CONTENTS

CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha	Chairperson
	Mian Raza Mansha	Chief Executive
	Mr. Manzar Mushtaq	
	Mr. Khalid Qadeer Qureshi	
	Mr. Zaka-ud-Din	
	Mr. Muhammad Azam	
	Mr. Inayat Ullah Niazi	Chief Financial Officer
Audit Committee	Mr. Manzar Mushtaq	Member/Chairman
	Mr. Khalid Qadeer Qureshi	Member
	Mr. Muhammad Azam	Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	ABN AMRO Bank Allied Bank Limited Askari Bank Limited Bank Alfalah Limited Citibank N.A. Habib Bank Limited MCB Bank Limited National Bank of Pakistan Standard Chartered Bank (Pakistan) Limited The Bank of Punjab United Bank Limited	
Auditors	KPMG Taseer Hadi & Co, 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	

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.

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 29th Annual General Meeting of the Shareholders of D. G. Khan Cement Company Limited ("the Company") will be held on October, 31, 2007 (Wednesday) at 11:00 a. 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 accounts of the Company for the financial year ended June 30, 2007 together with the Directors' and Auditors' reports thereon.

3. To approve Cash Dividend @ Rs. 1.50 Per Ordinary Share (i.e. 15%) as recommended by the Board.

4. 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. Manzar Mushtaq
   4. Mr. Khalid Qadeer Qureshi
   5. Mr. Muhammad Azam
   6. Mr. Zaka Ud Din
   7. Mr. I. U. Niazi

   The Board of Directors has fixed 7 (Seven) numbers of elected Directors. All retiring Directors shall be eligible to offer themselves for re-election.

5. To appoint Auditors for the year 2007 - 2008 and fix their remuneration. The retiring Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, Lahore, being eligible to offer themselves for re-appointment.

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

By order of the Board

LAHORE
SEPTEMBER 19, 2007

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

1. BOOK CLOSURE NOTICE FOR THE ENTITLEMENT OF FINAL 15% CASH DIVIDEND FOR THE YEAR ENDING JUNE 30, 2007:-

   The Share Transfer Books of Ordinary Shares of the Company will remain closed for entitlement of 15% Final Cash Dividend (i.e. Rs. 1.50 Per Ordinary Share), from 17-10-2007 to 31-10-2007 (both days inclusive). Physical transfers / CDS Transactions IDs received in order at Nishat House, 53-A, Lawrence Road, Lahore, upto 1:00 p.m. on 16-10-2007 will be considered in time for entitlement of Dividend and attending of meeting.

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

3. Members who have not yet submitted photocopies of their Computerized National Identification Cards to the Company are requested to send them at the earliest.

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

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

The statement is circulated in compliance with clause 3 of Notification No. 865(1)/2000 dated December 6, 2000. The Company was authorized to make further investment upto Rs. 255.952 million by way of acquiring upto 25,595,238 shares of Nishat Shuaiba Paper Products Company Limited through a resolution under section 208 of the Companies Ordinance, 1984, passed by the shareholders in the Extra Ordinary General Meeting held on June 21, 2007, but the decision could not be implemented to date due to following circumstances:-

A. A formal agreement for settlement of terms and conditions to purchase shares from Shuaiba Paper Products Co., Kuwait, has been sent to Shuaiba Paper Products Co., Kuwait for their consent. The said agreement for purchase of shares has not yet received back from the Seller till todate.

B. There is no major change in financial position and paid up capital of the investee company since the date of last resolution. However, the latest financial results of the investee Company as on June 30, 2007 are as under:-

	June 30, 2007 (Rupees)
Sales	550,550,491
Gross Profit	26,257,084
Loss After Tax	(63,505,937)
Loss Per Share (Rs.)	(1.40)

ADDENDUM TO THE NOTICE OF ANNUAL GENERAL MEETING

This is addendum to the Notice of Annual General Meeting of D. G. Khan Cement Company Limited ("the Company") published in Daily Business Recorder & Nawa-i-Waqt on September 23, 2007, Lahore Karachi & Islamabad editions.

The Board of Directors of the Company in their meeting held on October 3, 2007 at 10:30 a.m. has approved the following Special Resolution under Section 208 of the Companies Ordinance, 1984, to put before the Shareholders of the Company for their approval in the forthcoming Annual General Meeting to be held on October 31, 2007.

SPECIAL BUSINESS:-

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

RESOLVED:-

THAT pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, D. G. Khan Cement Company Limited ("the Company") be and is hereby authorized to make equity investment upto Rs.700 Million (Rupees Seven Hundred Million Only) in the share capital of Nishat Hotels and Properties Limited (Proposed) by acquiring up to 70,000,000 (Seventy Million) Shares of Rs. 10/- each.

THAT the Chief Executive of the Company be and is hereby empowered and authorized to make the said investment of shares, as and when deemed appropriate in the best interest of the Company and its shareholders and to delegate his said powers for purchase of shares to any officer of the Company.

THAT Chief Executive of the Company be and is hereby authorized to dispose off through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate in the best interest of the Company.

THAT a certified true copy of these resolutions duly signed by the Chief Executive, any of the Director or the Company Secretary be issued to whom it may concern.

By order of the Board

LAHORE
OCTOBER 3, 2007

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

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

Nishat Hotels and Properties Limited (NHPL) is being established as Nishat Group Company to principally engage in the businesses of hotel keepers, innkeepers, restaurant keepers, lodging-house keepers, apartment-building proprietors, caterers and purveyors of refreshments, refreshment contractors, refreshment room proprietors, sugar and sweetmeat merchants, tobacconists, farmers, dairymen and leisure retailing business of all kinds and to carry on the business of a property investment and development company.

The projected cost of the hoteling project is estimated at about Rs. 6.5 Billion with the 50:50 debt equity ratio. Incorporation formalities of the proposed company are being completed and application for registration of the company will be made in a few days. Draft Memorandum and Articles of Association of NHPL has been kept at the registered office of the Company that can be inspected at any time during working hours up to October 30, 2007.

The detail of the proposed investment is set out in the prescribed form below:

i)	Name of associated company	Nishat Hotels and Properties Limited (Proposed)
ii)	Nature, amount and extend of investment	Upto Rs. 700 Million by acquiring 70,000,000 ordinary shares of Rs.10/- each.

iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	N.A. (will be unlisted)
iv) Break-up value of shares intended to be purchased purchased on the basis of last published financial statements	N.A.
v) Price at which shares will be purchased	At Face Value of Rs.10/- each.
vi) Earning per shares of investee company in last three years.	N.A.
vii) Source of funds from where shares will be purchased	Surplus funds/reserves of the Company
viii) Period for which investment will be made	Long Term Investment
ix) Purpose of Investment	To diversified the investments of the Company in a new business of Hotels and Properties.
x) Benefits likely to accrue to the Company and the shareholder from the proposed investment: and	Hotel industry is booming in the country and with the sustained economic progress being achieved, there are tremendous opportunities in this industry. The investment made now have the potential of good return to the Company.
xi) Interest of Directors and their relatives in the investee Company	No special interest except the following directors are common on board of both the companies. 1. Mian Raza Mansha 2. Mr. Inayat Ullah Niazi

A. Following additional information is also provided for the benefit of the shareholders in respect of Nishat Hotels and Properties Limited.

Initial Authorized Capital will be Rs. 10 Million which may be gradually increased upto Rs. 3.00 billion.

Names of Proposed Directors

1. Mian Raza Mansha (Chairman)
2. Mrs. Iqra Hassan Mansha (Chief Executive)
3. Mr. Shahzad Saleem
4. Mian Umer Mansha
5. Mian Hassan Mansha
6. Mr. Aftab Ahmad Khan
7. Mr. Inayat Ullah Niazi

B. Company's shareholding in the investee company may be upto 47% after acquisition.

C. Financial Projections of the investee company for the first three years are as follows:

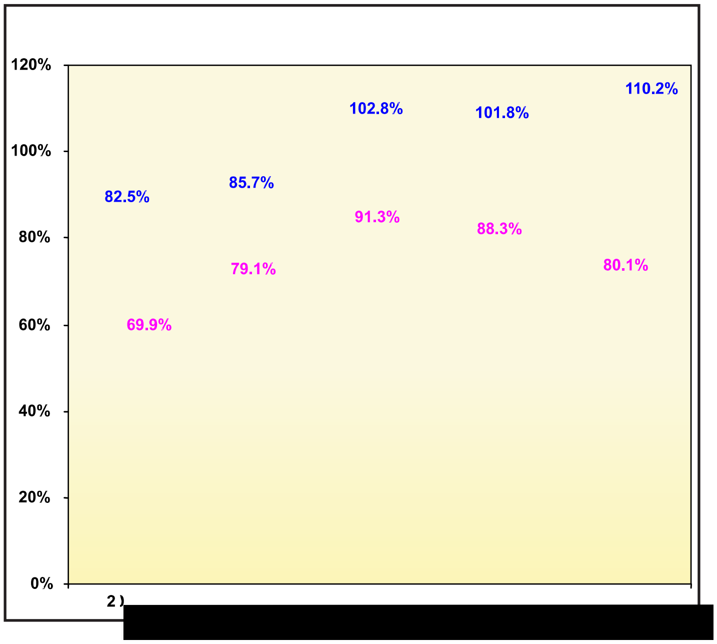
Year	1st Year	2nd Year	3rd Year
		(Rupees in thousand)	
Gross Revenue	3,893,429	3,467,320	3,568,154
Gross Profit	1,793,126	1,444,224	1,469,093
Net Profit	1,471,759	742,943	816,872

D. The Directors of the Company have no interest in the above Special Resolution.

DIRECTORS' REPORT

I feel immense pleasure to put before you the 29th annual report of D.G. Khan Cement Company Limited on behalf of Board of Directors, along with financial statements and auditors report thereon for the year ended June 30, 2007.

INDUSTRY REVIEW



The Year ended with a tremendous 32% growth in the sale of cement, which is an all time high in the history of the cement industry of Pakistan. Total Cement sale during the year was 24.2M tons against 18.4M tons last year. This mammoth growth was achieved on the back of robust and consistent economic activities in the country. 7% GDP growth is very much in line with the target set for FY 2006-07. According to survey of Pakistan FY 2006-07, growth during July-April 2007 in cement sector was 21% whereas manufacturing sector grew by 8.8% against the target of 13%.

The cement sector has contributed significantly in achieving growth in manufacturing sector. Local cement sales during FY 2006-07 were 21M tons against 17M tons previous year-an increase of about 24%. On the other hand the export of Cement increased by 112% from last year and reaching a quantity of 3.2M tons.

During period under review about 16M tons of new cement capacities have been added and total capacity installed reached to 36M tons. Incessant growth in cement demand during last couple of years provided impetus to the timely decision taken by prudent enterprenures of the country.

Cement prices in the local market remained subdued during FY 2007 as manufacturers with new capacities were trying to find out market place by selling cement at competitive prices in the local market. The heavily leveraged cement industry is facing decline in margins even historic volumetric growth is being put on record.

