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Proxy form

D.G. Khan Cement Company Limited

CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha Mian Raza Mansha Mr. Khalid Qadeer Qureshi Mr. Zaka-ud-Din Mr. Muhammad Azam Mr. Inayat Ullah Niazi Ms. Nabihah Shahnawaz Cheema	Chairperson Chief Executive Chief Financial Officer
Audit Committee	Mr. Khalid Qadeer Qureshi Mr. Muhammad Azam Ms. Nabihah Shahnawaz Cheema	Member/Chairman Member Member
Company Secretary	Mr. Khalid Mahmood Chohan	
Bankers	Royal Bank of Scotland (Formerly ABN AMRO Bank (Pakistan) Limited) 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	
External Auditors	KPMG Taseer Hadi & Co, Chartered Accountants	
Cost Auditors	Avais Hyder Liaquat Nauman, Chartered Accountants	
Legal Advisors	Mr. Shahid Hamid, Bar-at-Law	
Registered Office	Nishat House, 53-A, Lawrence Road, Lahore-Pakistan Phone: 92-42-6367812-20 UAN: 111 11 33 33 Fax: 92-42-6367414 Email: info@dgcement.com web site: www.dgcement.com	
Factory	1. Khofli Sattai, Distt. Dera Ghazi Khan-Pakistan Phone: 92-641-460025-7 Fax: 92-641-462392 Email: dgsite@dgcement.com 2. 12, K.M. Choa Saidan Shah Road, Khairpur, Tehsil Kallar Kahar, Distt. Chakwal-Pakistan Phone: 92-543-650215-8 Fax: 92-543-650231	

Mission Statement

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

Vision Statement

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

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of D. G. Khan Cement Company Limited ("the Company") will be held on October 29, 2009 (Thursday) at 3:00 PM. at Nishat House, 53-A, Lawrence Road, Lahore, to transact the following business:

ORDINARY 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, 2009 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2009 - 2010 and fix their remuneration. The retiring Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, Lahore, being eligible offer themselves for re-appointment.

SPECIAL BUSINESS:-

4. To consider and recommend adoption of new set of Articles of Association of the Company in replacement of all of the existing Articles of Association of the Company and approve the draft of following resolutions in this respect with or without modification(s) for approval of the shareholders of the Company in the forthcoming Annual General Meeting:

RESOLVED unanimously that the regulations contained in the printed documents submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles of Association of the Company thereof.

FURTHER RESOLVED that the Chief Executive and/or Company Secretary be and are hereby authorized singly to comply with all formalities in this regard.

OTHER BUSINESS:

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

By order of the Board



(KHALID MAHMOOD CHOCHAN)
COMPANY SECRETARY

LAHORE
SEPTEMBER 17, 2009

D.G. Khan Cement Company Limited

NOTES:

1. BOOK CLOSURE NOTICE:-

The Share Transfer Books of the Company will remain closed for attending of Annual General Meeting, from 22-10-2009 to 29-10-2009 (both days inclusive). Physical transfers / CDS Transactions IDs received in order at Nishat House, 53-A, Lawrence Road, Lahore, up to 1:00 p.m. on 21-10-2009 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's Registered office not less than 48 hours before the time for holding the meeting. Proxies of the Members through CDC shall be accompanied with attested copies of their 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. Shareholders are requested to immediately notify the change in address, if any.

STATEMENT U/S 160(i)(b) OF THE COMPANIES ORDINANCE 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Annual General Meeting of the Company to be held on 29-10-2009.

The Board of Directors has recommended that the Company's Articles of Association be substituted with a new set of Articles of Association. The new set of the Articles of Association will update the Company's existing Articles of Association by taking into account the several changes made in the Companies Ordinance, 1984 since the time the Articles were first prepared. This updating will also facilitate smooth running of internal affairs by the management of the Company and would bring it in line with the changes made by the Securities & Exchange Commission of Pakistan and Stock Exchanges from time to time.

The Existing Articles of Association of the Company and the new set of Proposed Articles of Association have been kept at registered office of the Company and can be inspected at any time during working hours upto October 28, 2009.

D.G. Khan Cement Company Limited

THE COMPANIES ORDINANCE, 1984

ARTICLES OF ASSOCIATION

OF

D. G. KHAN CEMENT COMPANY LIMITED

COMPANY LIMITED BY SHARES

I. PRELIMINARY

1. TABLE "A" Not to Apply

The regulations in Table 'A' in the First Schedule to the Companies Ordinance, 1984 shall not apply to the Company except so far as the same are repeated or contained in these articles.

2. DEFINITIONS

Unless the context otherwise requires, the terms used in these articles shall have the meanings set out below:

- (a) "Articles" mean these articles of association of the company as originally framed or as from time to time altered by in accordance with the law.
- (b) "Board" means the group of directors in a meeting duly called and constituted or, as the case may be, the directors assembled at a board.
- (c) "Book and paper", "book or paper" or "books of account" mean accounts, deeds, vouchers, writings and documents, maintained on paper or computer network, floppy, diskette, magnetic cartridge tape, CD-Rom or any other computer readable media;
- (d) "Buy-back of shares rules" mean the Companies (Buy-Back of Shares) Rules, 1999 and The Companies (Buy Back of Shares) Regulations or any modification or re-enactment thereof.
- (e) "Company" means D. G. KHAN CEMENT COMPANY LIMITED.
- (f) "Central depository" means a central depository as defined in clause (ca) of section 2 of the Securities and Exchange Ordinance, 1969 (XVII of 1969) and registered with the Securities and Exchange Commission of Pakistan under section 32 A of the said Ordinance.
- (g) "Central Depositories Act" means the Central Depository Act, 1997 or any modification or re-enactment thereof.
- (h) "Central Depository Regulations" mean the central depository company of Pakistan limited regulations made pursuant to section 35(1) of the Central Depository Act, 1997 or any modification or re-enactment thereof.
- (i) "Central Depository Register" means a computerised electronic register maintained by a central depository in respect of book-entry securities.

