entertainment		1,492	1,441
School expenses		11,292	9,790
Fee and subscription		4,948	3,818
Other expenses		4,540	3,792
		172,436	141,852

26.1 Salaries, wages and other benefits include Rs. 3.176 million (2009: Rs. 2.565 million), Rs. 3.464 million (2009: Rs. 2.26 million) and Rs. 1.604 million (2009: Rs. 1.843 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

26.2 Legal and professional charges

	2010	2009
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,100	1,000
Half yearly review	250	225
Certification and sundry services	50	20
Out of pocket expenses	100	75
	1,500	1,320

	Note	2010	2009
		----(Rupees in thousand)----	

27 Selling and distribution expenses

	Note	2010	2009
Salaries, wages and other benefits	27.1	54,149	49,946
Electricity, gas and water		1,100	1,064
Repair and maintenance		557	366
Insurance		238	294
Depreciation on property, plant and equipment	14.2	1,276	1,335
Vehicle running		2,736	2,414
Postage, telephone and telegram		2,400	932
Printing and stationery		2,240	1,614
Rent, rates and taxes		3,520	3,030
Legal and professional charges		16	263
Traveling and conveyance		2,079	3,328
Entertainment		578	393
Advertisement and sales promotion		5,271	1,657
Freight charges -local		70	64
Freight and handling charges -export		916,975	1,802,298
Other expenses		1,213	2,519
		994,418	1,871,517

27.1 Salaries, wages and other benefits include Rs. 2.246 million (2009: Rs. 1.920 million), Rs. 1.975 million (2009: Rs. 1.203 million) and Rs. 1.042 million (2009: Rs. 1.391 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

	Note	2010	2009
		----(Rupees in thousand)----	

28 Other operating expenses

	Note	2010	2009
Workers' profit participation fund		20,251	41,724
Donations	28.1	351	7,387
Worker welfare fund		26,353	15,855
Exchange loss		142,060	730,888
		189,015	795,854

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

	Note	2010	2009
		----(Rupees in thousand)----	

29 Other operating income

	Note	2010	2009
Income from financial assets			
Income on bank deposits		2,372	2,712
Interest on loans to employees		45	67
Gain on sale of shares		79,215	5,039
Dividend income from:			
- Related parties	29.1	765,930	707,206
- Others		468	25
		766,398	707,231
		848,030	715,049

	2010	2009
	----(Rupees in thousand)----	
Income from non-financial assets		
Rental income	1,406	1,602
Profit on disposal of property, plant and equipment	6,806	2,065
Scrap sales	13,085	11,170
Mark-up on loan/advances to related parties	42,273	40,126
Provisions and unclaimed balances written back	-	125
	63,570	55,088
Others	72	-
	911,672	770,137

29.1 Dividend income from related parties

	2010	2009
Nishat Mills Limited	41,779	50,394
Nishat (Chunian) Limited	50	-
MCB Bank Limited	714,443	649,495
Adamjee Insurance Company Limited	9,658	7,317
	765,930	707,206

30 Finance cost

	2010	2009
Interest and mark-up on:		
- Long term loans	731,659	1,210,330
- Short term borrowings	1,088,143	1,066,099
- Finance lease	-	10
- Workers' profit participation fund	2,051	-
Loss on derivative financial instruments	28,470	261,519
Guarantee commission	29,843	34,381
Bank charges	22,594	34,019
	1,902,760	2,606,358

30.1 During the year borrowing cost amounting to Rs. 150.084 million (2009: Rs. 22.948 million) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

31 Provision for taxation

	Note	2010	2009
		----(Rupees in thousand)----	
For the year			
- Current	31.1	(100,998)	(128,743)
- Deferred		(24,383)	(122,576)
		(125,381)	(251,319)

31.1 The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 0.5% of turnover from local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of Company's tax liability in respect of income arising from such source.

31.2 For purposes of current taxation, the tax credits available for carry forward as at 30 June 2010 are estimated approximately at Rs. 7,995 million (2009: Rs. 8,163 million).

31.3 Since the Company is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

		2010	2009 Restated

32 Earnings per share

32.1 Earnings per share - Basic

		2010	2009 Restated
Profit for the year	*Rupees in thousand*	233,022	525,581
Weighted average number of ordinary shares	*Number*	325,273,021	321,652,453
Earnings per share - basic	*Rupees*	0.72	1.63

32.2 Earnings per share - Diluted

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

33 Cash flow from operating activities

	Note	2010	2009
		----(Rupees in thousand)----	
Profit before tax		358,403	776,900
Adjustment for :			
- Depreciation on property, plant and equipment		1,392,564	1,368,865
- Depreciation on assets subject to finance lease		-	89
- Profit on disposal of property, plant and equipment		(6,806)	(2,065)
- Gain on disposal of investments		(79,215)	-
- Dividend income		(766,398)	(707,231)
- Impairment loss		-	257,386
- Store and spares directly written off		-	3,814
- Markup income		(42,273)	(42,905)
- Retirement and other benefits accrued		38,109	32,600
- Exchange loss - net		142,060	730,888
- Finance cost		1,902,760	2,606,358
		2,580,801	4,247,799
Profit before working capital changes		2,939,204	5,024,699
Effect on cash flow due to working capital changes:			
- Increase in stores, spares and loose tools		(81,862)	(640,444)
- Increase in stock-in-trade		(137,040)	(453,980)
- Decrease / (increase) in trade debts		210,017	(147,793)
- Increase in advances, deposits, prepayments and other receivables		19,926	(18,112)
- Increase in trade and other payables		244,354	65,617
		255,395	(1,194,712)
Cash generated from operations		3,194,599	3,829,987

34 Cash and cash equivalents

		2010	2009
Short term borrowings - secured		(9,585,642)	(9,068,575)
Cash and bank balances		230,792	243,842
		(9,354,850)	(8,824,733)

35 Remuneration of Chief Executive, Directors and Executives

35.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive, full time working directors and executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	6,518	5,668	10,310	8,964	121,805	101,538
Contributions to provident and gratuity funds	-	-	1,031	896	10,271	8,297
Housing	270	270	683	594	38,874	21,755
Utilities	-	-	-	-	8,289	6,508
Leave passage	-	-	635	697	3,173	2,185
Medical expenses	1,359	385	109	30	2,213	1,236
Others	4,843	4,238	2,045	1,266	38,849	37,157
	12,990	10,561	14,813	12,447	223,474	178,676
Number of persons	**1**	**1**	**2**	**2**	**105**	**92**

The Company also provides the chief executive and some of the directors and executives with free transport and residential telephones.

35.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 5 directors (2009: 5 directors) was Rs. Nil (2009: Rs. Nil).

36 Transactions with related parties

The related parties comprise subsidiary company, associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. The directors of the related companies are close members of the family of the directors of the company. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, dividend income is disclosed in note 29, expense charged in respect of staff retirement benefit plans is disclosed in note 7 and remuneration of the key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

		2010	2009
		----(Rupees in thousand)----	
Relationship with the company	**Nature of transaction**		
i. Subsidiary Company	Purchase of goods	**1,186,862**	912,294
	Rental income	**776**	762
	Interest income	**39,859**	37,390
ii. Other related parties	Sale of goods	**29,002**	33,345
	Insurance premium	**75,046**	58,152
	Purchase of services	**742,971**	811,471
	Insurance claims received	**202**	729
	Mark-up income on balances with related parties	**2,414**	5,374
	Dividend income	**765,930**	707,206

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

37. Plant capacity and actual production

	Capacity		Actual production	
	2010	2009	2010	2009
Clinker (M. Tons)				
Unit I	810,000	810,000	951,397	913,872
Unit 2	1,200,000	1,200,000	1,328,353	1,086,267
Unit 3	2,010,000	2,010,000	2,404,629	1,945,962

38. Operating segments

38.1 The financial information has been prepared on the basis of a single reportable segment.

38.2 Sale from cement and clinker represent 98.57% and 1.43% (2009: 95.59% and 4.41%) of total revenue of the company respectively.

38.3 All non-current assets of the company as at 30 June 2010 are located in Pakistan.

39. Financial instruments

The company has exposure to the following risks from its use of financial instruments.:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

39.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 16,702 million (2009: Rs. 12,483 million) financial assets which are subject to credit risk amount to Rs. 16,701 million (2009: Rs. 12,481 million).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 30 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010	2009
	----(Rupees in thousand)----	
Available for sale financial assets		
- Non Current Investments	4,696,922	3,172,509
- Current Investments	10,740,972	7,785,967
Long term loans, advances and deposits	158,677	166,940
Trade debts	303,949	513,966
Advances, deposits and other receivables	561,580	387,101
Bank balances	229,696	241,847
Derivative financial instruments	9,422	213,072
	16,701,218	12,481,402

The trade debts as at the balance sheet date are classified as follows:

Foreign	216,093	417,680
Domestic	87,856	96,286
	303,949	513,966

The aging of trade receivables at the reporting date is:

Past due 1 - 3 Months	139,950	490,181
Past due 4 - 6 Months	22,718	2,620
Past due 7 - 10 Months	6,979	1,967
Past due 11 - 12 Months	4,075	1,060
Past due above one year	130,227	18,138
	303,949	513,966

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	(Rupees in thousand)					
Non derivative financial liabilities						
Long term finances	1,066,740	1,066,740	4,677,008	412,500	-	7,222,988
Long term deposits	-	-	81,138	-	-	81,138
Trade and other payables	767,635	-	-	-	-	767,635
2009-2010	1,834,375	1,066,740	4,758,146	412,500	-	8,071,761

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	(Rupees in thousand)					
Non derivative financial liabilities						
Long term finances	1,629,737	3,129,737	4,315,837	60,000	-	9,135,311
Long term deposits	-	-	73,765	-	-	73,765
Trade and other payables	578,409	-	-	-	-	578,409
2008-2009	2,208,146	3,129,737	4,389,602	60,000	-	9,787,485

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

39.3.1 Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency primarily U.S. Dollars (USD). The Company uses forward exchange and derivative contracts to hedge its currency risks. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2010	**2009**
	----(Rupees in thousand)----	
Foreign debtors	**216,093**	417,680
Foreign currency bank accounts	**2**	2
Less: Long Term Loans	**(2,079,170)**	(2,632,967)
Less: Import Finances	**(1,602,507)**	-
Less: Payables	**(4,255)**	(10,904)
Derivative financial instruments - asset	**9,422**	213,072
Gross balance sheet exposure	**(3,460,415)**	(2,013,117)
Outstanding letter of credits	**(539,059)**	(685,418)
Net exposure	**(3,999,474)**	(2,698,535)

The following significant exchange rates have been applied:

	Reporting date rate	
	2010	2009
USD to PKR - Buy	**85.40**	81.10
USD to PKR - Sell	**85.60**	81.30

	Average rate	
	2010	2009
USD to PKR - Buy	**83.38**	78.69
USD to PKR - Sell	**84.26**	78.89

Sensitivity analysis:

At reporting date, if the PKR had strengthened by Rupee one against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and outstanding letter of credits.