PLANT PERFORMANCE

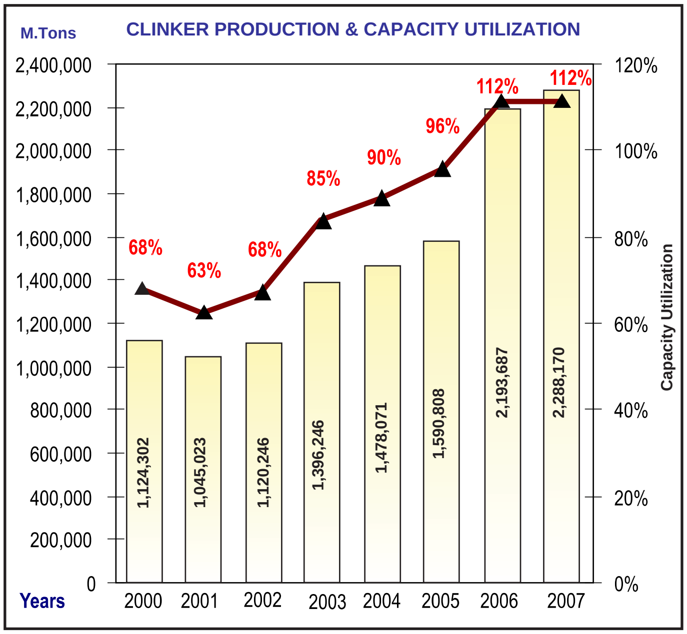
Plant performance during the year under review was excellent, details given below:

D.G. Khan site plant:

		2007	2006	Inc./(Dec.)
-Clinker	(M.Tons)	2,286,634	2,193,687	4.2%
-Capacity Utilization	% age	113.4%	112.1%	
-Cement	(M.Tons)	2,387,981	2,125,585	12.3%

Khairpur site plant:

-Clinker	(M.Tons)	146,794	-
-Cement	(M.Tons)	154,622	-



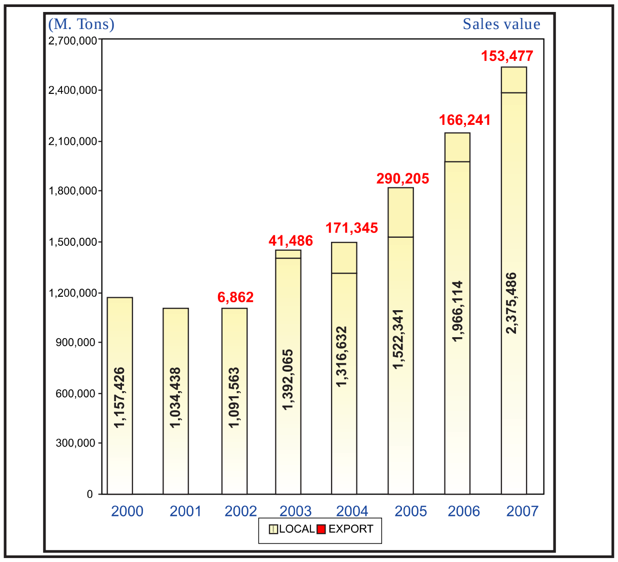
Both plants at D.G. Khan site operated satisfactorily. Plant run days were 328 and 335 days respectively which is unprecedented in the cement industry of the country. In addition to remarkable run time achieved, production per day also surpassed the rated daily production. Both these factors resulted in a yield of 113% against rated capacity. The operating excellence was a result of unmatched preventive maintenance system placed, proper and timely up-gradation and MBR of plant & equipment and above all ruthless efforts put in by the management of the your company.

With the grace of Almighty God, your new greenfield cement plant started in FY 2004, become a reality. During the year under review Clinker production started on trial basis in May 2007. Whereas, the state of the art, first vertical grinding mill of the country, started trial operations in March 2007.The results from the new plant are encouraging, and plant started its commercial production on June 27, 2007.

All the major segments of this massive plant are working satisfactorily and it is pertinent to mention here that the decision taken by your management in selection of an European origin plant over hybrid or Chinese plant proved to be right as just after a few months since its start the plant has achieved its rated capacity.

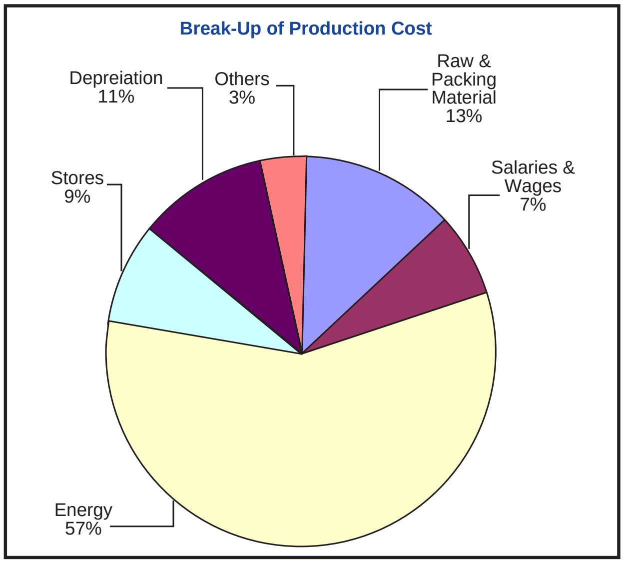
	2007	2006
	(M. Tons)	
SALES		
D.G. Khan site plant:		
Sales	2,357,169	2,098,840
-Local	2,203,692	1,932,599
-Export	153,477	166,241
-Clinker Sale	25,000	80,000
Khairpur Site Plant:		
- Total local sales	134,770	-
- Trial run sales	125,333	-

Although, local sales during the period under report augmented by 22%, but the growth is less than the average industry growth of 24% because of the capacity constraints. As your new Khairpur plant started its trial operations in last quarter and your company could not reap the upbeat in cement demand fully.



OPERATING RESULTS

		2007	2006
		(Rupees in thousand)	
- Net sales		6,419,625	7,955,665
- Cost of sales		4,387,640	3,992,822
- Gross profit		2,031,985	3,962,843
- After tax profit		1,622,471	2,418,455
- EPS (basic)	Rs. / share	6.43	10.37



Net sale revenue during the period declined by over 19% compared with last year despite the surge in sale volume. The decline in revenue is mainly ensued from decrease in cement prices in the country. On an average the net sale prices declined by over 37% from corresponding period. Main reason being that due to new capacities having come on stream there was an over supply position which put a pressure on prices. Sale revenue mentioned above includes only 4 days of commercial operations of new cement plant at Khairpur.

Rising inflation is a threat to cost of production. Energy and fuel prices are steadily rising in both international and local markets. During the period under review the coal and furnace oil price increased significantly thereby put burden on the cost of production. On the other hand rate of kraft paper has shown continuous rise and on average paper bag cost witnessed an increase of 16%. Due to rising coal rates in international market and hike in inland freight due to increase in petroleum prices in the country, management decided to use gas for heating the kiln. To start with gas firing equipment for plant 2 at D.G. Khan has been procured and about 60% of the coal has been replaced with gas. This change is expected to reduce energy cost during FY 2008.

After accounting for all charges including depreciation /amortization of Rs. 494.205 million, financial charges of Rs. 468.173 million and Rs. 98.0 million for provision for taxation (including deferred tax Rs. 65.0 million) etc. your company earned a net profit of Rs. 1,622.471 million.

DIVIDEND

The board of your company feels pleasure to recomend 15% final cash dividend for the year FY 2007.

OPERATING AND FINANCIAL DATA

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

INAUGRATION OF KHAIRPUR CEMENT PLANT

A Memorable inaugural ceremony of Khairpur cement plant was held on May 14, 2007. His excellency Mr. Shaukat Aziz, Prime Minister of the Islamic Republic of Pakistan graced the occasion. Prime Minister was delighted to see the plant in operation and applauded the contribution of the Nishat Group in the economy of the country. He was pleased to note that this new plant has generated employment for thousand of families in this area.

After some teething problems the plant started it commercial operations on June 27, 2007. By the grace of Almighty, just after a few months of its start the plant has successfully reached its rated capacity.

One of the power generator sets installed at Khairpur cement plant has also started commercial operations from August 2007. The test run of the said dual fuel generator has successfully been completed and the plant has been handed over to the management by Wartsila Finland.

The second generator has also started its trial operations and will soon start commercial operation.

EXPANSION (CEMENT GRINDING)

Work in the new vertical cement grinding mill at D.G. Khan site is in progress. The shipments from plant supplier have begun and cement grinding mill is expected to start its operation in the last quarter of FY 2008. After the start of vertical grinding mill the excess clinker produced at D.G. Khan site would be ground and sold.

FUTURE OUTLOOK

Mammoth Public Sector Development Plan (PSDP) of Rs. 520bn. was announced in the Federal budget FY 2008 against Rs. 435bn. last year. This year the increase in PSDP is 20% which is less than last year's increase of 35%, but this year the PSDP is largely infrastructural centric and about 50% of the total outlay has been fixed for construction related development projects.

Work on different water reservoirs is in progress and funds have been allocated for big dams like Basha diamer. In addition, raising of Mangla Dam is also in progress which entails large quantity of cement. Going forward, Govt. has also announced construction of 250K low cost housing units for Govt. employees in the next five years. In addition, Pakistan is short of housing projects compared with regional neighboring, hence construction activities especially in housing sector are booming. We anticipate sizable cement demand in the coming years due to these factors.

Cement industry of Pakistan has been demanding a cut in central excise duty (CED) which is higher compared with regional countries and one of the major reasons for higher cement prices. Govt. reduced the CED couple of years back and promised to slash CED further gradually, but no announcement was made in the budget FY 2008. On the contrary in budget FY 2008 special excise duty @ 1% has also been imposed on manufacturing activities, which will adversely affect the profitability of the sector.

Timely decision of expansion undertook by Pakistani entrepreneurs put the Pakistani cement industry in a position to export sizable cement to regional countries which are short of cement. But the incentive announced in trade policy of FY 2006-07 for the construction of bulk handling and storage facilities of cement and clinker has not materialized, which is a serious impediment in smooth export activities.

In addition, cement industry is also pleading to allow export of cement by land route to India which is short of cement by about 10 million tons. If the Govt. allows export of cement by land route it will be best suited to your company, as its new cement plant at Khairpur Dist. Chakwal is at a short distance from Wagha Border, Lahore. Export of cement from northern border has also started from Khairpur plant.

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 is 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, 2007 is Rs. 175.522 million.

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

S. No.	Name of Director		Attendance
1.	Mrs. Naz Mansha	Chairperson	4
2.	Mian Raza Mansha	Chief Executive	6
3.	Mr. Manzar Mushtaq		4
4.	Khalid Qadeer Qureshi		6
5.	Zaka ud din		6
6.	Muhammad Azam		6
7.	Inayat Ullah Niazi		6

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, 2007 is annexed.