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- (j) “Code” means the code of corporate governance.
- (k) “Commission” means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997.
- (l) “Directors” mean the directors for the time being of the company including alternate directors and, subsequently elected pursuant to Companies Ordinance, 1984 or as the case may be, the directors assembled at a board.
- (m) “Dividend” includes cash dividend, dividend in species and bonus shares.
- (n) “Electronic” includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless or electromagnetic technology.
- (o) “Electronic Transactions Ordinance” means the Electronic Transactions Ordinance, 2002 or any modification or re-enactment thereof.
- (p) “In Person” includes attendance and/or voting at a meeting, personally or by video or telephone-conference or other facility whereby all the participants of the meeting can hear and / or see each other unless expressly stated otherwise by the directors.
- (q) “Instrument of transfer” includes transfer deeds and any record of transfer of book-entry securities in the central depository register, provided by the central depositories act and the central depository regulations.
- (r) “Issue of capital rules” mean Companies (issue of capital) Rules, 1996 or any modification or re-enactment thereof.
- (s) “Listing requirements” mean the listing regulations of the stock exchanges.
- (t) “Member” means a person whose name is for the time being entered in the register of members by virtue of his being a subscriber to the memorandum of association of the company or of his holding by allotment or otherwise any share, scrip or other security which gives him a voting right in the company including but not limited to the account holders of a central depository.
- (u) “Memorandum” means the memorandum of association of the company as originally framed or as from time to time altered in accordance with law.
- (v) “Month” means calendar month according to the English calendar.
- (w) “Office” means the registered office for the time being of the company.
- (x) “Ordinance” means the Companies Ordinance, 1984 or any modification or re-enactment thereof for the time being in force.
- (y) “Preference shares” not being ordinary shares mean preference shares whether redeemable or irredeemable, participatory or non-participatory, convertible or non convertible, cumulative or otherwise with the rights, privileges and conditions attaching thereto as are provided by the articles.
- (z) “Preference shareholders” not being ordinary shareholders mean, in relation to the Company, every person to whom the company has allotted, or who becomes the holder of such shares and whose name is entered in the register of members.

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- (aa) “Proxy” includes an attorney duly constituted under a power of attorney.
- (ab) “Record” includes, in addition to a written or printed form, any disc, tape, sound-track, film or other device in which sounds and / or other data is embodied so as to be capable (with or without the aid of some other instrument or machine) of being reproduced therefrom in audible, legible or visual form.
- (ac) “Register” means, unless the context otherwise requires, the register of members and include the register of debenture-holders or holders of other securities maintained on paper or computer network, floppy, diskette, magnetic cartridge tape, CD-Rom or any other computer readable media; to be kept pursuant to section 147 of the Ordinance and / or Central Depository Register under the Central Depositories Act and the Central Depository Regulations.
- (ad) “Registrar” means a registrar, defined in section 2 (1) (31), performing the duty of registration of companies under the Ordinance.
- (ae) “Regulations” mean the rules of governance of the company made by the board from time to time.
- (af) “Seal” means the common or official seal of the company.
- (ag) “Section” means section of the Ordinance.
- (ah) “Share Capital Rules” mean the companies' Share Capital (Variation in Rights and Privileges) Rules, 2000 or any modification or re-enactment thereof.
- (ai) “Sign” and “Signature” unless otherwise provided in these articles, include respectively lithography, printing facsimile, “advanced electronic signature” which is capable of establishing the authenticity and integrity of an electronic document, as defined by section 2(e) of the Electronic Transactions Ordinance, and names impressed with a rubber or other kind of stamp.
- (aj) “Special Resolution” means the special resolution of the company as defined in section 2(1) (36) of the Ordinance.
- (ak) “Stock Exchanges” mean the Islamabad, Lahore and Karachi Stock Exchanges and such other Stock Exchanges as may be established in Pakistan.

3. Interpretation

In these articles, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa and words denoting any gender shall include all genders;
- (b) references to any act, ordinance, legislation, the code, the listing requirements, rules or regulations or any provision of the same shall be a reference to that act, ordinance, legislation, the code, the listing requirements, rules or regulations or provisions, as amended, re-promulgated or superseded from time to time;
- (c) the terms “include” or “Including” shall mean include or including without limitation;
- (d) expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form, including but not limited to, electronic transmission such as facsimile, and electronic mail or any other electronic process, as prescribed by section 3 of the Electronic Transactions Ordinance.

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- (e) words importing persons shall include bodies corporate; and
- (f) words and expressions contained in these articles shall bear the same meaning as in the Ordinance.

REGISTERED OFFICE

- 4. The registered office of the company shall be in the Province of Punjab as the directors shall from time to time appoint.

PUBLIC LIMITED COMPANY

- 5. The company is a public limited company within the meanings of section 2(1), Clause (30) of the Companies Ordinance, 1984.

BUSINESS

- 6. All branches or kind of business which the company is either expressly or by implication authorised to undertake may be undertaken by the directors at such time or times as they shall think fit, and further may be allowed by them to be in abeyance, whether such branch or kind of business may have been actually commenced or not, so long as the directors may deem it expedient not to commence or proceed with such branch or kind of business.

II. CAPITAL

SHARES

- 7. Subject to provisions of the Ordinance and any rules in that regard made under the Ordinance, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the company may be issued with different rights, restrictions and privileges, including but not limited to the following as may be approved by the company by special resolution:
 - (1) different voting rights; voting rights disproportionate to the paid-up value of share held; voting rights for specific purposes only; or no voting rights at all;
 - (2) different rights for entitlement of dividend, right shares or bonus shares or entitlement to receive the notices and to attend the general meetings;
 - (3) rights and privileges for indefinite period, for a limited specified period or for such periods as may from time to time be determined by the company;
 - (4) different manner and mode of redemption, including redemption in accordance with the provisions of these articles, subject to the provisions of the Ordinance, including but not limited to, by way of conversion into shares with such rights and privileges as determined by the company in the manner and mode provided in these articles; and
 - (5) different rights and privileges for listing or non-listing of any class of shares
- 8. Subject to provisions of the Ordinance and any rules in that regard made under the ordinance, the company may issue shares which are to be redeemed or any other redeemable security, on such terms and in such manner as may be provided in the Ordinance and rules.