	2010	2009
	----(Rupees in thousand)----	
Effect on profit and loss	46,832	33,274

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

39.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective rate (in Percentage)		Carrying amount (Rupees in 000)	
Financial liabilities				
Fixed rate instruments:				
Short term borrowings - PKR	-	7.5	-	2,108,398
Variable rate instruments:				
Long term finances - PKR	13.08 to 15.11	12.59 to 16.62	5,143,818	6,502,344
Long term finances - USD	0.314 to 0.664	2.45	2,079,170	2,632,967
Short term borrowings - PKR	12.24 to 16.66	13.17 to 17.17	7,983,134	6,079,898
Short term borrowings - USD	3.11 to 3.75	3.11 to 6.89	1,602,508	880,279

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	100bps	
	Increase	Decrease
	(Rupees in thousand)	
Effect on profit - 30 June 2010	(150,216)	150,216
Effect on profit - 30 June 2009	(139,762)	139,762

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

39.3.3 Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:
Level 1 : quoted market prices
Level 2 : valuation techniques (market observable)
Level 3 : valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	....	(Rupees in thousand)	....	
Financial assets 30 June 2010				
Available for sale financial assets	15,234,265	15,234,265	-	-
Derivative financial assets	9,422	-	9,422	-
	15,243,687	15,234,265	9,422	-
Financial assets 30 June 2009				
Available for sale financial assets	10,754,847	10,754,847	-	-
Derivative financial assets	213,072	-	213,072	-
	10,967,919	10,754,847	213,072	-

39.3.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available-for-sale equity securities held. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Company's investment strategy is to maximise investment returns.

Sensitivity analysis:

A 1% increase / decrease in share prices at year end would have decreased / increased the Company's surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	2010	2009
	----(Rupees in thousand)----	
Effect on profit and loss	**152,343**	107,548

39.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

39.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 June 2010 and at 30 June 2009 were as follows:

	2010	**2009**
	----(Rupees in thousand)----	
Total debt	**17,155,055**	18,735,658
Total equity and debt	**43,674,275**	39,654,100
Debt-to-equity ratio	**39%**	47%

The decrease in the debt-to-equity ratio in 2010 resulted primarily due to net repayment of long term and short term borrowings.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

40. Date of authorisation

These financial statements were authorised for issue on 17 September 2010 by the Board of Directors of the Company.

41. General

41.1 Figures have been rounded off to the nearest thousand of Rupees.

41.2 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Chief Executive

Director

D.G. Khan Cement Company Limited
Consolidated Financial Statements
for the year ended 30 June 2010

DIRECTOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Director's are pleased to present before you the audited financial statements of D.G. Khan Cement Company Ltd and its subsidiary namely Nishat Paper Products Company Limited.

Combined financials are as follows:

	FY 2009-10	FY 2008-09
Sale Revenue	16,973,236	18,368,507
Gross Profit	3,044,622	5,804,826
Profit Before Tax	510,749	654,458
Profit After Tax	310,776	415,082
Earning per Share	0.84	1.40

A separate report on affairs of D.G. Khan Cement Company Ltd for the year ended June 30, 2010 has been separately presented.

For and on behalf of the Board

Mian Raza Mansha
Chief Executive

Lahore
September 17, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of **D.G. Khan Cement Company Limited ("the parent company")** and its subsidiary company Nishat Paper Products Company Limited comprising consolidated balance sheet as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of D.G. Khan Cement Company Limited. The financial statements of the subsidiary company Nishat Paper Products Company Limited was audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor.

These consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to express our opinion on these consolidated financial 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.

In our opinion the consolidated financial statements present fairly the consolidated financial position of D.G. Khan Cement Company Limited and its subsidiary company, Nishat Paper Products Company Limited, as at 30 June 2010 and the consolidated results of its operations, its consolidated statement of comprehensive income, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

As stated in note 2.4 to the consolidated financial statements, the Company has changed its accounting policy on initial application of standards, amendments or interpretations to existing standards, with which we concur.

KPMG Taseer Hadi & Co.

Lahore
September 17, 2010

KPMG TH

KPMG Taseer Hadi & Co.
Chartered Accountants
(Bilal Ali)

CONSOLIDATED BALANCE SHEET

	Note	2010	2009
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
950,000,000 (2009: 950,000,000) ordinary shares of Rs. 10 each		9,500,000	9,500,000
50,000,000 (2009: 50,000,000) preference shares of Rs. 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital	3	3,650,993	3,042,494
Reserves	4	22,199,501	17,440,244
Accumulated profit		755,856	483,954
		26,606,350	20,966,692
NON-CONTROLLING INTEREST		328,308	289,434
		26,934,658	21,256,126
NON-CURRENT LIABILITIES			
Long term finances	5	5,229,507	4,675,837
Liabilities against assets subject to finance lease	6	-	155
Long term deposits	7	81,138	73,765
Retirement and other benefits	8	104,029	78,622
Deferred taxation	9	1,451,960	1,361,576
		6,866,634	6,189,955
CURRENT LIABILITIES			
Trade and other payables	10	1,830,315	1,446,235
Accrued markup	11	376,277	569,329
Short term borrowing - secured	12	10,080,232	9,446,856
Current portion of non-current liabilities	13	2,369,438	4,924,181
Provision for taxation		35,090	35,090
		14,691,352	16,421,691
CONTINGENCIES AND COMMITMENTS	14		
		48,492,644	43,867,772

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

AS AT JUNE 30, 2010

	Note	2010	2009
		----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	26,446,199	25,550,453
Assets subject to finance lease	16	675	731
Capital work in progress	17	465,650	1,750,208
Investments	18	4,493,293	2,968,879
Long term loans, advances and deposits	19	159,583	167,959
		31,565,400	30,438,230
CURRENT ASSETS			
Stores, spares and loose tools	20	3,049,409	2,964,840
Stock-in-trade	21	1,636,829	1,023,230
Trade debts	22	462,367	656,986
Investments	23	10,740,986	7,785,979
Advances, deposits, prepayments and other receivables	24	774,711	737,493
Cash and bank balances	25	262,942	261,014
		16,927,244	13,429,542
		48,492,644	43,867,772

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		----(Rupees in thousand)----	
Sales - net	26	16,973,236	18,368,507
Cost of sales	27	(13,928,614)	(12,563,681)
Gross profit		3,044,622	5,804,826
Administrative expenses	28	(176,497)	(145,547)
Selling and distribution expenses	29	(1,005,271)	(1,881,101)
Other operating expenses	30	(204,791)	(823,692)
Other operating income	31	875,085	735,021
Impairment on investment		-	(257,386)
Profit from operations		2,533,148	3,432,121
Finance cost	32	(2,022,399)	(2,777,663)
Profit before tax		510,749	654,458
Taxation	33	(199,973)	(239,376)
Profit for the year		310,776	415,082
Attributable to :			
Equity holders of the parent		271,902	451,555
Non-Controlling interest		38,874	(36,473)
		310,776	415,082
Combined earnings per share - basic and diluted	34	0.84	1.40

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	----(Rupees in thousand)----	
Profit after taxation	**310,776**	415,082
Other comprehencive income:		
Available for sale financial assets		
- Change in fair value	**4,209,530**	(10,958,946)
- Realized gain through profit and loss account	**(58,772)**	-
- Impairment loss through profit and loss account	**-**	257,386
Other comprehensive income/(loss) for the year-net of taxes	**4,150,758**	(10,701,560)
Total comprehensive income/(loss) for the year	**4,461,534**	(10,286,478)
Equity holders of the parent	**4,422,660**	(10,250,005)
Non-Controlling interest	**38,874**	(36,473)
	4,461,534	(10,286,478)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	35	3,335,369	4,440,576
Finance cost paid		(2,215,424)	(2,599,956)
Retirement and other benefits paid		(11,368)	(6,934)
Taxes paid		(301,273)	(259,397)
Long term deposits - Net		7,373	(14)
Net cash generated from operating activities		814,677	1,574,275
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(1,082,904)	(1,998,900)
Proceeds from sale of property, plant and equipment		38,961	4,076
Investments - Net		(249,445)	(38,878)
Long term loans, advances and deposits - Net		8,602	356,106
Dividend received		766,399	707,242
Interest received		1,779	6,106
Net cash used in investing activities		(516,608)	(964,248)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,216,998	1,014,164
Proceeds from long term finances		3,050,000	300,000
Repayment of long term finances		(5,196,224)	(3,157,516)
Repayment of liabilities against assets subject to finance lease		(266)	(1,734)
Dividend paid		(25)	(533)
Net cash used in financing activities		(929,517)	(1,845,619)
Net decrease in cash and cash equivalents		(631,448)	(1,235,592)
Cash and cash equivalents at the beginning of year		(9,185,842)	(7,950,250)
Cash and cash equivalents at the end of year	36	(9,817,290)	(9,185,842)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2010

	CAPITAL RESERVES				REVENUE RESERVES				
	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	Total equity attributable to share holders of parent company	Non-Controlling Interest	Total Share-holders equity
	Rupees in thousand								
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,110,851	32,399	30,202,533	325,907	30,528,440
Capital transactions with owners									
- Right issue	507,082	507,082	-	-	-	-	1,014,164	-	1,014,164
Total comprehensive income for the year									
- Profit / (loss) for the year	-	-	-	-	-	451,555	451,555	(36,473)	415,082
- Other comprehensive loss for the year	-	-	(10,701,560)	-	-	-	(10,701,560)	-	(10,701,560)
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,110,851	483,954	20,966,692	289,434	21,256,126
Capital transactions with owners									
- Right issue	608,499	608,499	-	-	-	-	1,216,998	-	1,216,998
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	271,902	271,902	38,874	310,776
- Other comprehensive income for the year	-	-	4,150,758	-	-	-	4,150,758	-	4,150,758
Balance as at 30 June 2010	3,650,993	3,826,965	12,908,175	353,510	5,110,851	755,856	26,606,350	328,308	26,934,658

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1 Legal status and nature of business

The Group comprises of

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

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

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

2 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these consolidated financial statements are set out below:

2.1 Statement of compliance

These consolidated 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 Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued under the Companies Ordinance, 1984 differ, the provision or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of D. G. Khan Cement Company Limited and its subsidiary Nishat Paper Products Company Limited with 50% holding (2009: 50%) ("the Group Companies").