AUDITORS

M/s A.F. Ferguson & Company, Chartered Accounts, Lahore, resigned due to their appointment as consultant to the ERP System and M/s. KPMG Taseer Hadi and Co. were appointed by the Board to fill the causal vacancy of statutory auditors and being eligible have offered themselves for re-appointment. The Audit Committee has also recommended their re-appointment.

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

ACKNOWLEDGEMENT

The management strongly admires the cooperation and efforts put in by all the stakeholders in our new greenfield cement plant at Dist. Chakwal, namely F.L. Smidth, European Investment Bank, other local financial institutions, contractors, suppliers, dealers and above all the dedicated and committed officers/ workers.

For and on behalf of the Board

MIAN RAZA MANSHA
Chief Executive

Lahore
September 19, 2007

OPERATING AND FINANCIAL DATA

		2007	2006	2005	2004	2003	2002
PRODUCTION & SALES							
							(M.Tons)
Clinker		2,433,428	2,193,687	1,590,808	1,478,071	1,396,246	1,120,246
Cement		2,542,602	2,125,585	1,812,333	1,482,362	1,436,263	1,119,704
Cement sales:		2,502,306	2,134,355	1,812,546	1,487,976	1,433,551	1,098,425
Local		2,348,829	1,968,114	1,522,341	1,316,632	1,392,065	1,091,563
Export		153,477	166,241	290,205	171,345	41,486	6,862
Clinker sale		25,000	80,000	-	-	-	-
OPERATING RESULTS							
						(Rupees in thousand)	
Net sales		6,419,625	7,955,665	5,279,560	3,882,756	2,992,006	2,718,654
Gross profit		2,031,985	3,962,843	1,948,791	1,385,494	677,676	770,859
Pre-tax profit /(loss)		1,720,471	3,448,533	2,121,271	1,120,415	355,510	294,174
After tax profit /(loss)		1,622,471	2,418,455	1,682,078	794,493	483,592	279,868
FINANCIAL POSITION							
Current assets		19,214,954	9,909,895	4,196,769	2,881,143	2,051,813	1,491,194
Current liablilities		7,390,229	6,015,436	3,055,858	2,376,989	1,527,010	1,391,325
Property, plant & equipment		22,117,551	7,521,723	6,637,237	6,128,083	6,147,435	6,326,987
Total assets		51,744,331	34,304,376	18,016,505	11,714,619	9,660,401	8,673,992
Long term liabilites		8,806,917	7,461,740	5,105,649	2,882,575	3,048,296	3,626,997
Shareholder's equity		33,923,185	19,268,200	9,317,998	6,317,055	5,085,095	3,492,663
RATIOS							
Current ratio		2.6 : 1	1.64 : 1	1.37 : 1	1.10 : 1	1.34 : 1	1.07 : 1
Debt to equity ratio		44 : 56	48 : 52	35 : 65	31 : 69	37 : 63	51 : 49
Gross profit to sales	(%)	31.65	49.81	36.91	35.68	22.65	28.35
Net profit to sales	(%)	25.27	30.40	31.86	20.46	16.16	10.30
Break up value per share	(Rs.)	43.60	44.34	31.06	24.92	22.67	22.92
EARNINGS PER SHARE							
Basic	(Rs.)	6.43	10.37	9.12	4.31	2.84	1.67
Diluted	(Rs.)	6.43	9.14	7.82	3.78	2.77	-

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. 37, 43 & 36 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 vacancy occurred in the Board.

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. No new orientation course has been arranged.

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

for and on behalf of the Board

MIAN RAZA MANSHA
Chief Executive

Lahore
September 19, 2007

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2007.

The Company has fully complied with the best practices on Transfer Pricing as contained in the related Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

MIAN RAZA MANSHA
Chief Executive
NIC Number : 35202-2539500-5

Lahore
September 19, 2007

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2007 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
1445	1	100	66048
1394	101	500	433093
822	501	1000	679718
1067	1001	5000	2620169
242	5001	10000	1830937
81	10001	15000	1022208
63	15001	20000	1121088
39	20001	25000	911649
25	25001	30000	712822
25	30001	35000	828472
15	35001	40000	563548
7	40001	45000	297220
22	45001	50000	1084320
6	50001	55000	318449
6	55001	60000	355705
8	60001	65000	506542
10	65001	70000	677923
5	70001	75000	367700
4	75001	80000	312198
4	80001	85000	327792
2	85001	90000	179000
6	95001	100000	599000
5	100001	105000	509752
1	105001	110000	110000
6	110001	115000	674447
1	115001	120000	119124
3	120001	125000	373400
1	125001	130000	125700
4	130001	135000	528108
2	135001	140000	277575
1	140001	145000	141714
3	145001	150000	440400
3	150001	155000	459500
1	155001	160000	156050
2	160001	165000	327100
2	165001	170000	335055
3	170001	175000	524300
2	175001	180000	358680
1	185001	190000	190000
2	190001	195000	387600
5	195001	200000	994800
3	200001	205000	609193
3	205001	210000	622600
1	210001	215000	214200
1	215001	220000	218500
1	220001	225000	224500
1	225001	230000	226636
2	230001	235000	462900
1	245001	250000	245200
2	250001	255000	502700
1	255001	260000	259800

Continued →

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1	260001		265000	260550
1	265001		270000	266800
1	280001		285000	280362
3	290001		295000	877900
4	295001		300000	1198900
1	330001		335000	334400
1	345001		350000	350000
1	355001		360000	359600
2	385001		390000	776500
1	390001		395000	391107
1	430001		435000	433635
1	435001		440000	438000
3	495001		500000	1500000
1	500001		505000	502700
1	510001		515000	510200
2	525001		530000	1053575
1	535001		540000	535900
2	545001		550000	1100000
1	550001		555000	552000
1	595001		600000	600000
1	610001		615000	612400
1	620001		625000	621500
1	700001		705000	703500
1	730001		735000	731600
1	745001		750000	750000
1	750001		755000	753725
1	770001		775000	775000
1	795001		800000	795285
1	800001		805000	803600
1	820001		825000	825000
1	920001		925000	920600
1	945001		950000	950000
1	990001		995000	994600
1	1170001		1175000	1173287
1	1195001		1200000	1200000
1	1315001		1320000	1319600
1	1420001		1425000	1424700
1	1485001		1490000	1487300
1	1505001		1510000	1508890
1	1540001		1545000	1543800
1	1545001		1550000	1548485
1	1595001		1600000	1598100
1	1840001		1845000	1843400
1	2045001		2050000	2048500
1	3165001		3170000	3169800
1	3250001		3255000	3250625
1	3405001		3410000	3409201
1	3980001		3985000	3980548
1	3995001		4000000	4000000
1	4370001		4375000	4375000
1	5595001		5600000	5597852
1	9395001		9400000	9397600
1	10115001		10120000	10119166

Continued →

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1	10830001		10835000	10831548
1	11045001		11050000	11048000
1	11590001		11595000	11594276
1	12215001		12220000	12219080
1	15240001		15245000	15243625
1	79610001		79615000	79614700
5431	T O T A L		253541157	

CLASSIFICATION OF ORDINARY SHARES BY CATEGORIES AS AT JUNE 30, 2007

CATEGORIES OF MEMBERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	5,078	59,657,541	23.53
Investment Companies	29	3,574,053	1.41
Insurance Companies	16	6,722,928	2.65
Joint Stock Companies	172	104,809,249	41.34
Financial Institutions	36	13,416,071	5.29
Modaraba Companies	21	503,328	0.20
Foreign Investors	14	39,475,829	15.57
Others	65	25,382,158	10.01
T O T A L :	5431	253,541,157	100.00

INFORMATION UNDER CLAUSE XIX (i) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2007

		SHARES HELD	PERCENTAGE
(A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES :-			
1. NISHAT MILLS LTD.		79,614,700	31.40
2. ADAMJEE INSURANCE COMPANY LIMITED		1,173,287	0.46
(B) NIT AND ICP:-			
1. INVESTMENT CORPORATION OF PAKISTAN		1,971	0.00
2. NATIONAL BANK OF PAKISTAN-TRUSTEE WING (NATIONAL INVESTMENT (UNIT) TRUST)		429,229	0.17
(C) DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDERN:-			
1. MRS. NAZ MANSHA	DIRECTOR/ CHAIRPERSON	65,451	0.03
2. MIAN RAZA MANSHA	DIRECTOR/ CHIEF EXECUTIVE	5,597,852	2.21
3. MR. I.U. NIAZI	DIRECTOR/CFO	12,607	0.00
4. MRS. AMMIL RAZA MANSHA (SPOUSE OF CHIEF EXECUTIVE)		3,409,201	1.34
(D) EXECUTIVES:-			
NIL			
(E) PUBLIC SECTOR COMPANIES & CORPORATIONS:-			
1. Joint Stock Companies		104,809,249	41.34
(F) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS:-			
1. Investment Companies		3,574,053	1.41
2. Insurance Companies		6,722,928	2.65
3. Financial Institutions		13,416,071	5.29
4. Modaraba Companies		503,328	0.20
(G) SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY:-			
1. NISHAT MILLS LTD.		79,614,700	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, 2006 to June 30, 2007 by the related parties is as under:

	Sale	Purchase
	(No. of Shares)	
MRS. AMMIL RAZA MANSHA (Spouse of Chief Executive)	-	26,000

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 the respective Stock Exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system 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.

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.

Lahore	KPMG Taseer Hadi & Co
September 19, 2007	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 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore
September 19, 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

BALANCE SHEET

	Note	2007	2006
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2006: 250,000,000) ordinary shares of Rs 10 each		9,500,000	2,500,000
- 50,000,000 (2006: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	3,000,000
Issued, subscribed and paid up capital	5	2,535,412	1,843,937
Share deposit money		-	8,351
Reserves	6	29,630,084	15,085,354
Un-appropriated profit		1,757,689	2,330,558
		33,923,185	19,268,200
NON-CURRENT LIABILITIES			
Long term finances	7	8,686,447	7,372,468
Liabilities against assets subject to finance lease	8	1,141	28,886
Long term deposits	9	79,467	33,814
Retirement and other benefits	10	39,862	26,572
Deferred taxation	11	1,624,000	1,559,000
		10,430,917	9,020,740
CURRENT LIABILITIES			
Trade and other payables	12	1,027,274	1,406,869
Accrued markup	13	342,612	340,757
Short term borrowing - secured	14	3,942,972	2,613,695
Current portion of non - current liabilities	15	2,042,281	1,619,025
Provision for taxation		35,090	35,090
		7,390,229	6,015,436
CONTINGENCIES AND COMMITMENTS	16		
		51,744,331	34,304,376

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

Chief Executive

AS AT JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	22,117,551	7,521,723
Assets subject to finance lease	18	133,376	295,058
Capital work in progress	19	1,907,063	11,759,677
Investments	20	8,174,474	4,482,213
Long term loans, advances and deposits	21	196,913	335,810
		32,529,377	24,394,481
CURRENT ASSETS			
Stores, spares and loose tools	22	1,496,291	836,049
Stock-in-trade	23	295,140	226,286
Trade debts	24	144,245	74,165
Investments	25	16,933,790	8,543,763
Advances, deposits, prepayments and other receivables	26	229,315	152,465
Cash and bank balances	27	116,173	77,167
		19,214,954	9,909,895
		51,744,331	34,304,376

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
			(Rupees in thousand)	
Sales - net		28	6,419,625	7,955,665
Cost of sales		29	(4,387,640)	(3,992,822)
Gross profit			2,031,985	3,962,843
Administrative expenses		30	(104,169)	(121,953)
Selling and distribution expenses		31	(65,122)	(34,352)
Other operating expenses		32	(139,307)	(191,850)
Other operating income		33	479,420	294,114
Profit from operations			2,202,807	3,908,802
Finance cost		34	(468,173)	(450,696)
Share of loss of associated companies			(14,163)	(9,573)
Profit before tax			1,720,471	3,448,533
Taxation		35	(98,000)	(1,030,078)
Profit for the year			1,622,471	2,418,455
Basic earnings per share	Rupees	43.1	6.43	10.37
Diluted earnings per share	Rupees	43.2	6.43	9.14

Appropriations have been reflected in the statement of changes in equity.