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9. Subject to provisions of the Ordinance and these articles and subject to any special rights or privileges for the time being attached to any issued shares, the shares in the capital of the company for the time being, including any new shares resulting from an increase in the authorized capital, shall be under the control of the directors who may allot or otherwise dispose of the same or any of them to such persons, on such terms and conditions, and with such rights and privileges annexed thereto as the resolution creating the same shall direct, and if no direction be given, as the directors shall determine and at such times and in such manner as the directors think fit, either at par or at a premium or subject to provisions of the Ordinance at a discount, with power to the directors to give any person the right to call for and be allotted shares of any class of the company at par or at a premium or, subject as aforesaid, at a discount, such option being exercisable at such time, and for such consideration as the directors think fit. Provided that the shares in the capital of the company shall always be issued as fully paid shares and no shares shall be issued as partly paid shares. The directors shall, as regards any allotment of shares, duly comply with the provisions of the Ordinance, the Central Depositories Act, the Central Depository Regulations, the Issue of Capital Rules and the Share Capital Rules, as may be applicable to the company.
10. The directors may allot and issue shares in the capital of the company at payment or part payment for any property sold or transferred, or for services rendered, to the company in the ordinary course of its business, and shares so allotted shall be issued as and shall be deemed to be fully paid shares.
11. The board shall, as regards any allotment of shares, duly comply with such provisions of the Ordinance as may be applicable.
12. The company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture stock in the company or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares, debentures or debenture stock in the company; Provided, that, if the commission in respect of shares shall be paid or payable out of capital, the statutory requirements and conditions shall be observed and complied with, and the amount or rate of commission shall not exceed such percentage on the shares, debentures or debenture stock in each case subscribed or to be subscribed, as may be determined by the board subject to any limits required by law. The commission may be paid or satisfied, either wholly or partly, in cash or in shares, debentures or debenture stock. The company may also on any issue of shares pay such brokerage fees as may be lawful; Provided that such brokerage fees shall not exceed such percentage of the shares, debentures or debenture stock paid-up as may be determined by the board, subject to any limits required by law.
13. Subject to the provisions of the Ordinance and any rules in that regard made under the Ordinance, the company may purchase its own shares on such terms and in such manner as may be provided in the Ordinance and Share Capital Rules.
14. Except as permitted in the Ordinance and any rules in that regard made under the Ordinance, no part of the funds of the company shall be employed in the purchase of its own shares or in giving, whether directly or indirectly and whether by means of a loan, guarantee, security or otherwise, any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of or any shares in the company.
15. Except as required by law, no person shall be recognized by the company as holding any share upon any trust, and the company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these articles or by law otherwise provided or under an order of a court of competent jurisdiction) any other rights in respect of any share except any absolute right to the entirety thereof in the registered holder.

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16. Save as herein otherwise provided, the company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by statute required, be bound to recognise (even when having notice thereof) any benami, equitable, contingent, future, partial or other claim or right to or interest in such share on the part of any other person.
17. Shares may be registered in the name of persons, any limited company or other corporate body. Not more than four persons shall be registered as joint-holders of any share.
18. If any share or shares stand in the name of two or more persons, the person first named in the register shall, as regards receipt of dividend or bonus or service of notices and all or any other matters connected with the company except voting at the meeting and the transfer of shares, be deemed the sole holder.

RIGHTS PRIVILEGES AND CONDITIONS ATTACHED TO SHARES

19. As regards income, the profits which the company may determine to distribute in respect of any financial year or other period for which the accounts shall be made up, shall be applied in the following order of priority:
 - (1) In paying the holders of the preference shares, the right to a preferential dividend, cumulative or non cumulative, as determined by the board on the capital paid up thereon payable as regards each financial year out of the profits of the company resolved to be distributed in respect of that year, but shall not be entitled to any further participation in profits; and
 - (2) Subject to the rights of any class of shares for the time being issued, in distributing the balance amongst the holders of the ordinary shares, according to the amounts paid up on the ordinary shares held by them, respectively.
20. As regards conversion, the company may partly or wholly convert the preference shares at the terms and conditions of their issue.
21. As regards redemption, subject to provisions of the Ordinance, the company may, upon giving the holders of the shares to be redeemed, notice in writing, redeem the whole or any part of the preference shares in accordance, respectively, with the terms and conditions of their issue.
22. As regards capital, on a return of capital in a winding up or otherwise (except upon the redemption of shares of any class of preference shares or the purchase by the company of its own shares), the surplus assets of the company remaining after payment of its liabilities shall be applied in the following order of priority:
 - (1) in paying to the holders of the preference shares, the capital paid up on the same without any further right to participate in profits or assets; and
 - (2) subject to the rights of any other class of shares for the time being issued, in distributing the balance amongst the holders of the ordinary shares according to the amounts paid up on the ordinary shares held by them respectively.
23. As regards entitlement to bonus or right shares, the holders of preference shares shall not be entitled to bonus or right shares in the event that the company increases its capital by the issue of further shares or otherwise.

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24. As regards voting rights, the holders of the preference shares shall not be entitled to receive notice of, attend, or vote at, any general meeting of the company, except as otherwise provided by the Ordinance, whereby the holders of such shares would be entitled to vote separately as a class, that is, with respect to voting entitlement of the preference shareholders on matters affecting, respectively, their substantive rights and liabilities. Without prejudices to the foregoing, the holders of preference shares may attend the general meeting of the company as observers with prior permission of the chairman of the meeting.