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

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

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

2.3 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are:

- Provision for taxation	note	2.7
- Retirement and other benefits	note	2.8
- Residual values and useful lives of depreciable assets	note	2.10
- Interest rate and cross currency swaps	note	2.19
- Provisions and contingencies	note	2.21

2.4 Changes in accounting policy

Starting 01 July 2009, the Group has changed its accounting policy in the following area:

The Group has applied Revised IAS 1 : "Presentation of Financial Statements (2007)" which became effective from financial year beginning on or after 01 January 2009. This standard required the Group to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

2.5 Borrowings

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

2.6 Leases

Finance leases

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

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease as referred to in note 6. The liabilities are classified as current and non-current depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method except plant and machinery which is depreciated on straight line method at the rates mentioned in note 16. Depreciation of leased assets is charged to profit.

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

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

Operating leases

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

2.7 Taxation

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

Current

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

Deferred

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

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

2.8 Retirement and other benefits

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

D. G. Khan Cement Company Limited

Defined benefit plan

The Parent Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at 30 June 2010 using the "Projected Unit Credit Method".

The amount recognised in balance sheet represents the present value of the defined benefit obligation as on 30 June 2010 as adjusted for unrecognised actuarial gains and losses.

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

Defined contribution plan

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

Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at 30 June 2010 using the "Projected Unit Credit Method".

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

2.9 Trade and other payables

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

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

2.10 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 2.19 and borrowing costs as referred to in note 2.22.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method, except for plant and machinery which is being depreciated using the straight line method, so as to write off the historical cost of such asset over its estimated useful life at annual rates mentioned in note 15 after taking into account their residual values.

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

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

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

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

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

2.11 Capital work-in-progress

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

2.12 Investments

Investments in equity instruments of associated companies

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

Available for sale

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

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

Investments at fair value through profit or loss

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

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

At subsequent reporting dates, the Group reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income.

2.13 Stores and spares

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

2.14 Stock-in-trade

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

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

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

2.15 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.16 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.17 Trade debts

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

2.18 Cash and cash equivalents

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

2.19 Derivative financial instruments and hedging activities

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

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

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

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

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

2.20 Foreign currencies

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

2.21 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.22 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit in which they are incurred.

2.23 Revenue recognition

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

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

2.24 Dividend

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

2.25 Related party transactions

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

2.26 Standards and amendments to published approved International Financial Reporting Standards not yet effective

A number of new standards and amendments to standards are not yet effective for the year ended 30 June 2010, and have not been applied in preparing these consolidated financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Group’s operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash -settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Group's financial statements.

- Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Group's operations.

- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Group's financial statements.

- Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Group's financial statements other than increase in disclosures.

- Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Group's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Group's financial statements.

- Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Group's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Group's financial statements.

3 Issued, subscribed and paid up capital

3.1 Issued, subscribed and paid up capital

2010	2009		2010	2009
(Number of shares)			----(Rupees in thousand)----	
270,492,177	209,642,299	Ordinary shares of Rs. 10 each fully paid in cash	**2,704,922**	2,096,423
20,000,000	20,000,000	Ordinary shares of Rs.10 each issued for consideration other than cash	**200,000**	200,000
74,607,089	74,607,089	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**746,071**	746,071
365,099,266	304,249,388		**3,650,993**	3,042,494

114,645,168 (2009: 95,537,640) ordinary shares of the Parent Company are held by Nishat Mills Limited, an associated concern as at 30 June 2010. In addition 1,407,944 (2009: 1,173,287) ordinary shares are held by the Adamjee Insurance Company Limited, a related party as at 30 June 2010.

3.2 Reconciliation of number of shares

	2010	2009
	----(Number of shares)----	
Number of shares as at 01 July	**304,249,388**	253,541,157
Issued during the year in cash	**60,849,878**	50,708,231
Number of shares as at 30 June	**365,099,266**	304,249,388

	Note	2010	2009
		----(Rupees in thousand)----	

4 Reserves

Movement in and composition of reserves is as follows:

	Note	2010	2009
Capital Reserves			
Share premium	4.1		
At the beginning of the year		3,218,466	2,711,384
Additions during the year		608,499	507,082
At the end of the year		3,826,965	3,218,466
Fair value reserves	4.2		
At the beginning of the year		8,757,417	19,458,977
Fair value adjustments during the year		4,150,758	(10,701,560)
At the end of the year		12,908,175	8,757,417
Capital redemption reserve fund	4.3	353,510	353,510
		17,088,650	12,329,393
Revenue reserves			
General reserves			
At the beginning of the year		5,110,851	5,110,851
Transfer from profit and loss account		-	-
At the end of the year		5,110,851	5,110,851
		22,199,501	17,440,244

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

4.2 As referred to in note 2.12 this represents the unrealised gain on remeasurement of investments at fair value and is not available for distribution. This amount will be transferred to profit and loss account on realisation.

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

5 Long term finances

	Note	2010	2009
		----(Rupees in thousand)----	
These are composed of:			
- Long term loans	5.1 & 5.2	7,592,988	7,595,311
- Loan under musharika arrangement	5.3	-	2,000,000
		7,592,988	9,595,311
Less: Current portion shown under current liabilities	12	2,363,481	4,919,474
		5,229,507	4,675,837

5.1 Long term loans

Long term finances utilized under mark up arrangements from banking companies are composed of:

Loan	Lender	2010	2009		Rate of interest per annum	Outstanding installments	Interest payable
		----(Rupees in thousand)----					
1	Habib Bank Limited	-	228,571	*	Base rate + 3.0%	The loan has been fully repaid during the year	Quarterly
2	Habib Bank Limited	-	57,143	*	Base rate + 3.0%	The loan has been fully repaid during the year	Quarterly
3	National Bank of Pakistan	-	85,721	**	Base rate + 0.65%	The loan has been fully repaid during the year	Semi annual
4	Standard Chartered Bank	-	20,000	**	Base rate + 0.6%	The loan has been fully repaid during the year	Semi annual
5	Standard Chartered Bank	-	60,000	**	Base rate + 0.6%	The loan has been fully repaid during the year	Semi annual
6	United Bank Limited	-	500,000	**	Base rate + 0.60%	The loan has been fully repaid during the year	Semi annual
7	Habib Bank Limited	-	300,000	**	Base rate + 2.5%	The loan has been fully repaid during the year	Quarterly
8	Allied Bank Limited	**260,000**	520,000	**	Base rate + 0.65%	2 equal semi-annual installments ending 30 June 2011	Semi annual
9	Habib Bank Limited	**272,727**	454,545	**	Base rate + 1.1%	3 equal semi-annual installments ending 29 September 2011	Quarterly
10	National Bank of Pakistan	**300,000**	500,000	**	Base rate + 0.65%	3 equal semi-annual installments ending 16 November 2011	Semi annual
11	Habib Bank Limited	**300,000**	500,000	*	Base rate + 1.25%	3 equal semi-annual installments ending on 30 December 2011	Quarterly
12	United Bank Limited	**500,000**	700,000	**	Base rate + 1.10%	5 equal semi-annual installments ending 30 September 2012	Semi annual
13	Bank Alfalah	**461,091**	576,364	**	Base rate + 1.00%	8 equal semi-annual installments ending 16 March 2014	Quarterly
14	Habib Bank Limited	**150,000**	200,000	**	Base rate + 1.15%	8 equal semi-annual installments ending 28 May 2010	Quarterly
15	Habib Bank Limited	**140,000**	160,000	**	Base rate + 1.65%	10 equal semi-annual installments ending 02 June 2014	Quarterly
16	Habib Bank Limited	**80,000**	100,000	**	Base rate + 1.65%	10 equal semi-annual installments ending 10 July 2015	Quarterly
17	Standard Chartered Bank	**1,000,000**	-	**	Base rate + 1.5%	12 unequal quarterly installments ending 30 June 2012	Quarterly
18	Bank of Punjab	**300,000**	-	**	Base rate + 1.5%	18 equal quarterly installments ending 31 March 2015	Quarterly
19	Allied Bank Limited	**750,000**	-	**	Base rate + 1.5%	20 step-up quarterly installments ending 30 June 2016	Quarterly
20	Allied Bank Limited	**1,000,000**	-	**	Base rate + 1.5%	20 step-up quarterly installments ending 30 November 2015	Quarterly
	Foreign currency-unsecured						
21	European Investment Bank US$ 24.289 million (2009 : US$ 32.386 million)	**2,079,170**	2,632,967	***	Base rate + 0.063%	6 equal semi-annual installments ending on 29 March 2013	Quarterly
		7,592,988	7,595,311				

* Base rate
Average ask rate of six-month T-Bills to be set for each mark-up period.

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

*** Base rate
Average ask rate of three-month London Inter Bank Offer Rate ("LIBOR") to be set for each mark-up period.

5.2 These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Group upto Rs. 16,547 million (2009: Rs. 14,524 million). These finances are also secured by first exclusive charge of Rs. 960 million (2009: Rs. 960 million) over leasehold rights of land together with building, structure, fixture, plant and machinery and personal guarantees of the CEO of the Group.

5.3 This finance facility was arranged under syndicated arrangement, led by Meezan Bank Limited. The aggregate sanction limit was Rs. 2,000 million and carried four unequal semi annual rentals. Principle amount was repaid on 08 May 2010. The facility was secured by a registered first pari passu charge on all present and future fixed assets of the Group upto Rs. 2,666 million.

6 Liabilities against assets subject to finance lease

	2010	2009
	----(Rupees in thousand)----	
Present value of minimum lease payments	155	394
Less: Current portion shown under current liabilities	155	239
	-	155

The minimum lease payments have been discounted at an implicit interest rate ranging from 9.48% (2009: 9.48% to 13.01%) per annum to arrive at their present value. Rentals are paid in monthly installments. Lessee has the option to purchase the assets after expiry of the lease term.