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

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	36	997,019	4,474,518
Finance cost paid		(466,185)	(250,029)
Retirement and other benefits paid		(43,067)	(7,573)
Taxes paid		(57,759)	(31,604)
Net increase in long term deposits		45,653	5,140
Net cash from operating activities		475,661	4,190,452
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,095,269)	(9,005,201)
Purchase of investments		(320,955)	(167,039)
Sale proceeds of investments		90	13,000
Net decrease/(increase) in long term loans, advances and deposits		138,897	(64,382)
Sales proceeds of property, plant and equipment		18,608	13,030
Dividend received		465,779	265,882
Interest received		3,681	5,094
Net cash used in investing activities		(4,789,169)	(8,939,616)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,602,666	-
Share capital deposit money received		-	8,351
Proceeds from long term finances		3,332,548	4,000,000
Repayment of long term finances		(1,481,302)	(556,883)
Repayment of liabilities against assets subject to finance lease		(85,932)	(96,570)
Dividend paid		(344,743)	(275,478)
Net cash from financing activities		3,023,237	3,079,420
Net (decrease) in cash and cash equivalents		(1,290,271)	(1,669,744)
Cash and cash equivalents at the beginning of year		(2,536,528)	(866,784)
Cash and cash equivalents at the end of year	37	(3,826,799)	(2,536,528)

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

		CAPITAL RESERVE				REVENUE RESERVE		
	Share capital	Share premium	Fair value reserve	Hedging reserve	Capital redemption reserve fund	General reserve	Unapprop-riated profit	Total
	---------------------------Rupees in thousand---------------------------							
Balance as at 30 June 2005	1,843,937	1,561,350	3,591,035	(298,244)	195,600	2,146,827	277,493	9,317,998
Final dividend for the year ended 30 June 2005 - Rs 1.5 per share	-	-	-	-	-	-	(276,590)	(276,590)
Fair value gain during the year	-	-	7,501,742	-	-	-	-	7,501,742
Loss arising on marking to market foreign currency forward options entered into as part of cash flow hedge for the purchase of plant and machinery	-	-	-	(22,990)	-	-	-	(22,990)
Transfer to capital work in progress on expiry of foreign currency forward options	-	-	-	321,234	-	-	-	321,234
Profit for the year	-	-	-	-	-	-	2,418,455	2,418,455
Transfer from profit and loss account	-	-	-	-	88,800	-	(88,800)	-
Balance as at 30 June 2006	1,843,937	1,561,350	11,092,777	-	284,400	2,146,827	2,330,558	19,259,849
Final dividend for the year ended 30 June 2006 - Rs 1.5 per share	-	-	-	-	-	-	(345,738)	(345,738)
Issue of 46,098,392 ordinary shares of Rs 10 each fully paid in cash	460,983	1,150,034	-	-	-	-	-	1,611,017
Transfer from profit and loss account	-	-	-	-	69,110	1,550,000	(1,619,110)	-
Issue of bonus shares @ 10%	230,492	-	-	-	-	-	(230,492)	-
Fair value gain during the period	-	-	11,775,586	-	-	-	-	11,775,586
Profit for the year	-	-	-	-	-	-	1,622,471	1,622,471
Balance as at 30 June 2007	2,535,412	2,711,384	22,868,363	-	353,510	3,696,827	1,757,689	33,923,185

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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 Ordinary Portland and Sulphate Resistant Cement. The registered office of the Company is situated at 53-A Lawrence Road, Lahore.

2. Basis of preparation

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

2.2 Standards, interpretations and amendments to published approved accounting standards

Amendments to published standards effective in 2006

IAS 19 (Amendment) - Employee Benefits, is mandatory for the Company's accounting periods beginning on or after 01 July 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 10 to the financial statements.

Standards, amendments and interpretations effective in 2006 but not relevant

Other new standards, amendments and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2006 are considered not to be relevant or have any significant effect to the Company's operations.

Standards or interpretations not yet effective but relevant

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after 01 July 2007. Adoption of amendments to IAS 1 will impact the nature and extent of disclosures made in the future financial statements of the Company. In addition IAS 23 "Borrowing Costs" has been revised and is effective for the Company's accounting period beginning after 01 July 2009. Adoption of this standard will have no impact on the Company's financial statements.

3 Basis of measurement

3.1 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 effects 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	4.1
-	retirement and other benefits	note	4.2
-	residual value and useful lives of depreciable assets	note	4.3
-	provisions and contingencies	note	4.16

3.2 Change in accounting estimate

In pursuance of revised International Accounting Standard (IAS) 16 "Property, Plant and Equipment" during the year, the Company has reassessed the residual values of vehicles included in property, plant and equipment and assets subject to finance lease as on 30 June 2007, and accordingly their depreciable amounts have been adjusted. Had the residual values of vehicles not been reassessed for charging depreciation, profit after taxation for the year ended 30 June 2007 would have been higher by Rs 6.266 million and carrying value of property, plant and equipment and assets subject to finance lease as at that date would have been higher by Rs 5.256 million and Rs 1.01 million respectively. The effect on profit after taxation for future periods as a result of the subject residual values is not considered to be material.

4 Significant accounting policies

4.1 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 is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Retirement and other benefits

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

Defined benefit plan

During the year, the Company has converted its unfunded defined benefit plan to 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 2007 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 2007 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 present value of the Company obligations 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.

Interest is payable to the fund on the balances utilized at the weighted average borrowing rate of the company, which is charged to profit.

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 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 will lapse. In case of workers, unutilized leaves may be accumulated without any limit. However, 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 Company's approval.

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit. The most recent valuation was carried out as at 30 June 2007 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 profit immediately in the period when these occur.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 4.17 and borrowing costs as referred to in note 4.19.

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 an asset over its estimated useful life at annual rates mentioned in note 17 after taking into account their residual values.

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

Depreciation on additions to property, plant and equipment is charged from the month in which 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 recognised in income 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 income during the period in which they are incurred.

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

4.4 Capital work-in-progress

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

4.5 Leases

The Company is the lessee.

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 as referred to in note 8. 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 18. 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.

4.6 Investments

Investments in equity instruments of associated companies

Associates are all entities over which the Company 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 Company’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Company’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 Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

During the year, the Company re-assessed its relationship with all associated undertakings and as a result, it no longer accounts for its investments in Gulf Nishat Apparel Limited using equity method as this Company does not fall within the scope of the IAS 28 'Investments in Associates'. Consequently, in line with the Company's accounting policy, such investments have now been designated as available for sale and measured at fair value (unless fair value cannot be measured reliably), from the date the Company has ceased to have significant influence as per the requirement of the IAS 28.

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 dates, 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 income 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. A reversal of the impairment loss is recognised in income.

4.7 Stores and spares

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

4.8 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.

4.9 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.

4.10 Trade debts

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

4.11 Cash and cash equivalents

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

4.12 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 company, are classified as liabilities. The dividend on these preference shares are recognised in the profit and loss account as finance cost. Finance costs are accounted for on an accrual basis.

4.13 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.

4.14 Financial instruments

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

4.15 Offsetting of financial assets and financial liabilities

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

4.16 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.

4.17 Derivative financial instruments and hedging activities

These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

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

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.

4.18 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.

4.19 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.

4.20 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is 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 is recognised on despatch of goods. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Dividend income on equity investments is recognised as income when the right of receipt is established.

4.21 Dividend

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

4.22 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.

5. Issued, subscribed and paid up capital

2007	2006		2007	2006
(Number of shares)			(Rupees in thousand)	
158,934,068	112,835,676	Ordinary shares of Rs 10 each fully paid in cash	1,589,341	1,128,357
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	51,557,893	Ordinary shares of Rs 10 each issued as fully paid bonus shares	746,071	515,580
253,541,157	184,393,569		2,535,412	1,843,937

79,614,700 (2006: 57,901,600) ordinary shares of the Company are held by Nishat Mills Limited, an associated concern as at 30 June 2007. In addition 1,173,287 (2006: Nil) ordinary shares are held by the Adamjee Insurance Company Limited a related party as at 30 June 2007.

	Note	2007	2006
		(Rupees in thousand)	

6. Reserves

Movement in and composition of reserves is as follows:

	Note	2007	2006
Capital			
Share premium	6.1		
At the beginning of the year		1,561,350	1,561,350
Addition during the period		1,150,034	-
		2,711,384	1,561,350
Fair value reserve	6.2		
At the beginning of the year		11,092,777	3,591,035
Net gain during the year		11,775,586	7,501,742
Gain on derecognition of investment		-	-
		22,868,363	11,092,777
Hedging reserve			
At the beginning of the year		-	(298,244)
Loss during the year		-	(22,990)
Transfer to capital work in progress		-	321,234
Capital redemption reserve fund	6.3		
At the beginning of the year		284,400	195,600
Transfer from profit and loss account		69,110	88,800
		353,510	284,400
		25,933,257	12,938,527
Revenue			
General reserve			
At the beginning of the year		2,146,827	2,146,827
Transfer from profit and loss account		1,550,000	-
		3,696,827	2,146,827
		29,630,084	15,085,354

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

6.2 As referred to in note 4.6 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.

6.3 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.