CERTIFICATES

25. The certificates of title to shares and duplicate thereof shall be issued under the seal of the company and signed by two of the directors or by one such director and the secretary provided that such signatures may if necessary be printed lithographed or stamped subject to the approval of the directors.
26. Every member shall be entitled to one certificate for all the shares registered in his name, or, if the directors so approve, to several certificates each for one or more of such shares, but in respect of each certificate for less than one hundred shares, the directors shall be entitled to charge a fee of Rupees 10 per certificate or such lesser sum as they may determine. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued.
27. The company shall within ninety days after the allotment of any shares, debentures or debenture stock and within forty-five days (or where the transferee is a central depository, within five (5) days) after receipt by the company of the application for transfer of any such shares, debentures or debenture stock complete and have ready for delivery the certificate (such expression shall hereinafter be deemed to include book-entry security as defined in the Central Depositories Act, and the Central Depository Regulations) of all shares, the debentures and the certificate of all debenture stock allotted or transferred, and unless sent by post or delivered to the person entitled thereto within the period aforesaid the company shall immediately thereafter give notice to that person in the manner prescribed in these articles for the giving of notices to members that the certificate is ready for delivery.
28. If a certificate of shares, debenture or debenture stock is proved to the satisfaction of the company to have been lost or destroyed or, being defaced or mutilated or torn, is surrendered to the company, and the company is requested to issue a new certificate in replacement thereof, the company shall, after making such enquiry as it may deem fit, advise the applicant within thirty days from the date of application the terms and conditions (as to indemnity and otherwise and as to payment of the actual expenses incurred on such enquiry and of a fee not exceeding ten rupees per certificate) on which the company is prepared to issue a new certificate and a time for compliance therewith or of the reasons why the company is unable to issue a new certificate, as the case may be, and in the former case if the applicant shall within the time allowed comply with the terms and conditions specified, the company shall issue a new certificate to the applicant within forty five days from the date of application.
29. The company shall not be bound to issue more than one certificate in respect of a share or shares held jointly by two or more persons and delivery of a certificate for a share to any one of joint holders shall be sufficient delivery to all.

TRANSFER AND TRANSMISSION

30. (1) The directors shall not refuse to register the transfer of fully paid shares unless the instrument of transfer is defective or invalid or is not accompanied by the certificate of the share(s) to which it relates. The directors may also decline to recognise any instrument of transfer unless it is accompanied, in addition to the certificate of the shares to which it relates, by such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. The directors may waive the production of any certificate upon evidence satisfactory on them of its loss or destruction.

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24. As regards voting rights, the holders of the preference shares shall not be entitled to receive notice of, attend, or vote at, any general meeting of the company, except as otherwise provided by the Ordinance, whereby the holders of such shares would be entitled to vote separately as a class, that is, with respect to voting entitlement of the preference shareholders on matters affecting, respectively, their substantive rights and liabilities. Without prejudices to the foregoing, the holders of preference shares may attend the general meeting of the company as observers with prior permission of the chairman of the meeting.

CERTIFICATES

25. The certificates of title to shares and duplicate thereof shall be issued under the seal of the company and signed by two of the directors or by one such director and the secretary provided that such signatures may if necessary be printed lithographed or stamped subject to the approval of the directors.
26. Every member shall be entitled to one certificate for all the shares registered in his name, or, if the directors so approve, to several certificates each for one or more of such shares, but in respect of each certificate for less than one hundred shares, the directors shall be entitled to charge a fee of Rupees 10 per certificate or such lesser sum as they may determine. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued.
27. The company shall within ninety days after the allotment of any shares, debentures or debenture stock and within forty-five days (or where the transferee is a central depository, within five (5) days) after receipt by the company of the application for transfer of any such shares, debentures or debenture stock complete and have ready for delivery the certificate (such expression shall hereinafter be deemed to include book-entry security as defined in the Central Depositories Act, and the Central Depository Regulations) of all shares, the debentures and the certificate of all debenture stock allotted or transferred, and unless sent by post or delivered to the person entitled thereto within the period aforesaid the company shall immediately thereafter give notice to that person in the manner prescribed in these articles for the giving of notices to members that the certificate is ready for delivery.
28. If a certificate of shares, debenture or debenture stock is proved to the satisfaction of the company to have been lost or destroyed or, being defaced or mutilated or torn, is surrendered to the company, and the company is requested to issue a new certificate in replacement thereof, the company shall, after making such enquiry as it may deem fit, advise the applicant within thirty days from the date of application the terms and conditions (as to indemnity and otherwise and as to payment of the actual expenses incurred on such enquiry and of a fee not exceeding ten rupees per certificate) on which the company is prepared to issue a new certificate and a time for compliance therewith or of the reasons why the company is unable to issue a new certificate, as the case may be, and in the former case if the applicant shall within the time allowed comply with the terms and conditions specified, the company shall issue a new certificate to the applicant within forty five days from the date of application.
29. The company shall not be bound to issue more than one certificate in respect of a share or shares held jointly by two or more persons and delivery of a certificate for a share to any one of joint holders shall be sufficient delivery to all.

TRANSFER AND TRANSMISSION

30. (1) The directors shall not refuse to register the transfer of fully paid shares unless the instrument of transfer is defective or invalid or is not accompanied by the certificate of the share(s) to which it relates. The directors may also decline to recognise any instrument of transfer unless it is accompanied, in addition to the certificate of the shares to which it relates, by such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. The directors may waive the production of any certificate upon evidence satisfactory on them of its loss or destruction.

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(2) If the directors refuse to register a transfer of any shares they shall, within thirty (30) days (or where the transferee is a central depository, within five (5) days) after the date on which the instrument of transfer was lodged with the company, send to the transferee notice of the refusal indicating the reason for such refusal; provided that if the directors refuse to register a transfer of shares on account of a defect in or the invalidity of the instrument of transfer, the transferee shall be entitled, after removal of such defect or invalidity, to re-lodge the instrument of transfer with the company.

31. Shares in the company shall be transferred in accordance with the Central Depositories Act and the Central Depository Regulations. If the shares of the company are not registered in the central depository, the same may be transferred through the instrument of transfer accompanied with attested copy of CNIC/Passport. The instrument of transfer of any share shall be in writing in the usual common form, or in the following form, or as near thereto as circumstances will admit:

“I/We, _____ of _____ in consideration of the sum of Rupees _____ only (Rs _____) paid to me/us by _____ of _____ (hereinafter called the 'said transferee(s)') do hereby transfer to the said transferee(s) _____ share(s) numbered _____ To _____ Inclusive, standing in my/our name(s) in the books of D. G. KHAN CEMENT COMPANY LIMITED, to hold unto the said transferee(s) his/her/their executors, administrators and assigns, subject to the several conditions on which I/we hold the same at the time of execution hereof, and I/we the said transferee(s) do hereby agree to take the said share(s) subject to the conditions aforesaid.