Taxes, repairs and insurance costs are to be borne by the Group. In case of termination of the agreement, the Group is to pay the entire rent for the unexpired period of lease agreement .

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

	Minimum lease payments	Future finance cost	Present value of lease liability 2010	Present value of lease liability 2009
	----(Rupees in thousand)----			
Years				
Not later than one year	157	2	155	239
Later than one year and not later than five years	-	-	-	155
	157	2	155	394

7 Long term deposits

	2010	2009
	----(Rupees in thousand)----	
Customers	32,167	29,462
Others	48,971	44,303
	81,138	73,765

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

8 Retirement and other benefits

	Note	2010	2009
		----(Rupees in thousand)----	
Staff gratuity	8.1	60,678	40,537
Leave encashment	8.2	43,351	38,085
		104,029	78,622

	Note	2010	2009
		----(Rupees in thousand)----	

8.1 Staff gratuity - net

The amounts recognised in the balance sheet are as follows :

	2010	2009
Present value of defined benefit obligation	75,264	56,040
Fair value of plan assets	(394)	(274)
Benefits payable	323	115
Unrecognised actuarial losses	(14,515)	(15,344)
Liability as at 30 June	60,678	40,537

8.1.1 Change in present value of defined benefit obligation

	2010	2009
Liability as at 01 July	40,537	26,362
Charge for the year including capitalized during the year	23,086	15,328
Contributions plus benefit payments made directly by the Parent Company during the year	(2,945)	(1,153)
Liability as at 30 June	60,678	40,537

8.1.2 Movement in liability for defined benefit obligation

	2010	2009
Present value of defined benefit obligation as at 01 July	56,040	33,122
Current service cost	15,583	11,088
Interest cost	6,725	3,975
Benefits due but not paid	(323)	(115)
Benefits paid during the year	(2,715)	(880)
Actuarial (gain)/loss on present value of defined benefit obligation	(46)	8,850
Present value of defined benefit obligation as at 30 June	75,264	56,040

8.1.3 Movement in fair value of plan assets

	2010	2009
Fair value of plan assets as at 01 July	274	1
Expected return on plan assets	33	-
Contributions during the year	2,945	1,153
Benefits paid during the year	(2,830)	(880)
Actuarial (loss) on plan assets	(28)	-
Fair value of plan assets as at 30 June	394	274

8.1.4 Actual return on plan assets

	2010	2009
Expected return on plan assets	33	-
Actuarial (loss) on plan assets	(28)	-
	5	-

8.1.5 Plan assets consist of the following :

	2010	2009
Cash and other deposits	394	274

8.1.6 Movement in unrecognised actuarial losses

	2010	2009
Un recognised actuarial losses as at 01 July	(15,344)	(6,759)
Actuarial gains / (losses) arising during the year	18	(8,850)
Actuarial losses charged to profit during the year	811	265
Un recognised actuarial losses as at 30 June	(14,515)	(15,344)

	2010	2009
	----(Rupees in thousand)----	

8.1.7 Charge for the year (including capitalized during the year)

	2010	2009
Current service cost	**15,583**	11,088
Interest cost	**6,725**	3,975
Expected return on plan assets	**(33)**	-
Actuarial losses charged to profit during the year	**811**	265
	23,086	15,328

8.1.8 Historical Information

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Present value of defined benefit obligation	**75,264**	56,040	33,122	22,741	11,685
Present value of plan assets	**(394)**	(274)	(1)	(36)	N/A
Deficit in the plan	**74,870**	55,766	33,121	22,705	11,685
Experience adjustment arising on plan liabilities	**(46)**	8,850	1,414	2,859	(495)
Experience adjustment arising on plan assets	**(28)**	-	(39)	(2)	N/A

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

		2010	2009
Discount rate	*Per annum*	12%	12%
Expected rate of increase in salary	*Per annum*	11%	11%
Expected rate of return on plan assets	*Per annum*	12%	12%
Average expected remaining working life time of employee	*Number of years*	12	12

8.1.10 The parant company expects to pay Rs. 28.352 million in contributions to defined benefits plan in 2011.

	2010	2009
	----(Rupees in thousand)----	

8.2 Leave encashment

	2010	2009
Opening balance	**38,085**	27,656
Expense recognized	**15,023**	17,272
Payments made	**(3,955)**	(2,375)
	49,153	42,553
Payable within one year	**(5,802)**	(4,468)
Closing balance	**43,351**	38,085

8.2.1 Movement in liability for defined benefit obligation

	2010	2009
Present value of defined benefit obligation as at 01 July	**38,085**	27,656
Current service cost	**9,866**	7,984
Interest cost	**4,570**	3,319
Benefits paid during the period	**(3,955)**	(2,375)
Actuarial loss on present value of defined benefit obligation	**587**	5,969
Payable within one year	**(5,802)**	(4,468)
Present value of defined benefit obligation as at 30 June	**43,351**	38,085

	2010	2009
	----(Rupees in thousand)----	

8.2.2 Charge for the year (including capitalized during the year)

	2010	2009
Current service cost	9,866	7,984
Interest cost	4,570	3,319
Actuarial losses charged to profit during the year	587	5,969
	15,023	17,272

8.2.3 Historical Information

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Present value of defined benefit obligation	49,153	42,553	31,062	25,839	17,711
Experience adjustment arising on plan liabilities	587	5,969	3,010	2,168	8,149

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

		2010	2009
Discount rate	*Per annum*	12%	12%
Expected rate of increase in salary	*Per annum*	11%	11%
Average expected remaining working life time of employee	*Number of years*	12	12
Expected withdrawal and early retirement rate		Based on experience	

	Officers		Workers	
	2010 (days)	2009 (days)	2010 (days)	2009 (days)
Average number of leaves				
- Utilized per annum	14.00	14.00	19.00	19.00
- Encashed per annum	6.00	6.00	6.00	6.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	1.00	2.00	2.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	0.25	1.00	1.00

9 Deferred taxation

	2010	2009
	----(Rupees in thousand)----	

The liability for deferred taxation comprises temporary differences relating to:

	2010	2009
Deferred tax liability		
Accelerated tax depreciation	4,501,130	4,576,870
Deferred tax assets		
Provision for retirement and other benefits	(23,640)	(6,946)
Unabsorbed tax credits	(3,025,530)	(3,208,348)
	1,451,960	1,361,576

	Note	2010	2009
		----(Rupees in thousand)----	
10 Trade and other payables			
Trade creditors		449,619	268,600
Customers' balances		552,463	446,579
Due to related parties		1,778	1,778
Accrued liabilities		308,603	260,113
Workers' profit participation fund	10.1	30,350	41,724
Workers welfare fund payable		81,156	50,967
Sales tax payable		32,850	81,468
Federal excise duty payable		221,636	227,605
Special excise duty payable		959	2,036
Custom duty payable		58,033	-
Withholding tax payable		6,564	5,414
Retention money		20,508	16,907
Unclaimed dividend		4,869	4,894
Advances against sale of scrap		1,030	1,504
Redeemable preference shares (non-voting) - unsecured		127	127
Other payables		59,770	36,519
		1,830,315	1,446,235

10.1 Workers' profit participation fund

	Note	2010	2009
Balance as at 01 July		41,724	-
Provision for the year	30	30,350	41,724
Interest for the year	32	2,051	-
		74,125	41,724
Less: Payments during the year		43,775	-
Balance as at 30 June		30,350	41,724

11 Accrued markup

	Note	2010	2009
Long term finances		198,006	335,555
Short term borrowing - secured		178,187	233,690
Preferred dividend on redeemable preference shares		84	84
		376,277	569,329

12 Short term borrowing - secured

	Note	2010	2009
Short term running finances	12.1	8,336,046	5,432,335
Import finances	12.2	1,744,186	1,846,123
Export refinance	12.3	-	2,108,398
Modaraba finance		-	60,000
		10,080,232	9,446,856

12.1 Short term running finances

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 10,120 million (2009: Rs. 10,145 million). The rates of mark up range from 12.24% to 16.26% (2009: 12.63% to 17.3%) or part thereof on the balance outstanding. The aggregate short term running finances of Rs. 10,120 million (2009: Rs. 10,145 million) are secured by a first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.75 million (2009: 10.0 million) shares of MCB Bank Limited, 10.0 million (2009: 18.0 million) shares of Nishat Mills Limited and 2.3 million (2009: Nil) shares of Adamjee Insurance Company Limited.

12.2 Import finances

The Group has obtained import finance facilities aggregating to Rs. 4,187 million (2009: Rs. 2,987 million) from commercial banks. The rates of mark-up range from 3.11% to 15.98% (2009: 3.11% to 17.17%). The aggregate import finances are secured by a registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility of Rs. 7,377.42 million (2009: Rs. 5,577.42 million) for opening letters of credit and Rs. 1,601.4 million (2009: Rs. 1,566.81 million) for guarantees, the amount utilized as at 30 June 2010 was Rs. 1,653.21 million (2009: Rs. 1,198.60 million) and Rs. 989.84 million (2009: Rs. 942.51 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Group. Of the facility for guarantees, Rs. 42.68 million (2009: Rs. 30.58 million) is secured by a lien over bank deposits as referred to in note 25.2.

12.3 Export refinance

This represents ERF loans obtained from various commercial banks, which carry mark-up at 7.5% per annum (2009: 7.5%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Group.

	Note	2010	2009
		----(Rupees in thousand)----	
13 Current portion of non-current liabilities			
Long term finances	5	**2,363,481**	4,919,474
Liabilities against assets subject to finance lease	6	**155**	239
Retirement and other benefits	8.2	**5,802**	4,468
		2,369,438	4,924,181

14 Contingencies and commitments

14.1 Contingencies

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

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

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the Parent Company on the grounds that the said machinery was being manufactured locally during the time when it was imported. The total demand as raised against the Parent Company amounts to Rs. 715.372 million out of which Rs. 200.645 million has been paid.

An appeal against the order was filed with the Lahore High Court, which has been decided in favour of the Parent Company. However, the Custom Authorities have filed an appeal with the Supreme Court of Pakistan against the orders of the Lahore High Court. Hence, no provision for the balance amount of Rs. 514.727 million has been made in the financial statements as according to the management of the Parent Company there are meritorious grounds that the ultimate decision would be in its favour.

14.1.3 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 prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Parent Company has filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 28 August 2009 and imposed a penalty of Rs. 933 million on the Parent Company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Parent Company for the time being.