7. Long term finances

	Note	2007	2006
These are composed of:			
Long term loans	7.1	10,705,016	8,500,260
Redeemable preference shares (non-voting)- unsecured	7.3	-	353,510
		10,705,016	8,853,770
Less: Current portion shown under current liabilities			
Long term loans	15	2,018,569	1,127,792
Redeemable preference share (non-voting)- unsecured		-	353,510
Long term finances		2,018,569	1,481,302
		8,686,447	7,372,468

7.1 Long term loans - secured

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

Loan	Lender	2007	2006	Rate of interest per annum	Outstanding installments	Interest payable
		(Rupees in thousand)				
	Long term loan from banking company-secured					
1	Habib Bank Limited	685,714	914,286	*Base rate + 3% subject to floor of 6.25%	6 equal semi-annual installments ending 31 March 2010	Quarterly
2	Habib Bank Limited	171,429	228,571	*Base rate + 3% subject to floor of 5.25%	6 equal semi-annual installments ending June 20, 2010	Quarterly
3	National Bank of Pakistan	257,143	342,857	*Base rate + 2.5%	6 equal semi-annual installments ending June 30, 2010	Semi annual
4	Bank of Punjab	160,000	240,000	**Base rate + 1% subject to floor of 4%	4 equal semi-annual installments ending June 12, 2009	Quarterly
5	Standard Chartered Bank	100,000	140,000	**Base rate + 1%	5 equal semi-annual installments ending August 19, 2009	Semi annual
6	Standard Chartered Bank	140,000	180,000	**Base rate + 1%	7 equal semi-annual installments ending August 19, 2010	Semi annual
7	Allied Bank Limited	1,040,000	1,300,000	**Base rate + 1.1%	8 equal semi-annual installments ending June 30, 2011	Semi annual
8	Habib Bank Limited	818,182	954,546	**Base rate + 1.1%	9 equal semi-annual installments ending September 29, 2011	Quarterly
9	Citi Bank	1,200,000	1,200,000	**Base rate + 1%	8 equal semi-annual installments commencing Nobember 15, 2007	Semi annual
10	National Bank of Pakistan	900,000	1,000,000	**Base rate + 1.1%	9 equal semi-annual installments ending Nobember 16, 2011	Semi annual
11	Habib Bank Limited	900,000	1,000,000	**Base rate + 1.25%	9 equal semi-annual installments ending December 30, 2011	Quarterly
12	United Bank Limited	1,000,000	1,000,000	**Base rate + 1.1%	10 equal semi-annual instalments commencing March 31, 2008	Semi annual
13	Bank Alfalah	634,000	-	**Base rate + 1.5%	11 equal semi-annual instalments beginning on March 16, 2009	Quarterly
	Foreign currency-unsecured					
14	European Investment Bank	2,698,548	-	***Base rate + 0.063%	11 equal semi-annual instalments commencing March 31, 2008	Quarterly
	US$ 44.530 million (2006: Nil)					
		10,705,016	8,500,260			

*Base rate
Average of cut off rates of six months treasury bills auctions to be set for each mark-up period.

**Base rate
Average ask rate of six-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.

7.2 Security

These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs 12,548.93 million (2006: Rs 12,843.640 million).

7.3 These have been redeemed during the year

	Note	2007	2006
		(Rupees in thousand)	

8. Liabilities against assets subject to finance lease

	Note	2007	2006
Present value of minimum lease payments		21,729	123,661
Less: Current portion shown under current liabilities	15	20,588	94,775
		1,141	28,886

The minimum lease payments have been discounted at an implicit interest rate ranging from 5.242 to 8.1% (2006: 5.24% to 9.55 %) to arrive at their present value. Rentals are paid in monthly instalments and in case of default of any payment, an additional charge @ 2% to 5% per month shall be paid. The 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 Company. In case of termination of the agreement, the Company 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 charge	Present value of lease liability 2007	Present value of lease liability 2006
	(Rupees in thousand)			
Years				
Not later than one year	21,050	462	20,588	94,775
Later than one year and not later than five years				
2008	-	-	-	22,822
2009	1,151	10	1,141	2,967
2010	-	-	-	3,097
	1,151	10	1,141	28,886
	22,201	472	21,729	123,661

	2007	2006
	(Rupees in thousand)	

9. Long term deposits

	2007	2006
Customers	25,995	22,135
Others	53,472	11,679
	79,467	33,814

9.1 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	2007	2006
		(Rupees in thousand)	

10 Retirement and other benefits

	Note	2007	2006
Staff gratuity	10.1	17,147	8,861
Leave encashment	10.2	22,715	17,711
		39,862	26,572

10.1 Staff gratuity-net

The amounts recognised in the balance sheet are as follows:

	Note	2007	2006
Present value of defined benefit obligation		22,741	11,685
Less fair value of plan assets		(36)	-
Present value of settlements payable not later than one year	10.1.1	-	42,948
Unrecognised actuarial (losses)/gains		(5,558)	(2,824)
		17,147	51,809
Current portion shown under current liabilities		-	42,948
Liability as at 30 June		17,147	8,861

10.1.1 This represents balance of gratuity as at 28 February 2006 payable to employees of the Company due to conversion of gratuity scheme from unfunded to approved funded defined benefit plan.

	2007	2006
	(Rupees in thousand)	
Change in present value of net staff gratuity		
Liability as at 01 July	51,809	37,072
Charge for the year including capitalized during the year	8,637	18,480
Contributions plus benefit payments made directly by the Company during the period	(42,397)	(3,743)
Reversal of payables booked for officers and payments made	(902)	-
Liability as at 30 June	17,147	51,809

10.1.2 Movement in liability for defined benefit obligation

	2007	2006
Present value of defined benefit obligation as at 01 July	11,685	40,391
Current service cost	7,458	4,778
Interest cost	1,052	3,635
Amount of settlements	-	(42,948)
Benefits paid during the period	(313)	(3,743)
Loss on PVDBO due to settlements	-	10,067
Actuarial (gain)/loss on present value of defined benefit obligation	2,859	(495)
Present value of defined benefit obligation as at 30 June	22,741	11,685

10.1.3 Movement in fair value of plan assets

	2007	2006
Fair value of plan assets as at 01 July	-	N/A
Expected return on plan assets	-	N/A
Contributions during the year	42,212	N/A
Benefits paid during the year	(42,174)	N/A
Actuarial gain/(loss) on plan assets	(2)	N/A
Fair value of plan assets as at 30 June	36	N/A

	2007	2006
	(Rupees in thousand)	
10.1.4 Actual return on plan assets	-	N/A

10.1.5 Plan assets consist of the following:

	2007	2006
Equity instruments	-	N/A
Debt instruments	-	N/A
Cash and other deposits	36	N/A
	36	N/A

10.1.6 Movement in actuarial (losses)/gains

	2007	2006
Un recognised actuarial (losses) as at 01 July	(2,824)	(3,319)
Actuarial gain/(losses) arising during the year	(2,861)	495
Actual (gains)/losses charged to profit during the year	127	-
Un recognised actuarial / (losses) as 30 June	(5,558)	(2,824)

10.1.7 Charge for the year including capitalized during the year

	2007	2006
Current service cost	7,458	4,778
Interest cost	1,052	3,635
Loss on PVDBO due to settlements	-	10,067
Actuarial losses charge	127	-
	8,637	18,480

	2007	2006	2005	2004	2003
	---------------------------Rupees in thousand				
10.1.8 Historical Information					
Present value of defined benefit obligation	22,741	11,685	40,391	31,479	27,020
Present value of defined benefit assets	(36)	N/A	N/A	N/A	N/A
Deficit in the plan	22,705	11,685	40,391	31,479	27,020
Experience adjustment arising on plan liabilities	2,859	(495)	3,531	510	(552)
Experience adjustment arising on plan assets	(2)	N/A	N/A	N/A	N/A

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

	2007	2006
	(Rupees in thousand)	
Discount rate	10 % per annum	9 % per annum
Expected rate of increase in salary	9 % per annum	8 % per annum
Average expected remaining working life time of employee	13 years	13 years

	2007	2006
	(Rupees in thousand)	

10.1.10 The Company expects to pay Rs. 11.298 million in contributions to defined benefit plan in 2008.

10.2 Leave encashment

	Note	2007	2006
Opening balance		17,711	8,694
Expenses recognized		8,798	12,847
Payments made		(670)	(3,830)
		25,839	17,711
Payable within one year	15	(3,124)	-
Closing balance		22,715	17,711

10.2.1 Movement in liability for defined benefit obligation

	2007	2006
Present value of defined benefit obligation as at 01 July	17,711	8,694
Current service cost	5,036	3,915
Interest cost	1,594	783
Benefits paid during the period	(670)	(3,830)
Payable within one year	(3,124)	-
Actuarial (gain)/loss on present value of defined benefit obligation	2,168	8,149
Present value of defined benefit obligation as at 30 June	22,715	17,711

10.2.2 Charge for the year including capitalized during the year

	2007	2006
Current service cost	5,036	3,915
Interest cost	1,594	783
Actuarial losses charge	2,168	8,149
	8,798	12,847

10.2.3 Historical Information

	2007	2006	2005	2004	2003
	Rupees in thousand				
Present value of defined benefit obligation	22,716	17,711	8,694	6,458	6,082
Experience adjustment arising on plan liabilities	2,168	8,149	1,174	608	222

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

	2007	2006
	(Rupees in thousand)	
Discount rate	10 % per annum	9 % per annum
Expected rate of increase in salary	9 % per annum	8 % per annum
Average expected remaining working life time of employee	13 years	13 years
Expected withdrawal and early retirement rate	Based on experience	

	2007 Officers (days)	2007 Workers (days)	2006 Officers (days)	2006 Workers (days)
Average number of leaves				
- Utilized per annum	14.00	20.00	15.00	18.00
- Encashed per annum	8.00	8.00	7.00	11.00
- Utilized per annum in excess of accrued leave of 30 days	0.50	3.00	0.56	3.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	2.00	0.25	2.60

11 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2007	2006
	(Rupees in thousand)	
Deferred tax liability		
Accelerated tax depreciation	4,390,528	1,581,210
Deferred tax assets		
Provision for retirement and other benefits	(2,669)	(22,210)
Unabsorbed tax credits	(2,763,859)	-
	1,624,000	1,559,000

12 Trade and other payables

	Note	2007	2006
Trade creditors	12.1	390,957	413,524
Customers' balances		187,626	197,746
Accrued liabilities		188,610	465,245
Due to related parties		-	1,016
Workers' profit participation fund	12.2	93,145	182,006
Workers' welfare fund payable		35,112	-
Sales tax payable		31,423	75,902
Custom duties payable		1,131	1,131
Retention money		61,396	32,971
Unclaimed dividend		4,208	3,213
Advances against sale of scrap		317	475
Redeemable preference shares (non-voting) - unsecured		133	-
Other payables		33,216	33,640
		1,027,274	1,406,869

12.1 Included in trade creditors is an amount of Rs 28.297 million (2006: Rs 7.907 million) payable to a related party.

12.2 Workers' profit participation fund

	Note	2007	2006
Opening balance		182,006	83,058
Provision for the year	32	93,145	182,006
Interest for the year	34	98	101
		275,249	265,165
Less: Payments during the year		182,104	83,159
Closing balance		93,145	182,006

	Note	2007	2006
		(Rupees in thousand)	

13 Accrued markup

Long term loans		301,310	261,539
Short term borrowing - secured		41,209	43,852
Preferred dividend on redeemable preference shares		93	35,366
		342,612	340,757

14 Short term borrowing - secured

	Note	2007	2006
Short term running finances	14.1	3,269,971	2,131,087
Import finances	14.2	673,001	482,608
		3,942,972	2,613,695

14.1 Short term running finances - secured

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs 4,280 million (2006: Rs 3,195 million). The rates of mark up range from 9.2% to 12.2% (2006: 8.75% to 10.75%) or part thereof on the balance outstanding. The aggregate short term running finances of Rs 4,280 million (2006: Rs 3,195 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 and receivables.