As witness our hands the _____ day of _____ thousand and _____ ”

Signed by the said transferor in
the presence of
Witness _____

Transferor's signature _____
Transferor's occupation _____

Occupation _____

Address _____

Signed by the said transferee in
the presence of

Transferee
Signature _____
Full Name _____
Father's/ Husband's Name _____
Nationality _____
Occupation _____
Full Address _____

Witness _____

Occupation _____

Address _____

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32. No transfer shall be made to a minor or person of unsound mind.
33. All registered instruments of transfer shall be retained by the company, but any instrument of transfer which the directors may decline to register shall be returned to the person depositing the same.
34. The instrument of transfer of any share in the company shall be duly stamped and executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share(s) until the name of the transferee is entered in the register in respect thereof.
35. On giving seven days previous notice in the manner provided in the Ordinance and articles, the transfer books and register may be closed during such time as the directors think fit, not exceeding in the whole forty-five days in each year, but not exceeding thirty days at a time.
36. Any member may make and deposit with the Company a nomination in writing specifying one or more eligible persons who or each of whom, in the event of the death of the member, may be entered in the register as the holder of such number of shares specified in the nomination for such nominee or each such nominee of which the member remains the registered holder, at the date of his death. A person shall be eligible for nomination for the purposes of this article only if he is a spouse, parent, brother, sister or child of the member nominating him and the applicable relationship all should be specified in the nomination in respect of each nominee. A member may at any time by notice in writing cancel, or by making and depositing with the company another nomination before his death vary any nomination already made by him pursuant to this article. In the event of the death of a member any person nominated by him in accordance with this article may, on written application accompanied by the relative share certificates and evidence establishing the death of the member, request the company to register himself in place of the deceased member as the holder of the number of shares for which the nomination in his favour had been made and deposited with the company, and if it shall appear to the Directors that it is proper so to do, the Directors may register the nominee as the holder of those shares in place of the deceased member.
37. The executors or administrators or the nominee appointed under provisions of the Ordinance of a deceased member (not being one of several joint-holders) shall be the only persons recognised by the company as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint-holders of all registered shares (such expression shall hereinafter be deemed to include registration as a sub-account holder of a central depository under the Central Depositories Act and the Central Depositories Regulations) ,the survivors shall be the only persons, recognised by the company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator, the directors may require him to obtain a grant of probate or nomination as mentioned above or letters of administration or other legal representation, as the case may be, from some competent court in Pakistan having effect in Lahore. Provided nevertheless that in any case where the board in its absolute discretion think fit, it shall be lawful for the directors to dispense with the production of probate or letters of administration or such other legal representation upon such terms as to indemnity or otherwise as the directors, in their absolute discretion, may consider necessary.
38. Any person becoming entitled to a share in consequence of the death or insolvency of a member may upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as the holder of the share or instead of being registered himself, to make such transfer of the share as the deceased or insolvent person could have made but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or insolvency as the case may be.

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39. Any committee or guardian of a lunatic or minor member or any person becoming entitled to a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the characters in respect of which he proposes to act under this article, or of his title, as the directors think sufficient, shall have the right to be registered as a member in respect of such share, or may, subject to the regulations as to transfer hereinbefore contained, transfer such share.
40. Neither the company nor the directors nor any other officer of the company shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the company or the directors or any other officer of the company, as aforesaid, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and, notwithstanding that the company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the company is concerned, be deemed to have transferred his whole title hereto.

ALTERATION OF CAPITAL

41. The company may by ordinary resolution and subject to compliance with the requirements of provisions of the Ordinance increase the authorized share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
42. Subject to the provisions of the Ordinance and of the Central Depositories Act, the company may, by ordinary resolution;
 - (a) consolidate and divide its share capital into shares of larger amount than its existing shares;
 - (b) sub-divide of its existing shares or any of them, divide the whole or any part of its share capital into shares of smaller amount than is fixed by the memorandum of association;
 - (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
43. The directors may from time to time increase the issued share capital by such sum as they think fit. Except as otherwise permitted by the provisions of the Ordinance, Issue of Capital Rules, the listing requirements and provisions of the Central Depositories Act, as are applicable to the company and subject to any special rights or privileges for the time being attached to any issued shares, all shares intended to be issued by the directors shall, before issue, be offered to the members strictly in proportion to the amount of the issued shares held by each member (Irrespective of class); provided that fractional shares shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled members as may have accepted such offer. Such offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think fit. In respect of each such offer of shares the directors shall comply with the provisions of the Ordinance. Any difficulty in the apportionment of shares amongst the members, such difficulty shall, in the absence of any directions given by the company in general meeting, be determined by the directors.

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44. Except so far as otherwise provided by the conditions of issue or by these articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to transfer and transmission and otherwise.
45. Subject to the provisions of the Ordinance, if, owing to any inequality in the number of new shares to be issued and the number of shares held by a member entitled to have the offer of such new shares, any difficulty shall arise in the apportionment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares or by the company in general meeting, be determined by the directors.
46. The company may, by special resolution, reduce its share capital in any manner, with and subject to, any incident authorized and consent required by law.
47. The share premium account maintained pursuant to provisions of the Ordinance may be applied by the company:
 - (a) in writing off the preliminary expenses of the company;
 - (b) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
 - (c) in providing for the premium payable on the redemption to any redeemable preference shares or debentures of the company; or
 - (d) in paying up un-issued shares of the company to be issued as fully paid bonus shares.
48. Subject to the provisions of the Ordinance, the directors may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares.

VARIATION OF SHAREHOLDERS' RIGHTS

49. Whenever the capital is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of the Ordinance, be modified, commuted, affected, abrogated or dealt with by agreement between the company and any person purporting to contract on behalf of that class provided such agreement is (a) ratified in writing by the holders of at least three-fourths in nominal value of the issued shares of the class or (b) confirmed by a special resolution passed at an extraordinary general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meetings, shall, mutatis mutandis, apply to every such meeting. This article shall not by implication curtail the power of modification which the company would have if this article were omitted.