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

14.1.4 Advances to suppliers includes a balance of Rs. 0.881 million being the difference between the duty paid as assessed by the customs authority and the amount as determined by the management of the Group. A petition has been filed against the additional duty with the Deputy Director of Customs office. Pending the outcome of the appeal the amount has not been provided as the management of the Group is of the opinion that there are meritorious grounds that the ultimate decision would be in its favour.

14.1.5 The Group has issued following guarantees in favour of :

- Director Excise and Taxation Government of Sindh against levy of infrastructure cess and in favour of Sui Northern Gas Pipelines Limited as a security against gas connection amounting to Rs. 28.2 million (2009: Rs. 16.10 million) and Rs. Nil (2009: Rs. 15.412 million) respectively.

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise duty amounting to Rs. 20.460 million (2009: Rs. 20.460 million)

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs. 240.9 million (2009: Rs. 180.9 million)

- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs. 3 million (2009: Rs. 3 million)

- Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs. 3 million (2009: Rs. 3 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs. 3 Million (2009: Rs. 1 million).

- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs. 1.835 million (2009: Rs. 1.835 million)

- Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D. G. Khan Project amounting to Rs. 715.455 million (2009: Rs. 714.883 million)

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, D. G. Khan) amounting to Rs. 50,000 (2009: Rs. 50,000).

- Bank guarantee in respect of Alternative Energy Development Board (AEDB) amounting to Rs. 2.140 million (2009: Rs. 1.973 million).

14.2 Commitments

(i) Contracts for capital expenditure Rs. 115.335 million (2009: Rs. 196.252 million).

(ii) Letters of credit for capital expenditure Rs. 41.891 million (2009: Rs. 0.068 million).

(iii) Letters of credit other than capital expenditure Rs. 1,547.811 million (2009: Rs. 1,174.602 million).

(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2010	2009
	----(Rupees in thousand)----	
Not later than one year	331	268
Later than one year and not later than five years	1,488	917
Later than five years	6,833	3,866
	8,652	5,051

15. Property, plant and equipment

	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value (NBV) as at 01 July 2009	Additions/ transfers	Disposals (at NBV)	Depreciation charge	Net book value (NBV) as at 30 June 2010	Cost as at 30 June 2010	Accumulated depreciation as at 30 June 2010	Net book value as at 30 June 2010	Depreciation rate (% per annum)
	(Rupees in thousand)					(Rupees in thousand)			
Freehold land	352,892	-	(12,000)	-	340,892	340,892	-	340,892	-
Leasehold land	59,850	-	-	(2,100)	57,750	63,000	(5,250)	57,750	3.33%
Building on freehold land									
- Factory Building	3,549,239	126,775	-	(341,822)	3,334,192	5,130,176	(1,795,984)	3,334,192	10%
- Office Building and housing colony	478,426	42,031	(10,133)	(24,013)	486,311	681,049	(194,738)	486,311	5%
Roads	288,576	18,279	-	(29,009)	277,846	445,131	(167,285)	277,846	10%
Plant and machinery	19,347,053	2,102,688	-	(826,599)	20,623,142	27,067,991	(6,444,849)	20,623,142	4.76% - 4.98%
Quarry equipment	886,766	-	-	(149,131)	737,635	1,497,966	(760,331)	737,635	20%
Furniture, fixture and office equipment	187,624	15,364	(279)	(19,348)	183,361	290,371	(107,010)	183,361	10%
Vehicles	85,283	15,023	(9,700)	(14,961)	75,645	151,284	(75,639)	75,645	20%
Aircraft	3,540	-	-	(1,062)	2,478	38,185	(35,707)	2,478	30%
Power and water supply line	311,204	47,302	-	(31,559)	326,947	476,877	(149,930)	326,947	10%
2010	25,550,453	2,367,462	(32,112)	(1,439,604)	26,446,199	36,182,922	(9,736,723)	26,446,199	

	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value (NBV) as at 01 July 2008	Additions/ transfers	Disposals (at NBV)	Depreciation charge	Net book value (NBV) as at 30 June 2009	Cost as at 30 June 2009	Accumulated depreciation as at 30 June 2009	Net book value as at 30 June 2009	Depreciation rate (% per annum)
	(Rupees in thousand)					(Rupees in thousand)			
Freehold land	287,999	64,893	-	-	352,892	352,892	-	352,892	-
Leasehold land	61,950	-	-	(2,100)	59,850	63,000	(3,150)	59,850	3.33%
Building on freehold land									
- Factory Building	3,685,767	230,454	-	(366,982)	3,549,239	5,003,401	(1,454,162)	3,549,239	10%
- Office Building and housing colony	441,256	61,134	-	(23,964)	478,426	652,497	(174,071)	478,426	5%
Roads	261,827	56,058	-	(29,309)	288,576	426,852	(138,276)	288,576	10%
Plant and machinery	18,024,823	2,085,976	(257)	(763,489)	19,347,053	24,965,303	(5,618,250)	19,347,053	4.76% - 4.98%
Quarry equipment	869,786	174,380	-	(157,400)	886,766	1,497,966	(611,200)	886,766	20%
Furniture, fixture and office equipment	184,881	23,305	(729)	(19,833)	187,624	275,407	(87,783)	187,624	10%
Vehicles	92,447	10,758	(1,025)	(16,897)	85,283	155,053	(69,770)	85,283	20%
Aircraft	5,059	-	-	(1,519)	3,540	38,185	(34,645)	3,540	30%
Power and water supply line	308,474	35,913	-	(33,183)	311,204	429,575	(118,371)	311,204	10%
2009	24,224,269	2,742,871	(2,011)	(1,414,676)	25,550,453	33,860,131	(8,309,678)	25,550,453	

15.1 Freehold land and building include book values of Rs 12 million (2009: Rs 12 million) and Rs 9.177 million (2009: Rs 9.177 million) respectively which are held in the name of Chief Executive of the Parent Company. This property is located in the locality of Defense Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Group.

	Note	2010	2009
		----(Rupees in thousand)----	
15.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	**1,426,325**	1,400,113
Administrative expenses	28	**11,906**	13,228
Selling and distribution expenses	29	**1,373**	1,335
		1,439,604	1,414,676

15.3 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(loss) on disposal	Mode of Disposal
		(Rupees in thousand)					
Land	Mian Hassan Mansha	12,000	-	12,000	12,000	-	Negotiation
Building on free hold land	Mian Hassan Mansha	13,479	3,346	10,133	10,176	43	Negotiation
Office equipment	Limton Innovative System	326	66	260	100	(160)	Auction
Vehicles	Performance Automotive (Private) Limited	10,407	4,716	5,691	10,500	4,809	Negotiation
	International Motors	3,233	1,110	2,123	2,800	677	-do-
	Mr. Irfan Ahmed	1,125	542	583	813	230	Auction
	Mr. Irfan Ahmed	575	408	167	383	216	-do-
	Mr. Rashid Maqbool	571	402	169	408	239	-do-
	Mr. Agha Naveed Ahmed	566	402	164	421	257	-do-
	Mr. Agha Naveed Ahmed	566	398	168	401	233	-do-
	Mrs. Nawaz Heraj	571	170	401	203	(198)	-do-
	Mr. Salahuddin (Employee)	576	405	171	431	260	-do-
Others	Assets with book value less than Rs. 50,000	676	594	82	325	243	Auction
	2010	44,671	12,559	32,112	38,961	6,849	
	2009	5,110	3,099	2,011	4,076	2,065	

16 Assets subject to finance lease

		Annual rate of depreciation %	Cost as at 30 June 2009	Additions/ (deletions)	Transfer in/ (out)	Cost as at 30 June 2010	Accumulated depreciation as at 30 June 2009	Depreciation charge/ (deletions) for the year	Depreciation written off during the year	Accumulated depreciation as at 30 June 2010	Book value as at 30 June 2010
			(Rupees in thousand)								
Vehicles	2010	20	1,125	-	-	1,125	394	56	-	450	675
Vehicles	2009	20	12,687	(11,562)	-	1,125	5,849	235 (5,690)	-	394	731

	Note	2010	2009
		----(Rupees in thousand)----	
16.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	27	56	151
Administrative expenses	28	-	9
Selling and distribution expenses	29	-	75
		56	235

17 Capital work in progress

	Note	2010	2009
Civil works		84,874	120,157
Plant and machinery		226,353	1,474,504
Advances		28,988	10,434
Others		78,491	110,944
Expansion project:			
- Civil works		18,992	34,166
- Others		27,952	3
		46,944	34,169
		465,650	1,750,208

18 Investments - Available for sale

	Note	2010	2009
Related parties	18.1	1,846,505	1,406,068
Others	18.2	519	519
		1,847,024	1,406,587
Revaluation surplus		2,646,269	1,562,292
		4,493,293	2,968,879

18.1 Related parties

Quoted

	Note	2010	2009
Nishat Mills Limited - associated company			
27,569,798 (2009: 19,013,654) fully paid ordinary shares of Rs 10 each		1,371,619	1,029,373
Transferred from short term investments 2,719,703 (2009: 1,875,658) fully paid ordinary shares of Rs 10 each	23.1	205,555	-
Market value - Rs 1,306,084 million (2009: Rs 719.096 million)			
Less: Cumulative impairment loss		(250,615)	(184,915)
		1,326,559	844,458
Nishat (Chunian) Limited			
4,926,900 (2009: 7,609,163) fully paid ordinary shares of Rs 10 each		45,254	48,872
Market value - Rs 77.746 million (2009: Rs 65.15 million)			
Nill (2009: 3,804,582) fully paid Preference shares of Rs 10 each		-	38,046
Market value - Rs Nil (2009: Rs. 38.046 million)			
C/F		45,254	86,918

	2010	2009
	----(Rupees in thousand)----	
B/F	**45,254**	86,918
MCB Bank Limited		
14,551,820 (2009: 13,228,929) fully paid ordinary shares of Rs 10 each	**125,834**	125,834
Market value - Rs 2,825.817 million (2009: Rs 2,050.881 million)		
Adamjee Insurance Company Limited - associated company		
3,541,391 (2009: 3,219,447) fully paid ordinary shares of Rs 10 each	**348,858**	348,858
Market value - Rs 282.886 million (2009: Rs 270.401 million)		
	519,946	561,610
	1,846,505	1,406,068