14.2 Import finances- secured

The Company has obtained import finance facilities aggregating to Rs 890 million (2006: Rs 1,301 million) from commercial banks. The rates of mark-up range from 5.7% to 9.21% (2006: 4.12% to 9.21%). 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 5,348.22 million (2006: Rs 3,921 million) for opening letters of credit and Rs 901.4 million (2006: Rs 351.4 million) for guarantees, the amount utilized at 30 June 2007 was Rs 576.506 million (2006: Rs 886.680 million) and Rs 828.736 million (2006: Rs 215.775 million) respectively. The aggregate facilities for guarantees are secured by a pledge of 1.7 million shares of MCB Bank Limited and registered charge on current assets of the Company. Of the facility for guarantees, Rs 12.975 million (2006: Rs 14.309 million) is secured by a lien over bank deposits as referred to in note 27.2.

	Note	2007	2006
		(Rupees in thousand)	

15 Current portion of non-current liabilities

	Note	2007	2006
Long term finances	7	2,018,569	1,481,302
Liabilities against assets subject to finance lease	8	20,588	94,775
Retirement and other benefits	10	3,124	42,948
		2,042,281	1,619,025

16 Contingencies and commitments

16.1 Contingencies

(i) 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.

(ii) 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 etc. 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.

(iii) 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 21.830 million (2006: Rs 22.330 million).

Insurance guarantee in favour of Collector of Customs, Excise and Sales Tax, Multan against export of cement amounting to Nil (2006: Rs 60 million).

Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 83 million (2006: Rs 61 million).

Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2006: Rs 3 million).

Director General, Mines and Minerals, Quetta against Lime stone shale and other cement manufacturers' amounting to Rs 3 million (2006: Nil).

The President of the Islamic Republic of Pakistan against the performance of a contract and against advance payment to Frontier Works Organisation amounting to Rs 1 million (2006: Rs 11.847 million and Rs 19.542 million) respectively.

Insurance guarantee in favour of Collector of Customs, Excise and Sales Tax, Peshawar against export of cement amounting to Rs Nil (2006: Rs 20 million).

Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 9.742 million (2006: Rs 6.872 million).

Sui Northern Gas Pipelines Limited against the performance of a contract amounting to Rs 707.164 million (2006: Rs 112.144).

16.2 Commitments

(i) Contracts for capital expenditure Rs 306.936 million (2006: Rs 718.197 million).

(ii) Letters of credit for capital expenditure Rs 1,013.409 million (2006: Rs 146.291 million).

(iii) Letters of credit other than capital expenditure Rs 431.169 million (2006: Rs 21.819 million).

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

	2007	2006
	(Rupees in thousand)	
Not later than one year	319	302
Later than one year and not later than five years	898	1,056
Later than five years	3,692	3,451
	4,909	4,809

17. Property, plant and equipment

(Rupees in thousand)

Description	Cost as at June 30, 2006	Additions/ (deletions)	Transfer in/ (out)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Annual rate of depreciation %
Freehold land	160,745	45,993	-	206,738	-	-	-	206,738	-
Building on freehold land									
- Factory building	1,027,418	3,367,973	-	4,395,391	616,934	69,267	686,201	3,709,190	10
- Office building and housing colony	248,010	291,789	-	539,799	118,699	7,912	126,611	413,188	5
Roads	188,739	166,397	-	355,136	66,303	13,795	80,098	275,038	10
Plant and machinery	10,149,278	9,832,383 (2,499)	139,937	20,119,099	3,800,076	310,709 (383)	4,110,402	16,008,697	4.76 - 4.98
Quarry equipment	389,193	874,749	-	1,263,942	237,910	44,479	282,389	981,553	20
Furniture, fixture and office equipment	142,518	93,699	-	236,217	59,834	10,137	69,971	166,246	10
Vehicles	98,558	46,987 (23,760)	7,066	128,851	39,021	12,351 (6,758)	44,614	84,237	20
Aircraft	38,185	-	-	38,185	27,863	3,096	30,959	7,226	30
Power and water supply lines	93,969	227,499	-	321,468	48,250	7,780	56,030	265,438	10
2007	12,536,613	14,947,469 (26,259)	147,003	27,604,826	5,014,890	479,526 (7,141)	5,487,275	22,117,551	
2006	11,308,100	1,235,686 (14,961)	7,788	12,536,613	4,670,863	349,525 (5,498)	5,014,890	7,521,723	

Freehold land and building include book values of Rs 12 million (2006: Rs 12 million) and Rs 9.177 million (2006: Rs 9.660 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defence Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Company.

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

	Note	2007	2006
		(Rupees in thousand)	
Cost of sales	29	469,367	341,940
Administrative expenses	30	9,027	7,261
Selling and distribution expenses	31	1,132	324
		479,526	349,525

17.2 Disposal of property, plant and equiment

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	Mode of Disposal
		(Rupees in thousand)				
Plant and machinery	Pakistan Cement Company Limited	2,499	383	2,116	5,000	Negotiation
Vehicles	Outsiders					
	Mr. Aamir Javed	194	82	112	230	-do-
	Mr. Mohsan Saleem	909	611	298	587	-do-
	Mr. Abdul Rasheed	347	129	218	260	-do-
	Mr. M. Ashraf	290	111	179	335	-do-
	Mr. M. Iqbal	528	472	56	252	-do-
	Security General Insurance Company Limited - a related party	3,505	2,586	919	1,000	Insurance claim
	Autotechnic (Pvt) Limited	11,861	2,005	9,856	10,944	Negotiation
	Gas Natural (Pvt) Limited	5,310	-	5,310	4,500	-do-
Other assets with book value less than Rs. 50,000		816	762	54	500	
		26,259	7,141	19,118	23,608	

18. Assets subject to finance lease

(Rupees in thousand)

Description	Cost as at June 30, 2006	Additions/ (deletions)	Transfer In/(out)	Cost as at June 30, 2007	Accumulated depreciation as at June 30, 2006	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2007	Book value as at June 30, 2007	Rate %
Vehicles	28,152	-	(11,269)	16,883	8,719	2,974 (4,203)	7,490	9,393	20
Plant and machinery	308,000	-	(170,000)	138,000	32,375	11,705 (30,063)	14,017	123,983	4.76
2007	336,152	- -	(181,269)	154,883	41,094	14,679 (34,266)	21,507	133,376	
2006	346,052	- -	(9,900)	336,152	28,790	14,416 (2,112)	41,094	295,058	

	Note	2007	2006
		(Rupees in thousand)	
18.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	13,108	13,203
Administration expenses	30	1,571	1,213
		14,679	14,416

	Note	2007	2006
		(Rupees in thousand)	

19 Capital work in progress

	Note	2007	2006
Civil works		2,642	5,653
Plant and machinery [including in transit Rs 417,435 million (2006: Nil)]		443,097	31,221
Others		55,575	879
Expansion project :			
- Civil works		73,312	2,681,295
- Plant and machinery [including in transit Nil (2006: Rs 361.584 million)]		1,220,863	7,856,940
- Others		60,913	142,138
- Advances	19.1	50,661	98,739
- Unallocated expenditure	19.2	-	942,812
		1,405,749	11,721,924
		1,907,063	11,759,677

19.1 Advances

	2007	2006
Civil works	9,233	4,784
Plant and machinery	39,628	74,637
Others	1,800	19,318
	50,661	98,739

19.2 Unallocated expenditure

	2007	2006
Finance cost	-	620,534
Technical and other staff salaries	-	102,322
Others	-	219,956
	-	942,812

20 Investments

	Note	2007	2006
Equity instruments of associated companies	20.1	72,693	96,677
Available for sale	20.2	8,101,781	4,385,536
		8,174,474	4,482,213

20.1 Equity instruments of associated companies

These represent the investments in equity instruments of associated companies.

	2007	2006
	(Rupees in thousand)	
Un-quoted		
Nishat Shuaiba Paper Products Company Limited 9,307,359 (2006: 4,400,000) fully paid ordinary shares of Rs 10 each	93,073	44,000
Gulf Nishat Apparel Limited Nil (2006: 6,225,000) fully paid ordinary shares of Rs 10 each	-	62,250
	93,073	106,250
Movement in equity instruments of associated companies is as follows:		
Opening balance	106,250	44,000
Purchase of equity investment	49,073	62,250
Transferred to available for sale investments during the year	(62,250)	-
	93,073	106,250
Share of after tax losses	(20,380)	(9,573)
	72,693	96,677

The company's share of the result of its associated companies, which are unlisted and incorporated in Pakistan, and its share of the assets, liabilities and revenue is as follows:

(Rupees in thousand)

Name	Percentage Interest held %	Assets	Liabilities	Revenues	(Loss)
2007					
Nishat Shuaiba Paper Products Company Limited	20.00%	321,495	248,844	110,110	(12,701)
		321,495	248,844	110,110	(12,701)
2006					
Nishat Shuaiba Paper Products Company Limited	19.89%	257,055	172,053	37,418	(7,679)
Gulf Nishat Apparel Limited	24.94%	118,418	55,462	-	(1,894)
		375,473	227,515	37,418	(9,573)

20.2 Available for sale

	Note	2007	2006
		(Rupees in thousand)	
Related parties	20.2.1	1,504,232	1,173,491
Others	20.2.2	1,310	1,365
		1,505,542	1,174,856
Revaluation surplus		6,596,239	3,210,680
		8,101,781	4,385,536

	2007	2006
	(Rupees in thousand)	
20.2.1 Related parties		
Quoted		
Nishat Mills Limited - Associated company		
18,281,733 (2006: 16,619,757) fully paid ordinary shares of Rs 10 each Market value - Rs 2,384.852 million (2006: Rs 1,741.751 million)	893,664	893,664
Nishat (Chunian) Limited - Associated company		
6,917,421 (2006: 6,917,421) fully paid ordinary shares of Rs 10 each Market value - Rs 284,652 million (2006: Rs 307,825 million)	48,872	48,872
MCB Bank Limited		
12,026,299 (2006: 10,457,651) fully paid ordinary shares of Rs 10 each Market value - Rs 4,389,599 million (2006: Rs 2,199,244 million)	125,834	125,834
Adamjee Insurance Company Limited - Associated company		
2,926,770 (2006: 1,104,363) fully paid ordinary shares of Rs 10 each Market value - Rs 953,980 million (2006: Rs 135,284)	348,858	105,121
Un-quoted		
Gulf Nishat Apparel Limited - Associated company		
9,036,000 (2006: Nil) fully paid ordinary shares of Rs 10 each	87,004	-
	1,504,232	1,173,491

Nishat Mills Limited, Nishat (Chunian) Limited, Adamjee Insurance Company Limited and Gulf Nishat Apparel 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.