III. MEETINGS

CONVENING OF GENERAL MEETINGS

50. Except as may be allowed under the provisions of the Ordinance and listing requirements, the company shall hold a general meeting once at least in every calendar year within a period of four months following the close of its financial year in the town in which the office is situated and at such time and place as may be determined by the directors, provided that no greater interval than fifteen months shall be allowed to elapse between two such general meetings. The company may, for any special reason and with permission of the commission, extend the time within which any annual general meeting, not being the first such meeting, shall be held.

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51. The company shall hold its annual general meeting in the town in which the registered office is situate; provided that, it may, for any special reason and with permission of the commission, hold the said meeting at any other place. Save as aforesaid, the company may hold its general meeting at two (2) or more venues using any technology that gives the members as a whole a reasonable opportunity to participate in the meetings.
52. All general meetings of the company, other than the statutory meeting or any annual general meeting, shall be called extraordinary general meetings, and shall be subject to the provisions of ordinance and listing requirements.
53. The directors may, whenever they think fit, and they shall, on the requisition of the holders of not less than one-tenth of the issued capital of the company, forthwith proceed to convene an extraordinary general meeting of the company. If at any time there are not within Pakistan sufficient directors capable of acting to form a quorum, any director of the company may call an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be called by the directors, and in the case of such requisition the following provisions shall have effect:
 - (1) The requisition must state the objects of the meeting and must be signed by the requisitioners and deposited at the office and may consist of several documents in like form each signed by one or more requisitioners.
 - (2) If the directors do not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitioners or a majority of them in value may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.
 - (3) Any meeting convened under this article by the requisitioners shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the directors but shall be held at the office.
 - (4) A requisition by joint-holders of shares must be signed by all such holders.
54.
 - (1) Notice of a general meeting shall be sent in the manner hereinafter mentioned under the provisions of ordinance & listing requirements, to all such persons as are under these articles or the Ordinance entitled to receive such notices from the company and shall specify the place and the day and hour of the meeting and the nature of the business to be transacted thereat.
 - (2) In the case of an emergency affecting the business of the company, an extraordinary general meeting may be convened by such shorter notice than that specified in these articles as the Registrar may authorise.
 - (3) Where any special business, that is to say, business other than consideration of the accounts, balance sheet and the reports of the directors and auditors, the declaration of dividend, the appointment and fixation of the remuneration of auditors and, where the notice convening the meeting provides for the election of directors, the election of directors (all such matters being herein referred to as ordinary business) is to be transacted at a general meeting, there shall be annexed to the notice of such meeting a statement setting out all such facts as may be material for the consideration of such business including the nature and extent of the interest (whether direct or indirect) of any director, and where the item of business involves approval of any document, the time and place appointed for inspection thereof, and to the extent applicable such a statement shall be annexed to the notice also in the case of ordinary business to be transacted at the meeting.

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- (4) Where a resolution is intended to be proposed for consideration at a general meeting in some special or particular form, a copy thereof shall be annexed to the notice convening such meeting.
 - (5) If a special resolution is intended to be passed at a general meeting, the notice convening that meeting shall specify the intention to propose the resolution as a special resolution.
 - (6) A notice for a general meeting at which an election of directors is to take place shall state the number of directors to be elected at that meeting and the names of the retiring directors.
 - (7) The notice of every general meeting shall prominently specify that a proxy may be appointed who shall have the right to attend, demand or join in demanding a poll and vote on a poll and speak at the meeting in the place of the member appointing him and shall be accompanied by a form of proxy acceptable to the company.
 - (8) The company shall comply with the provisions of the Ordinance with regard to giving notices of general meetings.
55. The accidental omission to give any such notice to, or the non-receipt of notice by, any of the members shall not invalidate the proceedings at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

56. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise, provided ten (10) members present in person or by proxy representing twenty five percent (25%) of the total voting power shall be a quorum.
57. The chairman of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he shall not be present in person within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the chief executive shall preside as chairman of the meeting, or if the chief executive is absent or unwilling to act, any one of the directors present in person may be elected to be chairman of the meeting, or if no director be present in person, or if all the directors present in person decline to take the chair, the members present in person shall choose one of their member to be chairman of the meeting.
58. If within half-an-hour from the time appointed for the meeting, a quorum is not present, the meeting if convened upon such requisition as aforesaid shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for it, the meeting shall be dissolved.
59. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
60. In the case of an equality of votes the chairman shall, both on a show of hands and at the poll, have a casting vote in addition to the vote or votes to which he may be entitled as member.
61. (1) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in

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accordance with paragraph (2) of this article, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book or electronic record of the proceeding of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, the resolution.

(2) Any of the following persons may demand a poll:

- (a) The chairman of the meeting, or
- (b) Five members having the right to vote on the resolution and present in person or by proxy; or
- (c) Any member or members present in person or by proxy having not less than one-tenth of the total voting power in respect of the resolution.

62. If a poll is demanded, as aforesaid, it shall be taken (subject to provision of the Ordinance) in such manner and at such time and place as the chairman of the meeting directs, and either at once or after an interval or adjournment of not more than fourteen days from the day on which the poll is demanded, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was held. The demand for a poll may be withdrawn at any time by the person or persons who made the demand. In case of any dispute as to the admission or rejection of a vote, the chairman of the meeting shall determine the same, and such determination made in good faith shall be final and conclusive.
63. Any poll duly demanded on the election of a chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment. A poll demanded on any other question shall be taken at such time, not being more than 14 days from the day on which the poll is demanded as the chairman of the meeting directs.
64. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

VOTES OF MEMBERS

65. Subject to provisions of the Ordinance and any rights or restrictions for the time being attached to any class or classes of shares on a show of hands, every member present in person (where all the participants of a general meeting can see each other) shall have one vote and upon a poll, every member present in person or by proxy shall have one vote in respect of every share or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities, as the case may be provided that, the provisions of the Ordinance shall apply in the case of the election or removal of directors.
66. On a poll a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
67. Any company or other corporation which is a member of the company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or of any class of members of the company, and the person so authorised shall be entitled to exercise the same powers on behalf of the company or corporation which he represents as that company or corporation could exercise if it were an individual member of the company, present in person. The production before or at the meeting of a copy of such resolution purporting to be signed by a director or the secretary of such company or corporation and certified by him as being a true copy of the resolution shall be accepted by the company as sufficient evidence of the validity of the appointment of such representative.