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

18.2 Others-Quoted

	2010	2009
	----(Rupees in thousand)----	
Maple Leaf Cement Factory Limited		
13,747 (2009: 13,747) fully paid ordinary shares of Rs 10 each	**282**	282
Market value - Rs 0.0428 million (2009: Rs 0.058 million)		
Less: Impairment loss	**(128)**	(128)
	154	154
1,999 (2009: 1,999) fully paid preference shares of Rs 10 each	**20**	20
Market value - Rs 0.083 million (2009: Rs 0.015 million)		
Less: Impairment loss	**(3)**	(3)
	17	17
First Capital Mutual Fund	**890**	890
89,000 (2009: 89,000) certificates of Rs 10 each		
Market value - Rs 0.205 million (2009: Rs 0.212 million)		
Less: Impairment loss	**(678)**	(678)
	212	212
Habib Bank Limited		
145 (2009: 132) fully paid ordinary shares of Rs 10 each	**24**	24
Market value - Rs 0.014 million (2009: Rs 0.012 million)		
Less: Impairment loss	**(6)**	(6)
	18	18
Oil and Gas Development Company Limited		
2,353 (2009: 2,353) fully paid ordinary shares of Rs 10 each	**76**	76
Market value - Rs 0.333 million (2009: Rs 0.185 million)		

	2010	2009
	----(Rupees in thousand)----	
Pakistan Petroleum Limited		
726 (2009: 605) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.134 million (2009: Rs 0.115 million)		
Kot Addu Power Company Limited		
500 (2009: 500) fully paid ordinary shares of Rs 10 each	15	15
Market value - Rs 0.021 million (2009: Rs 0.021 million)		
	519	519

18.3 Investments with a face value of Rs. 230.5 million (2009: Rs. 280 million) are pledged as security against bank facilities. 2,396,924 (2009: 2,396,924) shares of MCB Bank Limited are blocked in CDC account.

19 Long term loans, advances and deposits

	Note	2010	2009
		----(Rupees in thousand)----	
Loans to employees - considered good			
- Executives	19.1	410	17
- Others		3,204	5,017
		3,614	5,034
Less: Receivable within one year			
- Executives		113	17
- Others		1,282	1,604
		1,395	1,621
		2,219	3,413
Loan to related party - considered good	19.2	120,440	137,645
Less: Receivable within one year	24	17,206	17,206
		103,234	120,439
Security deposits		54,130	44,107
		159,583	167,959

19.1 Executives

	2010	2009
Opening balance	17	89
Transfer from Others to Executives	505	-
Interest accrued	26	-
	548	89
Less: Repayment during the year	138	72
	410	17

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate 10% per annum (2009: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs. 3.614 million (2009: Rs. 5.034 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs. 0.298 million (2009: Rs. 0.082 million).

19.2 This represents un-secured loan of Rs. 85.750 million and Rs. 34.690 million (2009: Rs. 98 million and Rs. 39.645 million) given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plants at D. G. Khan and Khairpur respectively. Mark-up is charged at rates ranging from 1.5% to 2% per annum (2009: 1.5% to 2% per annum) respectively and is receivable annually. This amount is receivable in 10 annual installments commencing 01 January 2007 and 28 March 2008.

20 Stores, spares and loose tools

	2010	2009
	----(Rupees in thousand)----	
Stores [including in transit Rs 9.556 million (2009: Rs 462.422 million)]	878,326	1,678,198
Spares [including in transit Rs 309.793 million (2009: Rs 45.189 million)]	2,154,245	1,271,817
Loose tools	16,838	14,825
	3,049,409	2,964,840

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

21 Stock-in-trade

	Note	2010	2009
		----(Rupees in thousand)----	
Raw materials [including in transit Rs 76.46 million (2009: Rs Nil)]		717,898	241,595
Packing material [including in transit Rs 9,647 million (2009: Rs Nil)]		131,652	141,062
Work-in-process		537,539	387,444
Finished goods		249,740	253,129
		1,636,829	1,023,230

22 Trade debts - considered good

	Note	2010	2009
Secured		411,398	417,680
Unsecured			
-Related parties	22.1	2,776	11,106
-Other		48,193	228,200
		462,367	656,986

	Note	2010	2009
		----(Rupees in thousand)----	
22.1 Due from related parties			
Nishat Mills Limited		-	11,106
Nishat (Chunian) Limited		1,100	-
Nishat Power Limited		1	-
Nishat Developers		1,675	-
		2,776	11,106

These are in the normal course of business and are interest free.

23 Investments

	Note	2010	2009
Available-for-sale			
Related parties	23.1	479,066	590,843
Add: Revaluation surplus		10,261,906	7,195,125
		10,740,972	7,785,968
At fair value through profit and loss	23.2	14	11
		10,740,986	7,785,979

23.1 Related parties-Quoted

	Note	2010	2009
Nishat Mills Limited - associated company			
2,719,703 (2009: 1,875,658) fully paid ordinary shares of Rs 10 each		205,555	171,794
Market value -Rs 117.274 million (2009: Rs 70.937 million)			
Less: Impairment Loss		(65,700)	(65,700)
		139,855	106,094
Less: transferred to long term investments	18.1	(139,855)	-
		-	106,094
Nishat (Chunian) Limited			
Nil (2009: 166,318) fully paid ordinary shares of Rs 10 each		-	11,638
83,159 (2009: Nil) fully paid ordinary shares of Rs 10 each	23.3	832	-
Market value - Rs 1.312 million (2009: Rs 1.432 million)			
Less: Impairment Loss		-	(5,955)
		832	5,683
Nil (2009: 83,159) fully paid preference shares of Rs 10 each			
Market value - Nil (2009: Rs 0.832 million)		-	832
MCB Bank Limited			
55,304,911 (2009: 50,277,195) fully paid ordinary shares of Rs 10 each		478,234	478,234
Market value Rs 10,739.661 million (2009: Rs 7,794.474 million)			
		479,066	590,843

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

	2010	2009
	----(Rupees in thousand)----	
23.2 At fair value through profit and loss		
Habib Bank Limited		
145 (2009: 132) fully paid ordinary shares of Rs. 10 each		
Market value - Rs. 0.014 million (2009: Rs. 0.011 million)	14	11

23.3 During the year the preference shares of Nishat (Chunian) Limited have been converted into fully paid ordinary shares.

24 Advances, deposits, prepayments and other receivables

	Note	2010	2009
		----(Rupees in thousand)----	
Loans to employees - considered good	19	1,395	1,621
Advances - considered good			
- to employees	24.1	2,621	3,415
- to trade suppliers		85,186	105,212
		87,807	108,627
Current portion of long term receivable from related party	19	17,206	17,206
Due from related parties	24.2	30,828	9,774
Mark-up receivable from related party	24.3	975	1,116
Derivative financial instruments	24.4,24.5 & 24.6	9,422	213,072
Profit receivable on bank deposits		981	1,282
Prepayments		147	322
Letters of credit - margins, deposits, opening charges, etc.		35,341	23,672
Excise duty recoverable		3,019	-
Claims recoverable from government			
Income tax		447,128	255,444
Sales tax	24.7	55,160	64,252
Freight subsidy		27,422	-
Excise duty		17,243	17,243
Export rebate		35,775	17,907
		582,728	354,846
Other receivables		4,862	5,955
		774,711	737,493

24.1 Included in advances to employees are amounts due from executives of Rs 1,009 thousand (2009: Rs 277 thousand).

24.2 Due from related parties

	Note	2010	2009
Nishat Mills Limited	24.2.1	30,656	9,602
Nishat Hotels and Properties Limited	24.2.1	172	172
		30,828	9,774

24.2.1 These relate to normal business of the Group and are interest free.

24.3 This includes mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 19.2.

24.4 The Group had entered into two interest rate cross currency swap agreements with banks for a notional amount of USD 15 million (2009: USD 15 million), which were settled pre-maturely during the year. The outstanding balance of these arrangements as at 30 June 2010 is USD Nil (2009: USD 11.138 million). Under interest rate swap arrangements the Group had to pay 3 months KIBOR rates and receive 3 months LIBOR rates as per the respective arrangements on quarterly basis, further under cross currency swap arrangements the Group had to pay PKR and receive USD, which had to be settled semi annually.

24.5 The Group had entered into an interest rate cross currency swap agreements with a bank for a notional amount of Rs. 750 million (2009: Rs. 750 million), which matured during the year. The outstanding balance of these arrangements as at 30 June 2010 is Rs. Nil (2009: Rs. 750 million). Under interest rate swap arrangements the Group had to receive 6 months KIBOR rates and pay 6 months LIBOR rates as per the respective arrangements, further under cross currency swaps arrangements the Group would pay USD and receive PKR, which had to be settled semi annually.

24.6 The Group has entered into 9 forward agreements with various banks for a total amount of USD 16.5 million (2009: USD Nil), having 1 to 6 months maturity. Under forward agreement, the Group would sell the contracted quantity of USD to the bank at the Contracted rate. As at 30 June 2010, the unrealized gain on these forward contracts amount to Rs. 9.422 million (2009: Nil).

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

25 Cash and bank balances

	2010	2009
	----(Rupees in thousand)----	
At banks		
Saving accounts		
- Pak rupee	**89,904**	46,071
- Foreign currency US $ 22.20 (2009: US $ 22.22)	**2**	2
Current accounts	**171,940**	212,946
	261,846	259,019
Cash in hand	**1,096**	1,995
	262,942	261,014

25.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2009: 0.1% to 5% per annum).

25.2 Included in balances at banks on saving accounts are Rs. 42.68 million (2009: Rs. 30.58 million) which are under lien to secure bank guarantees referred to in note 12.2.