	Note	2007	2006
		(Rupees in thousand)	
20.2.2 Others-Quoted			
Maple Leaf Cement Factory Limited			
13,747 (2006: 10,998) fully paid ordinary shares of Rs 10 each Market value - Rs 0.335 million (2006: Rs 0.282 million)		282	247
1,999 (2006: 1,999) fully paid preference shares of Rs 10 each Market value - Rs 0.016 million (2006: Rs 0.015)		20	20
First Capital Mutual Fund			
89,000 (2006: 98,000) certificates of Rs 10 each Market value - Rs 0.899 million (2006: Rs 0.686 million)		890	980
Oil and Gas Development Company Limited			
2,353 (2006: 2,353) fully paid ordinary shares of Rs 10 each Market value - Rs 0.282 million (2006: Rs 0.322)		76	76
Pakistan Petroleum Limited			
500 (2006: 500) fully paid ordinary shares of Rs 10 each Market value - Rs 0.131 million (2006: Rs 0.106 million)		27	27
Kot Addu Power Company Limited			
500 (2006: 500) fully paid ordinary shares of Rs 10 each Market value - Rs 0.03 million (2006: Rs 0.021 million)		15	15
		1,310	1,365

20.3 Investments with a face value of Rs 17 million (2006: Rs 17 million) are pledged as security against bank guarantees.

21. Long term loans, advances and deposits

	Note	2007	2006
Loans to employees - considered good			
- Executives	21.1	444	285
- Others		5,430	4,781
		5,874	5,066
Less: Receivable within one year			
- Executives		359	122
- Others		1,503	1,429
		1,862	1,551
		4,012	3,515
Loans to related party - considered good	21.2	172,057	245,795
Less receivable within one year	26	17,206	-
		154,851	245,795
Advance against issue of shares - Related party		-	49,073
Security deposits		38,050	37,427
		196,913	335,810

	2007	2006
	(Rupees in thousand)	

21.1 Executives

Opening balance	285	118
Addition during the period	400	-
Transfers on account of promotions/increments	-	868
Interest accrued	33	34
	718	1,020
Less: Repayment during the year	274	735
	444	285

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly instalments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate 10% per annum (2006: 7% to 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 5.873 million (2006: Rs 5.066 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.594 million (2006: Rs 0.938 million).

21.2 This represents un-secured loan of Rs 122.5 million and Rs 49.557 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. Mark-up is charged at rates ranging from 1.5% to 2% per annum and is receivable annually. This amount is receivable in 10 annual instalments commencing 01 January 2007 and 28 March 2008

	2007	2006
	(Rupees in thousand)	

22 Stores, spares and loose tools

Stores [including in transit Rs 156.173 million (2006: Rs 21.574 million)]	1,107,260	434,063
Spares	385,284	398,159
Loose tools	3,747	3,827
	1,496,291	836,049

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

	2007	2006
	(Rupees in thousand)	

23 Stock-in-trade

Raw materials	28,871	18,688
Packing material	53,855	40,551
Work-in-process	142,686	161,989
Finished goods	69,728	5,058
	295,140	226,286

	Note	2007	2006
		(Rupees in thousand)	

24 Trade debts

Unsecured and considered good:			
Related parties	24.1	3,485	10,384
Others		140,760	63,781
		144,245	74,165

24.1 Due from related parties

Nishat Mills Limited	2,415	6,621
Nishat (Chunian) Limited	425	514
MCB Bank Limited	607	81
Gulf Nishat Apparel Limited	38	3,168
	3,485	10,384

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

25 Investments

Available-for-sale

Related parties	25.1	661,666	661,666
Add: Revaluation surplus		16,272,124	7,882,097
		16,933,790	8,543,763

25.1 Related parties-Quoted

Nishat Mills Limited - associated company		
1,875,658 (2006: 1,705,144) fully paid ordinary shares of Rs 10 each	171,794	171,794
Market value - Rs 244.68 million (2006: Rs 178.699 million)		
Nishat (Chunian) Limited - associated company		
151,199 (2006: 151,199) fully paid ordinary shares of Rs 10 each	11,638	11,638
Market value - Rs6.221 million (2006: Rs 6.728 million)		
MCB Bank Limited		
45,706,541 (2006: 39,744,818) fully paid ordinary shares of Rs 10 each	478,234	478,234
Market value Rs 16,682.887 million (2006: Rs 8,358.335 million)		
	661,666	661,666

Nishat Mills Limited and Nishat (Chunian) 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 dose not have significant influence over these companies.

	Note	2007	2006
		(Rupees in thousand)	

26 Advances, deposits, prepayments and other receivables

	Note	2007	2006
Loans to employees - considered good		1,862	1,551
Advances - considered good			
- to employees	26.1	2,370	1,982
- to suppliers		42,154	4,819
		44,524	6,801
Current portion of long term receivable from related party	21	17,206	-
Due from related parties	26.2	1,241	865
Mark-up receivable from related party	26.3	1,386	2,002
Profit receivable on bank deposits		101	117
Prepayments		257	-
Letters of credit - margins, deposits, opening charges, etc.		2,898	245
Claims recoverable from government			
- Income tax		86,738	61,979
- Sales tax	26.4	44,696	43,628
- Excise duty		13,036	3,036
- Export rebate		9,015	8,824
		153,485	117,467
Dividend receivable		-	5
Security deposits		-	16,000
Receivable against sale of fixed assets		5,000	-
Other receivables		1,355	7,412
		229,315	152,465

26.1 Included in advances to employees are amounts due from executives of Rs 152 thousand (2006: Rs 21 thousand).

26.2 Due from related parties

	2007	2006
Nishat Mills Limited	1,092	865
Security General Insurance Limited	149	-
	1,241	865

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

26.3 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 21.2.

26.4 Sales tax recoverable includes an amount of Rs 44.696 million (2006: Rs 43.628 million) which 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.

Pending the outcome of the appeals, the amount has been shown as recoverable in the financial statements as according to the management, there are meritorious grounds that the ultimate decision would be in its favour.

	2007	2006
	(Rupees in thousand)	

27 Cash and bank balances

	2007	2006
At banks		
Saving accounts		
- Pak rupee	66,088	39,532
- Foreign currency US $ 22.20 (2006: US $ 22.22)	1	1
Current accounts	45,563	37,149
	111,652	76,682
Cash in hand	4,521	485
	116,173	77,167

27.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 3.5% per annum (2006: 0.10% to 3% per annum).

27.2 Included in balances at banks on saving accounts are Rs 12.975 million (2006: Rs 14.309 million) which are under lien to secure bank guarantees as referred to in note 14.2.

	2007	2006
	(Rupees in thousand)	

28 Sales - net

		2007	2006
Local sales		8,887,306	10,348,119
Export sales		511,826	607,817
		9,399,132	10,955,936
Less:	Excise duty	1,679,829	1,509,449
	Sales tax	1,159,214	1,349,755
	Commission to stockists	140,464	141,067
		2,979,507	3,000,271
		6,419,625	7,955,665

28.1 Export sales include rebate on exports amounting to Rs 2.736 million (2006: Rs 3.399 million).

	Note	2007	2006
		(Rupees in thousand)	

29 Cost of sales

	Note	2007	2006
Raw and packing materials consumed		580,717	464,080
Salaries, wages and other benefits	29.1	293,929	230,854
Electricity and gas		605,335	470,625
Furnace oil/coal		1,902,567	2,114,667
Stores and spares consumed	29.2	383,159	388,113
Repair and maintenance		22,913	18,233
Insurance		21,840	20,542
Depreciation on property, plant and equipment	17.1	469,367	341,940
Depreciation on assets subject to finance lease	18.1	13,108	13,203
Royalty		45,349	43,678
Excise duty		15,373	16,884
Vehicle running		7,159	6,980
Postage, telephone and telegram		1,784	1,774
Printing and stationery		945	1,492
Legal and professional charges		499	884
Estate development		6,227	4,678
Rent, rates and taxes		4,113	3,879
Freight charges		3,396	5,680
Other expenses		9,449	7,651
		4,387,229	4,155,837

	2007	2006
	(Rupees in thousand)	
Opening work-in-process	161,989	50,205
Transfer from trial run	50,462	-
Closing work-in-process	(142,686)	(161,989)
	69,765	(111,784)
Cost of goods manufactured	4,456,994	4,044,053
Opening stock of finished goods	5,058	19,468
Transfer from trial run	39,300	-
Closing stock of finished goods	(69,728)	(5,058)
	(25,370)	14,410
Less: Own consumption capitalised	43,984	65,641
	4,387,640	3,992,822

29.1 In addition to above, salaries, wages and other benefits include Rs 7.950 million (2006: Rs 4.539 million), Rs 5.462 million (2006: Rs. 11.913 million) and Rs 6.068 million (2006: Rs 8.912 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

29.2 Stores and spares consumed during the year include Rs 0.874 million (2006: Rs 0.901 million) being stores and spares written off.

30 Administrative expenses

	Note	2007	2006
		(Rupees in thousand)	
Salaries, wages and other benefits	30.1	48,958	40,950
Electricity		2,678	2,684
Repair and maintenance		1,324	1,210
Insurance		1,277	3,147
Depreciation on property, plant and equipment	17.1	9,027	7,261
Depreciation on assets subject to finance lease	18.1	1,571	1,213
Vehicle running		5,353	4,066
Postage, telephone and telegram		2,738	6,093
Printing and stationery		1,897	4,983
Legal and professional charges	30.2	3,369	6,394
Travelling and conveyance		6,104	10,377
Rent, rates and taxes		2,699	2,561
Entertainment		2,780	3,277
School expenses		8,491	6,975
Fee and subscription		2,966	3,458
Other expenses		2,937	17,304
		104,169	121,953

30.1 Salaries, wages and other benefits

In addition to above, salaries, wages and other benefits include Rs 1.645 million (2006: Rs 0.882 million), Rs. 0.982 million (2006: 2.822 million) and Rs 2.278 million (2006: Rs 2.422 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

	2007	2006
	(Rupees in thousand)	

30.2 Legal and professional charges

	2007	2006
Legal and professional charges include the following in respect of auditors' services for:		
KPMG Taseer Hadi & Co.		
Statutory audit	700	-
Certification and sundry services	20	-
Out of pocket expenses	50	-
A. F. Ferguson & Co.		
Statutory audit	-	650
Half yearly review	200	175
Tax services	410	775
Certification and sundry services	45	651
Out of pocket expenses	73	49
	1,498	2,300

31 Selling and distribution expenses

	Note	2007	2006
		(Rupees in thousand)	
Salaries, wages and other benefits	31.1	29,727	23,997
Electricity		670	443
Repair and maintenance		884	225
Insurance		235	172
Depreciation on property, plant and equipment	17.1	1,132	324
Vehicle running		1,603	1,225
Postage, telephone and telegram		1,361	855
Printing and stationery		1,094	891
Rent, rates and taxes		2,312	1,272
Travelling and conveyance		1,406	1,561
Entertainment		189	294
Advertisement and sales promotion		2,643	1,569
Freight charges		19,687	23
Other expenses		2,179	1,501
		65,122	34,352