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68. Any person entitled under the articles for transmission of shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the directors of his right to such shares, or the directors shall have previously admitted his right to vote at such meeting in respect thereof. If any member be a lunatic, idiot or non compos mentis, he may vote, whether by a show of hands or at a poll, by his committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy.
69. Where there are jointly registered holders of any share, any one of such persons may vote at any meeting either in person or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such joint-holders be present at any meeting, either in person or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this article be deemed joint holders thereof.
70. On a poll votes may be given either in person or by proxy or in the case of a company, by a representative duly authorised as aforesaid.
71. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
72. The instrument appointing a proxy shall be in writing under the hand of the appointer (such expression shall exclude any reference to the Electronic Transactions Ordinance in accordance with provisions of the Electronic Transactions Ordinance) or of his attorney duly authorised in writing (such expression shall exclude electronic transmission as prescribed by provisions of the Electronic Transactions Ordinance) or if such appointer is a corporation under its common seal or signed by an officer or an attorney duly authorised by it (Such expression shall exclude any reference to the Electronic Transactions Ordinance in accordance with provisions of the Electronic Transactions Ordinance). Save as an alternate director being representing a member as his appointer, no person shall be appointed a proxy who is not a member of the company and qualified to vote.
73. Subject to aforesaid article, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of that power or authority duly notarized, shall be deposited (Such expression shall hereinafter include, where permitted by law, receipt in accordance with the provisions of the Electronic Transactions Ordinance) at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
74. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office before the meeting. Provided nevertheless that the chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
75. Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form or to the effect following and shall be retained by the Company:

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I.....of , being a member of D. G. KHAN CEMENT COMPANY LIMITED, hereby appointof (or failing himofor failing him.....of) as my proxy in my absence to attend and vote for me and on my behalf at the (Annual or Extraordinary, as the case may be) general meeting of the company to be held on the..... day ofand at any adjournment thereof.

As witness my hand thisday of

Signed by the said
In the presence of

Provided always that an instrument appointed a proxy may be in the form set out in regulation 39 of table A of the first schedule to the Ordinance.

IV. DIRECTORS

NUMBER OF DIRECTORS

- 76. Subject to the provisions of these articles and the Ordinance, all directors shall be elected by the members in general meeting.
- 77. The company shall have at least seven directors. Subject to the said minimum, the directors themselves shall determine from time to time in the manner provided in this article the number of directors that the company shall have. At least thirty-five (35) days before the date of every general meeting at which directors are intended to be elected, the directors shall fix the number of directors to be elected that the company shall have from the effective date of the election. The number of directors so fixed to be elected by the directors shall not be changed except with the prior approval of the company in general meeting.

ALTERNATE DIRECTORS

- 78. When any director intends to be, or is living outside Pakistan, he may with the approval of the directors appoint any person to be his alternate director, and such alternate director during the absence of the appointer from Pakistan, shall be entitled to receive notice of and to attend and vote at meeting of directors and shall be subject to and entitled to the provisions contained in these articles with reference to directors and may exercise and perform all such powers, directions and duties as his appointer could have exercised or performed including the power of appointing another alternate director. An alternate director so appointed shall not be required to hold any qualification. Such appointment shall be recorded in the director minute book. A director may at any time by notice in writing to the company remove an alternate director appointed by him. The alternate director shall cease to be such provided that if any director retires but is re-elected at the meeting at which such retirement took effect any appointment made by him pursuant to this article which was in force immediately prior to this retirement and re-election and which has not otherwise ceased to be effectively shall continue to operate after his re-election as if he had not so retired. An alternate director shall not be deemed to be the agent of the director appointing him but shall be reckoned as one with his appointer. All appointments and removals of alternate directors shall be effected by writing under the hand of the director making or revoking such appointment and left at the office. For the purpose of assessing a quorum in accordance with these articles hereof an alternate director shall be deemed to be director.

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Any director may act an alternate director for any one or more directors, as well as being able to act as a director in his own right. An alternate director may resign as such upon giving thirty (30) days prior notice to the board to this effect. An alternate director need not be a member of the Company.

79. An alternate director, even if not a member, shall, in the absence of a direction to the contrary in the instrument appointing him, be entitled to notice of general meetings of the company and to vote at such meetings on behalf of his appointer, if his appointer is a member of the company, and generally to represent his appointer.
80. Directors shall have power at any time and from time to time to appoint any person as Technical/Executive Director and such Technical/Executive Director may be appointed only for a fixed period in such special remuneration as may be determined by the Board. The number of such directors appointed shall not be counted within minimum or maximum fixed for number of directors in these articles. Such Technical/Executive Directors would be the senior executives of the company and will not have any representation on the Board of the company unless specially invited by the members to assist them in the proceedings of the meeting of the Board of Directors of the company.

CHIEF EXECUTIVE AND OTHER PRINCIPAL OFFICERS OF THE COMPANY

81. The company shall have an office of chief executive which shall be filled from time to time by the directors who may appoint a director or (subject to the provisions of the Ordinance) any other person to be the chief executive of the company for a period not exceeding three years and on such terms and conditions as the directors may think fit, and such appointment shall be made within fourteen days from the date on which the office of chief executive falls vacant. If the chief executive at any time is not already a director he shall be deemed to be a director of the company notwithstanding that the number of directors shall thereby be increased and he shall be entitled to all the rights and privileges and shall be subject to all liabilities of the office of director. Upon the expiry of his period of office, a chief executive shall be eligible for re-appointment. The chief executive may be removed from office in accordance with the provisions of the Ordinance notwithstanding anything contained in these articles or in any agreement between the company and the chief executive.
82. No person who is ineligible to become a director of the company shall be appointed or continue as the Chief Executive except as permitted by the provisions of the Ordinance.
83. The Chief Executive retiring under these articles continue to perform his functions until his successor is appointed unless non-appointment of his successor is due to any fault on his part or his office is expressly terminated.
84. The directors may appoint other principal officers of the company including chief operating officer, chief financial officer, head of internal audit and the company secretary (who is to be a full time employee of the company as required by the provisions of the Ordinance), and give such officer such designations and with such terms and conditions as the directors may determine from time to time.
85. A chief executive of the company shall receive such remuneration as the directors may determine and it may be made a term of his appointment that he be paid a pension and/or gratuity and/or other benefits on retirement from his office.
86. The directors may from time to time entrust to and confer upon the chief executive for the time being such of the powers exercisable under these articles by the directors as they may think fit, and may confer such powers for such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions as they think expedient; and they may confer such powers, either collaterally with, or to the exclusion of, and in substitution for all or any of the powers of the directors in that behalf; and may from time to time revoke, withdraw, alter or vary all or any of such powers.