26 Sales - net

	Note	2010	2009
		----(Rupees in thousand)----	
Local sales		**19,326,906**	18,134,505
Export sales	26.1	**3,698,676**	5,801,994
		23,025,582	23,936,499
Less: Government levies		**5,800,424**	5,260,141
Commission to stockists and export agents		**251,922**	307,851
		6,052,346	5,567,992
		16,973,236	18,368,507

26.1 Export sales include rebate on exports amounting to Rs 23.020 million (2009: Rs 11.936 million).

27 Cost of sales

	Note	2010	2009
		----(Rupees in thousand)----	
Raw and packing materials consumed		**2,206,589**	1,614,936
Salaries, wages and other benefits	27.1	**712,470**	653,339
Electricity and gas		**2,009,152**	1,433,830
Furnace oil and coal		**6,090,197**	6,603,912
Stores and spares consumed	27.2	**1,106,859**	890,422
Repair and maintenance		**167,244**	132,035
Insurance		**57,836**	50,238

	Note	2010	2009
		----(Rupees in thousand)----	
Depreciation on property, plant and equipment	15.2	1,426,325	1,400,113
Depreciation on assets subject to finance lease	16.1	56	151
Royalty		185,052	86,514
Excise duty		34,839	30,023
Vehicle running		23,181	18,771
Postage, telephone and telegram		4,848	4,210
Printing and stationery		4,886	8,206
Legal and professional charges		2,181	2,956
Travelling and conveyance		9,071	6,346
Estate development		12,514	10,285
Rent, rates and taxes		2,324	7,751
Freight charges		4,952	5,655
Other expenses		20,376	16,793
		14,080,952	12,976,486
Opening work-in-process		387,444	118,292
Closing work-in-process		(537,539)	(387,444)
		(150,095)	(269,152)
Cost of goods manufactured		13,930,857	12,707,334
Opening stock of finished goods		253,129	118,863
Closing stock of finished goods		(249,740)	(253,129)
		3,389	(134,266)
Less : own consumption		5,632	9,387
		13,928,614	12,563,681

27.1 Salaries, wages and other benefits include Rs. 19.256 million (2009: Rs. 16.323 million), Rs. 17.584 million (2009: Rs. 11.640 million) and Rs. 12.394 million (2009: Rs. 13.937 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

27.2 Stores and spares consumed during the year include Rs. Nil (2009: Rs. 3.814 million) being stores and spares written off.

28 Administrative expenses

	Note	2010	2009
		----(Rupees in thousand)----	
Salaries, wages and other benefits	28.1	94,248	76,007
Electricity, gas and water		3,868	3,482
Repair and maintenance		6,079	6,753
Insurance		1,627	1,764
Depreciation on property, plant and equipment	15.2	11,906	13,228
Depreciation on assets subject to finance lease	16.1	-	9
Vehicle running		5,258	4,305
Postage, telephone and telegram		9,605	3,385
Printing and stationery		5,740	3,438
Legal and professional charges	28.2	8,951	8,805
Travelling and conveyance		6,073	5,292
Rent, rates and taxes		751	208
Entertainment		1,543	1,466
School expenses		11,292	9,790
Fee and subscription		4,948	3,818
Advances written off		43	-
Other expenses		4,565	3,797
		176,497	145,547

28.1 Salaries, wages and other benefits include Rs. 3.176 million (2009: Rs. 2.565 million), Rs. 3.464 million (2009: Rs. 2.26 million) and Rs. 1.604 million (2009: Rs. 1.843 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	Note	2010	2009
		-----(Rupees in thousand)----	
28.2 Legal and professional charges			
Legal and professional charges include the following in respect of auditors' services for:			
KPMG Taseer Hadi & Co.			
Statutory audit		1,100	1,000
Half yearly review		250	225
Certification and sundry services		50	20
Out of pocket expenses		100	75
A. F. Ferguson & Co.			
Statutory audit - Subsidiary		275	225
Out of pocket expenses		22	15
		1,797	1,560

29 Selling and distribution expenses

	Note	2010	2009
Salaries, wages and other benefits	29.1	54,507	50,239
Electricity, gas and water		1,100	1,064
Repair and maintenance		557	366
Insurance		808	1,328
Depreciation on property, plant and equipment	15.2	1,373	1,335
Depreciation on assets subject to finance lease	16.1	-	75
Vehicle running		2,908	2,458
Postage, telephone and telegram		2,417	937
Printing and stationery		2,240	1,619
Rent, rates and taxes		3,520	3,030
Legal and professional charges		16	263
Travelling and conveyance		2,085	3,336
Entertainment		585	400
Advertisement and sales promotion		5,309	1,657
Freight charges -local		9,656	8,177
Freight and handling charges -export		916,975	1,802,298
Other expenses		1,215	2,519
		1,005,271	1,881,101

29.1 Salaries, wages and other benefits include Rs. 2.246 million (2009: Rs. 1.920 million), Rs. 1.975 million (2009: Rs. 1.203 million) and Rs. 1.042 million (2009: Rs. 1.391 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

30 Other operating expenses

	Note	2010	2009
		----(Rupees in thousand)----	
Workers' profit participation fund		30,350	41,724
Donations	30.1	351	7,387
Worker welfare fund		30,189	15,855
Fair value loss on investment		-	12
Exchange loss		143,901	758,714
		204,791	823,692

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

	Note	2010	2009
		----(Rupees in thousand)----	
31 Other operating income			
Income from financial assets			
Income on bank deposits		4,664	4,145
Fair value gain on investment		3	-
Interest on loans to employees		45	67
Gain on sale of shares		79,215	5,039
Dividend income from:			
- Related parties	31.1	765,930	707,206
- Others		469	25
		766,399	707,231
		850,326	716,482
Income from non-financial assets			
Rental income		1,886	1,722
Profit on disposal of property, plant and equipment		6,849	2,065
Scrap sales		14,188	11,891
Mark-up on loan/advances to related parties		1,638	2,736
Provisions and unclaimed balances written back		126	125
		24,687	18,539
Others		72	-
		875,085	735,021

31.1 Dividend income from related parties

	2010	2009
Nishat Mills Limited	41,779	50,394
Nishat (Chunian) Limited	50	-
MCB Bank Limited	714,443	649,495
Adamjee Insurance Company Limited	9,658	7,317
	765,930	707,206

32 Finance cost

	2010	2009
Interest and mark-up on:		
- Long term loans	788,898	1,303,032
- Short term borrowings	1,149,693	1,142,621
- Finance lease	27	84
- Workers' profit participation fund	2,051	-
Loss on derivative financial instruments	28,470	261,519
Guarantee commission	29,843	34,381
Bank charges	23,417	36,026
	2,022,399	2,777,663

32.1 During the year borrowing cost amounting to Rs. 150.084 million (2009: Rs. 22.948 million) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

	Note	2010	2009
		----(Rupees in thousand)----	
33 Provision for taxation			
For the year			
- Current	33.1	(109,591)	(128,800)
- Deferred		(90,383)	(98,076)
		(199,974)	(226,876)
Prior year			
- Current		1	-
- Deferred		-	(12,500)
		1	(12,500)
		(199,973)	(239,376)

33.1 Provision for taxation

33.1.1 The Parent Company

The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 0.5% of turnover from local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of the parent company's tax liability in respect of income arising from such source.

33.1.2 The Subsidiary Company

The provision for current taxation represents tax on export sales and dividend income.

33.2 For purposes of current taxation, the tax credits available for carry forward as at 30 June 2010 are estimated approximately at Rs. 8,643.859 million (2009: Rs. 8,995.349 million).

33.3 Since the Group is liable to pay minimum tax, therefore, no numerical tax reconciliation is given.

34 Earnings per share

34.1 Earnings per share-Basic

		2010	2009 Restated
Profit for the year - attributable to equity holders of the Parent Company	Rupees in thousand	271,902	451,555
Weighted average number of ordinary share	Number	325,273,021	321,652,453
Earnings per share - basic	Rupees	0.84	1.40

34.2 Earnings per share - Diluted

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

35 Cash flow from operating activities

	2010	2009
	----(Rupees in thousand)----	
Profit before tax	510,749	654,458
Adjustment for :		
- Depreciation on property, plant and equipment	1,439,604	1,414,676
- Depreciation on assets subject to finance lease	56	235
- Profit on disposal of property, plant and equipment	(6,849)	(2,065)
- Gain on disposal on investments	(79,215)	-
- Dividend income	(766,399)	(707,231)
- Impairment loss	-	257,386
- Store and spares directly written off	-	3,814
- Markup income	(1,638)	(6,948)
- Fair value loss on investment	(3)	12
- Retirement and other benefits accrued	38,109	32,600
- Exchange loss - net	143,901	730,888
- Finance cost	2,022,399	2,805,501
	2,789,965	4,528,868
Profit before working capital changes	3,300,714	5,183,326

	2010	2009
	----(Rupees in thousand)----	
Effect on cash flow due to working capital changes:		
- Increase in stores, spares and loose tools	(84,569)	(644,771)
- (Increase)/ decrease in stock-in-trade	(613,599)	277,097
- Decrease/ (increase) in trade debts	194,619	(193,540)
- Decrease/ (increase) in advances, deposits, prepayments and other receivables	154,099	(20,975)
- Increase/ (decrease) in trade and other payables	384,105	(160,561)
	34,655	(742,750)
Cash generated from operations	3,335,369	4,440,576

36 Cash and cash equivalents

	2010	2009 Restated
Short term borrowings - secured	(10,080,232)	(9,446,856)
Cash and bank balances	262,942	261,014
	(9,817,290)	(9,185,842)

37 Remuneration of Chief Executive, Directors and Executives

37.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive, full time working directors and executives of the Group is as follows:

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	6,518	5,668	10,857	9,281	123,127	101,538
Contributions to provident and gratuity funds	-	-	1,031	896	10,290	8,297
Housing	270	270	939	737	39,469	21,755
Utilities	-	-	-	-	8,289	6,508
Leave passage	-	-	635	697	3,173	2,185
Medical expenses	1,359	385	109	30	2,213	1,236
Others	4,843	4,238	2,163	1,599	39,117	37,157
	12,990	10,561	15,734	13,240	225,678	178,676
Number of persons	1	1	3	3	107	92

The Group also provides the chief executive and some of the directors and executives with free transport and residential telephones.

37.2 Remuneration to other directors

Aggregate amount charged in the consolidated financial statements for the year for fee to 7 directors (2009: 7 directors) was Rs Nil (2009: Rs Nil).

38 Transactions with related parties

The related parties comprise associated companies, other related companies, directors of the Group, key management personnel and post employment benefit plans. The directors of the related companies are close members of the family of the directors of the Group. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, dividend income is disclosed in note 31, expense charged in respect of staff retirement benefit plans is disclosed in note 8 and remuneration of the key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Relationship with the Group	Nature of transaction	2010	2009
		----(Rupees in thousand)----	
i. Related parties	Sale of goods	29,002	33,345
	Insurance premium	75,046	58,152
	Purchase of services	742,971	811,471
	Insurance claims received	202	729
	Mark-up income on balances with related parties	2,414	5,374
	Dividend income	765,930	707,206
ii. Key management personnel	Salaries and other employment benefits	28,724	23,801
iii. Post employment benefit plans	Expense charged in respect of staff retirement benefit plans	38,109	32,600

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

39 Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors have the overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Group's activities.