31.1 In addition to above, salaries, wages and other benefits include Rs 1.185 million (2006: Rs 0.707 million), Rs 0.760 million (2006: 2.206 million) and Rs 1.178 million (2006: Rs 1.672 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

32 Other operating expenses

	Note	2007	2006
		(Rupees in thousand)	
Workers' profit participation fund		93,145	182,006
Donation	32.1	11,050	9,844
Worker welfare fund		35,112	-
		139,307	191,850

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

	Note	2007	2006
		(Rupees in thousand)	

33 Other operating income

	Note	2007	2006
Income from financial assets			
Income on bank deposits		1,659	363
Interest on loans to employees		182	181
Dividend income from:			
- Related parties	33.1	465,656	265,763
- Others		118	120
		465,774	265,883
		467,615	266,427
Income from non-financial assets			
Rental income		1,634	2,847
Profit on sale of property, plant and equipment		4,490	3,567
Scrap sales		4,170	7,609
Mark-up on loan/advances to related parties		1,208	4,562
Provisions and unclaimed balances written back		303	2,116
Exchange gain		-	6,986
		11,805	27,687
		479,420	294,114

33.1 Dividend income from related parties

	2007	2006
Nishat Mills Limited	27,487	45,812
Nishat (Chunian) Limited	10,603	12,852
MCB Bank Limited	420,446	204,993
Adamjee Insurance Company Limited	7,120	2,106
	465,656	265,763

34 Finance cost

	2007	2006
Interest and mark-up on:		
- Long term finances		
- Long term loans	323,183	305,027
- Preferred dividend	28,281	35,351
- Short term borrowings	103,324	73,772
- Finance lease	6,564	12,543
- Workers' profit participation fund	98	101
Exchange loss	414	-
Loss on foreign currency forward options	-	17,229
Guarantee commission	1,813	1,679
Bank charges	4,496	4,994
	468,173	450,696

34.1 During the year borrowing costs amounting to Rs. 879.781 million (2006: Rs. 545.097 million) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

	2007	2006
	(Rupees in thousand)	

35 Provision for taxation

	2007	2006
For the year		
- Current	33,000	40,500
- Deferred	312,435	1,027,000
	345,435	1,067,500
Prior year		
- Current	-	(32,422)
- Deferred	(247,435)	(5,000)
	(247,435)	(37,422)
	98,000	1,030,078

35.1 The provision for current taxation represents the minimum tax due under section 113 of the Income Tax Ordinance, 2001, which is available for set off against normal tax liability that may arise in five succeeding years.

For purposes of current taxation, the tax credit available for carry forward as at 30 June 2007 are estimated approximately at Rs 7,897 million (2006: Rs Nil).

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

	2007	2006
	(Rupees in thousand)	

36 Cash flow from operating activities

	2007	2006
Profit before tax	1,720,471	3,448,533
Adjustment for :		
- Depreciation on property, plant and equipment	479,526	349,525
- Depreciation on assets subject to finance lease	14,679	14,416
- Profit on disposal of property, plant and equipment	(4,490)	(3,567)
- Dividend income	(465,774)	(265,883)
- Share of loss of associates	14,163	9,573
- Stores and spares directly written off	874	901
- Markup income	(3,049)	(5,106)
- Retirement and other benefits accrued	16,533	31,327
- Exchange loss/(gain)	414	(6,986)
- Finance cost	468,173	450,696
Profit before working capital changes	2,241,520	4,023,429
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stores, spares and loose tools	(661,116)	198,131
- Decrease in stock-in-trade	(68,854)	(125,292)
- (Increase)/decrease in trade debts	(70,080)	2,073
- Increase in advances, deposits, prepayments and other receivables	(63,728)	(7,440)
- (Decrease)/Increase in trade and other payables	(380,723)	383,617
	(1,244,501)	451,089
Cash generated from operations	997,019	4,474,518

	Note	2007	2006
		(Rupees in thousand)	

37 Cash and cash equivalents

	Note	2007	2006
Short term borrowings - secured	14	(3,942,972)	(2,613,695)
Cash and bank balances	27	116,173	77,167
		(3,826,799)	(2,536,528)

38 Remuneration of Chief Executive, Directors and Executives

38.1 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	
	2007	2006	2007	2006	2007	2006
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	3,936	3,708	6,214	3,165	51,014	26,578
Contributions to provident and gratuity funds	-	-	1,207	845	5,159	4,861
Housing	1,752	1,508	540	2,109	12,082	16,647
Utilities	394	368	340	215	3,797	1,606
Leave passage	-	-	477	-	1,442	456
Medical expenses	863	195	61	84	894	703
Others	3,378	3,326	1,338	2,273	16,770	8,562
	10,323	9,105	10,177	8,691	91,158	59,413
Number of persons	1	1	2	2	48	31

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

38.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 2 directors (2006: 2 directors) was Rs Nil (2006: Rs Nil).

39 Transactions with related parties

The related parties comprise 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 33, expense charged in respect of staff retirement benefit plans is disclosed in note 10 and remuneration of the key management personnel is disclosed in note 38. Other significant transactions with related parties are as follows:

		2007	2006
		(Rupees in thousand)	
Relationship with the company	**Nature of transaction**		
i. Associated companies	Sale of goods	4,538	10,751
	Purchase of goods	449,544	157,916
	Rental income	134	122
ii. Other related parties	Sale of goods	27,062	70,206
	Insurance premium	34,661	-
	Purchase of services	369,777	35,880
	Insurance claims received	2,323	-
	Mark-up income on balance with related parties	1,208	4,841
	Rental income	1,155	1,980

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

40. Proposed dividend

The Board of Directors have proposed a final dividend for the year ended 30 June 2007 of Rs 1.50 (2006: Rs 1.50) per share, amounting to Rs 380.312 million (2006: Rs 345.738 million) at their meeting held on 19 September 2007 for approval of the members at the Annual General Meeting to be held on 31 October 2007. The Board has also recommended a transfer of Rs 1,550 million (2006: Nil) to general reserve. These financial statements do not reflect these appropriations.

41. Plant capacity and actual production

	Capacity		Actual production	
	2007	2006	2007	2006
Clinker (M. Tons)	2,036,800	1,957,500	2,288,170	2,193,687

42. Financial assets and liabilities

	Interest/mark-up bearing			Non interest bearing			Total	
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	2007	2006
Financial assets	(Rupees in thousand)							
On balance sheet								
Investments	-	-	-	16,933,790	8,101,781	25,035,571	25,035,571	12,929,299
Long term loans and deposits	17,565	154,936	172,501	1,503	41,346	42,849	215,350	287,494
Trade debts	-	-	-	144,245	-	144,245	144,245	74,165
Advances, deposits, prepayments and other receivables								
- Mark-up receivable from related party	-	-	-	1,386	-	1,386	1,386	2,002
- Profit receivable on bank deposits	-	-	-	101	-	101	101	105
- Dividend receivable	-	-	-	-	-	-	-	5
- Other receivable	-	-	-	6,241	-	6,241	6,241	865
Cash and bank balances	66,089	-	66,089	50,084	-	50,084	116,173	77,167
	83,654	154,936	238,590	17,137,350	8,143,127	25,280,477	25,519,067	13,371,102
Off balance sheet	-	-	-	-	-	-	-	-
Total	83,654	154,936	238,590	17,137,350	8,143,127	25,280,477	25,519,067	13,371,102
Financial liabilities								
On balance sheet								
Long term finances	2,018,569	8,686,447	10,705,016	-	-	-	10,705,016	8,853,770
Liabilities against assets subject to finance lease	20,588	1,141	21,729	-	-	-	21,729	123,661
Long term deposits	-	-	-	-	79,467	79,467	79,467	33,814
Short term borrowing - secured	3,942,972	-	3,942,972	-	-	-	3,942,972	2,613,695
Trade and other payables	-	-	-	1,027,274	-	1,027,274	1,027,274	916,934
Accrued markup	-	-	-	342,612	-	342,612	342,612	340,757
	5,982,129	8,687,588	14,669,717	1,369,886	79,467	1,449,353	16,119,070	12,882,631
Off balance sheet								
Contingencies and commitments	-	-	-	514,727	-	514,727	514,727	514,727
Contracts for capital expenditure	-	-	-	306,936	-	306,936	306,936	718,197
Guarantees	-	-	-	828,736	-	828,736	828,736	316,735
Letters of credit for capital expenditure	-	-	-	1,013,409	-	1,013,409	1,013,409	146,291
Letters of credit other than for capital expenditure	-	-	-	431,169	-	431,169	431,169	21,819
	-	-	-	3,094,977	-	3,094,977	3,094,977	1,717,769
Total	5,982,129	8,687,588	14,669,717	4,464,863	79,467	4,544,330	19,214,047	14,600,400
On balance sheet gap	(5,898,475)	(8,532,652)	(14,431,127)	15,767,464	8,063,660	23,831,124	9,399,997	488,471
Off balance sheet gap	-	-	-	(3,094,977)	-	(3,094,977)	(3,094,977)	(1,717,769)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.1 Financial risk management objectives

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimise risk. Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs 25,274.387 million (2006: Rs 13,371.102 million) financial assets which are subject to credit risk amount to Rs 478.975 million (2006: Rs 441.803 million). To manage exposure to credit risk, the Company applies credit limits to its customers and also obtains collaterals, where considered necessary.

(b) Interest rate risk management

Interest rate risk is the risk that the value of a 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 contracting floor and cap of interest rates as referred to in note 7.

(c) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The Company, where considered necessary, uses forward contracts and foreign currency forward options against payables exposed to foreign currency risks.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

42.2 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in the financial statements approximates their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

43 Earnings per share

		2007	2006 Restated
43.1 Basic earnings per share			
Profit for the year	Rupees in thousand	1,622,471	2,418,455
Weighted average number of ordinary shares	Number	252,485,315	233,257,865
Basic earnings per share	Rupees	6.43	10.37
43.2 Diluted earnings per share			
Profit attributable to the ordinary shareholders	Rupees in thousand	1,622,471	2,418,455
Add: Preferred dividend		-	35,351
		1,622,471	2,453,806
Weighted average number of ordinary shares in issue during the year		252,485,315	233,257,865
Adjustment for assumed conversion of preference shares		-	35,351,015
Weighted average number of ordinary shares for diluted earnings per share	Number	252,485,315	268,608,880
Diluted earnings per share	Rupees	6.43	9.14

44 Date of authorisation

These financial statements were authorised for issue on 19 September 2007 by the Board of Directors of the company.

45 General

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

45.2 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

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 29th Annual General Meeting of the Company to be held on 31st October 2007 at 11:00 a.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof.

As witness my/our hand this_______________day of _______________2007

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.