39.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 16,894 million (2009: Rs. 12,578 million) financial assets which are subject to credit risk amount to Rs. 16,307 million (2009: Rs. 12,221 million).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors. Export sales are secured through letters of credit. The management has set a maximum credit period of 30 days to reduce the credit risk. Limits are reviewed periodically and the customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2010	2009
	----(Rupees in thousand)---	
Available for sale financial assets		
- Non current investments	4,493,293	2,968,880
- Current investments	10,740,986	7,785,978
Long term loans, advances and deposits	159,583	167,959
Trade debts	462,367	656,986
Advances, deposits and other receivables	179,395	169,253
Bank balances	261,846	259,019
Derivative financial instruments	9,422	213,072
	16,306,892	12,221,147

The trade debts as at the balance sheet date are classified as follows:

Foreign	216,093	417,680
Domestic	246,274	239,306
	462,367	656,986

The aging of trade receivables at the reporting date is:

Past due 1 - 3 Months	230,788	632,182
Past due 4 - 6 Months	37,118	2,620
Past due 7 - 10 Months	36,552	2,986
Past due 11 - 12 Months	15,290	1,060
Past due above one year	142,619	18,138
	462,367	656,986

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

39.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Group has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further liquidity position of the Group is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	--------------------(Rupees in thousand)--------------------					
Non derivative financial liabilities						
Long term finances	1,066,740	1,296,741	4,817,007	412,500	-	7,592,988
Liabilities against assets subject to finance lease	-	155	-	-	-	155
Long term deposits	-	-	81,138	-	-	81,138
Trade and other payables	539,269	-	-	-	-	539,269
2009-2010	1,606,009	1,296,896	4,898,145	412,500	-	8,213,550

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	--------------------(Rupees in thousand)--------------------					
Non derivative financial liabilities						
Long term finances	1,709,737	3,209,737	4,615,837	60,000	-	9,595,311
Liabilities against assets subject to finance lease	-	239	155	-	-	394
Long term deposits	-	-	73,765	-	-	73,765
Trade and other payables	330,722	-	-	-	-	330,722
2008-2009	2,040,459	3,209,976	4,689,757	60,000	-	10,000,192

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

39.3.1 Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency primarily U.S. Dollars (USD). The Group uses forward exchange and derivative contracts to hedge its currency risks. The Group's exposure to foreign currency risk for US Dollars is as follows:

	2010	2009
	----(Rupees in thousand)----	
Foreign debtors	**216,093**	417,680
Foreign currency bank accounts	**2**	2
Less: Long Term Loans	**(2,079,170)**	(2,632,967)
Import Finances	**(1,602,507)**	-
Payables	**(5,061)**	(10,904)
Derivative financial instruments - asset	**9,422**	213,072
Gross balance sheet exposure	**(3,461,221)**	(2,013,117)
Outstanding letter of credits	**(711,699)**	(685,418)
Net exposure	**(4,172,920)**	(2,698,535)

The following significant exchange rates have been applied:

	Reporting date rate 2010	Reporting date rate 2009
USD to PKR - Buy	85.40	81.10
USD to PKR - Sell	85.60	81.30

	Average rate 2010	Average rate 2009
USD to PKR - Buy	83.38	78.69
USD to PKR - Sell	84.26	78.89

Sensitivity analysis:

At reporting date, if the PKR had strengthened by Rupee one against the foreign currencies with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and outstanding letter of credits.

	2010	2009
	----(Rupees in thousand)----	
Effect on profit and loss	48,863	33,274

The weakening of the PKR against foreign currencies would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

39.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts. At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective rate (in Percentage)		Carrying amount (Rupees in 000)	
Financial liabilities				
Fixed rate instruments:				
Short term borrowings - PKR	-	7.5	-	2,108,398
Variable rate instruments:				
Long term finances - PKR	13.08 to 15.11	10.66 to 12.16	5,513,818	6,962,344
Long term finances - USD	0.314 to 0.664	4.69	2,079,170	2,632,967
Liabilities against assets subject to finance lease	9.48	9.48 to 13.01	155	394
Short term borrowings - PKR	12.24 to 16.66	9.83 to 15	8,477,724	6,139,898
Short term borrowings - USD	3.11 to 3.75	3.89 to 6.46	1,602,508	904,005

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	100 bps	
	Increase	Decrease
	Rupees	
Effect on profit - 30 June 2010	(156,860)	156,860
Effect on profit - 30 June 2009	(146,920)	146,920

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Group.

39.3.3 Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:
Level 1 : quoted market prices
Level 2 : valuation techniques (market observable)
Level 3 : valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	(Rupees in thousand)			
Financial assets 30 June 2010				
Available for sale financial assets	15,234,265	15,234,265	-	-
Financial assets designated at fair value through profit or loss	14	14	-	-
Derivative financial assets	9,422	-	9,422	-
	15,243,701	15,234,279	9,422	-
Financial assets 30 June 2009				
Available for sale financial assets	10,754,847	10,754,847	-	-
Financial assets designated at fair value through profit or loss	11	11	-	-
Derivative financial assets	213,072	-	213,072	-
	10,967,930	10,754,858	213,072	-

39.3.4 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available-for-sale equity securities held. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board. The primary goal of the Group's investment strategy is to maximise investment returns.

Sensitivity analysis:

A 1% increase/decrease in share prices at year end would have decreased/increased the Group's profit in case of financial assets designated at fair value through profit or loss and increase/decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	2010	2009
	----(Rupees in thousand)----	
Effect on profit or loss	-	-
Effect on equity	152,343	107,548
Effect on investments	152,343	107,548

39.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

39.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity. The debt-to-equity ratios as at 30 June 2010 and at 30 June 2009 were as follows:

	2010	2009
	----(Rupees in thousand)----	
Total debt	18,049,652	19,611,735
Total equity and debt	44,656,002	40,578,427
Debt-to-equity ratio	40%	48%

The decrease in the debt-to-equity ratio in 2010 resulted primarily due to net repayment of long term and short term borrowings.

Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

40 Operating Segments

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities include short term and long term borrowings, employees retirement benefits and other operating liabilities.

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

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

Type of segments	Nature of business
Cement	Production and sale of Clinker, Ordinary Portland and Sulphate Resistant Cements.
Paper	Manufacture and supply of paper products and packing material

The identification of operating segments was based on the internal organisational and reporting structure, built on the different products and services within the Group. Allocation of the individual organisational entities to the operating segments was exclusively based on economic criteria, irrespective of the participation structure under Companies Ordinance, 1984. For the presentation of reportable segments in accordance with IFRS 8, both operating segments with comparable economic features and operating segments not meeting the quantative thresholds were aggregated with other operating segments.

40.1 Segment analysis and reconciliation

The information by operating segment is based on internal reporting to the Group executive committee, identified as the 'Chief Operating Decision Maker' as defined by IFRS8. This information is prepared under the IFRSs applicable to the consolidated financial statements. All Group financial data are assigned to the operating segments.

	Cement		paper		Elimination - net		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees in thousands							
Revenue from								
-External customers	16,275,354	18,038,209	697,882	330,298	-	-	16,973,236	18,368,507
- Inter group	-	-	1,014,347	924,902	(1,014,347)	(924,902)	-	-
	16,275,354	18,038,209	1,712,229	1,255,200	(1,014,347)	(924,902)	16,973,236	18,368,507
Segment gross profit	2,705,360	5,679,730	374,971	178,517	(35,709)	(53,421)	3,044,622	5,804,826
Segment expenses	(1,355,869)	(2,809,223)	(29,626)	(13,289)	(1,064)	(27,828)	(1,386,559)	(2,850,340)
Impairment on investments	-	(257,386)	-	-	-	-	-	(257,386)
Other income	911,672	770,137	4,049	3,036	(40,636)	(38,152)	875,085	735,021
Financial charges	(1,902,760)	(2,606,358)	(161,339)	(236,521)	41,700	65,216	(2,022,399)	(2,777,663)
Taxation	(125,381)	(251,319)	(74,592)	11,943	-	-	(199,973)	(239,376)
Profit after taxation	233,022	525,581	113,463	(56,314)	(35,709)	(54,185)	310,776	415,082
Segment net assets	47,046,043	42,723,041	1,790,148	1,362,362	(343,547)	(217,631)	48,492,644	43,867,772
Segment liabilities	20,526,823	21,804,599	1,421,788	1,107,462	(390,625)	(300,415)	21,557,986	22,611,646
Depreciation	1,392,564	1,368,865	47,040	45,811	-	-	1,439,604	1,414,676
Cash generated from operating activities	842,005	1,147,994	(30,341)	360,954	3,013	65,327	814,677	1,574,275
Capital expenditure	1,079,494	1,995,630	3,410	3,270	-	-	1,082,904	1,998,900
Net cash used in investing activities	(534,712)	(924,879)	19,241	(1,867)	(1,137)	(37,502)	(516,608)	(964,248)

40.2 Geographical segments

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

41. Plant capacity and actual production

	Capacity		Actual production	
	2010	2009	2010	2009
Clinker (M. Tons)				
Unit 1	810,000	810,000	951,397	913,872
Unit 2	1,200,000	1,200,000	1,328,353	1,086,267
Unit 3	2,010,000	2,010,000	2,404,629	1,945,962
Cement Bags (number of bags)	120,000,000	120,000,000	109,514,109	71,165,872

42. General

42.1 These consolidated financial statements were authorised for issue on 17 September 2010 by the Board of Directors of the Group.

42.2 Figures have been rounded off to the nearest thousand of Rupees.

42.3 Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Chief Executive **Director**

PROXY FORM

Folio No. ______________________ CDC Participant I.D. No. ______________________

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

Shares Held ______________________

I/We ____

of ____

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

____

(NAME)

of ____

or falling him/her ____

(NAME)

____

of ____

who is also a member of the Company, vide Registered Folio No./CDC A/C Sub A/C No.__________________as my/our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 30th October 2010 at 2:00 p.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof.

As witness my/our hand this______________day of ______________2010

Witness

Signature ______________________________

Name ______________________________

Dated ______________________________

Place ______________________________

Signature on Five Rupees Revenue Stamp

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

ANNUAL REPORT

D.G. KHAN CEMENT
COMPANY LIMITED

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