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QUALIFICATION AND REMUNERATION OF DIRECTORS

87. Any director who serves on any committee or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as the directors may determine from time to time. The remuneration of a director for attending meetings of the board shall from time to time be determined by the directors.
88. Each director of the company may, in addition to any remuneration receivable by him, be reimbursed his reasonable travelling and hotel expenses incurred in attending meetings of the directors or of the company or otherwise whilst employed on the business of the company.
89. The qualification of an elected director, in addition to his being a member, where required, shall be his holding shares of the nominal value of Rs. 25,000 at least in his own name, but a director representing the interests of a member or members holding shares of the nominal value of Rs. 25,000 at least shall require no such share qualification. A director shall not be qualified as representing the interests of a member or members holding shares of the requisite value unless he is appointed as such representative by the member or members concerned by notice in writing addressed to the company specifying the shares of the requisite value appropriated for qualifying such director. Shares thus appropriated for qualifying a director shall not, while he continues to be such representative, be appropriated for qualifying any other director. A director shall acquire his share qualification within two (2) months from the effective date of his appointment director.
90. The continuing directors may act notwithstanding any vacancy in their body so long as their number is not reduced below the number fixed by or pursuant to these articles as the necessary quorum of directors.
91. The office of a director shall ipso facto be vacated if:
 - (a) he ceased to hold the share qualification, if any, necessary for his appointment; or
 - (b) he is found to be of unsound mind by a court of competent jurisdiction; or
 - (c) he is adjudged an insolvent; or has applied to be adjudicated as an insolvent and his application is pending or is an undercharged insolvent; or
 - (d) he has been convicted by a court of law for an offence involving moral turpitude; or
 - (e) he or any firm of which he is a partner or any private company of which he is a director without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of a chief executive or legal or technical adviser or a banker in contravention of the provisions of the Ordinance; or
 - (f) he absents himself from three consecutive meetings of the directors or from all meetings of the directors for a continuous period of three months, whichever is the longer, without leave of absence from the board of directors; or
 - (g) he or any firm of which he is a partner or any private company of which he is a director accepts a loan or guarantee from the company in contravention of the provisions of the Ordinance; or
 - (h) he acts in contravention of provisions of the Ordinance relating to disclosure of interest; or
 - (i) by notice in writing to the company he resigns his office; or

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- (j) he is removed from office by resolution of the company in general meeting in accordance with the provisions of the Ordinance; or
- (k) his appointment is withdrawn by the authority nominating him as director; or
- (l) he has betrayed lack of fiduciary behaviour and a declaration to the effect has been made by the court under the provisions of the Ordinance at any time during the preceding five years.

92. Subject to authorisation being given by the directors in accordance with the provisions of the Ordinance, a director shall not be disqualified from contracting with the company either as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the company with any company or partnership of or in which any director of the company shall be a member or otherwise interested, be avoided, nor shall any such director so contracting or being such member or so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship so established. A director who, or whose spouse or minor child, is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement or proposed contract or arrangement with the company shall disclose the nature of such concern or interest in accordance with the provisions of the Ordinance that is to say:

- (a) in the case of a contract or arrangement to be entered into, at the meeting of the directors at which the question of entering into the contract or arrangement is first taken into consideration or, if the director was not, on the date of that meeting, concerned or interested in the contract or arrangement, at the first meeting of the directors held after he becomes so concerned or interested; and
- (b) in the case of any other contract or arrangement, at the first meeting of the directors held after the director becomes concerned or interested in the contract or arrangement.

A general notice that any director of the company is a director or a member of any other named company or is a member of any named firm and is to be regarded as interested in any subsequent transaction with such company or firm shall, as regards any such transaction, be sufficient disclosure under this article. Provided, however, that any such general notice shall expire at the end of the financial year in which it was given and may be renewed for a further period of one financial year at a time by giving fresh notice in the last month of the financial year in which it would otherwise expire.

93. Except as provided in the provisions of the Ordinance, a Director shall not vote in respect of any contract or arrangement in which he is either directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of any such vote and if he does so vote, his vote shall not be counted.

94. Whereby any contract or resolution of the directors an appointment or a variation in the terms of an existing appointment is made (whether effective immediately or in the future) of a chief executive, whole time director or secretary of the company, in which appointment of any director of the company is, or after the contract or resolution becomes, in any way, whether directly or indirectly, concerned or interested, or whereby any contract or resolution of the directors, an appointment or a variation in the terms of appointment is made (whether effective immediately or in the future) of a chief executive, the company shall inform the members of such appointment or variation in the manner required by provisions of the Ordinance and shall comply with the requirements of that section in regard to the maintaining of such contracts and resolutions open for inspection by members at the office, the provision of certified copies thereof and extracts therefrom and otherwise.

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95. In accordance with the provisions of the Ordinance, the company shall maintain at its office a register or electronic record, in which shall be entered separately particulars of all contracts, arrangements or appointments in which the directors are interested. Such register or electronic record shall be open to inspection to the members during business hours, subject to any reasonable restriction that may be imposed by the company in general meeting.
96. A director of the company may be or become a director of any other company promoted by the company or in which the company may be interested as a vendor, shareholder or otherwise, and no such director shall be accountable for any benefits received as a director or member of such other company.

ELECTION OF DIRECTORS

97. The directors shall be elected by the members in general meeting in the following manner, namely:
 - (a) a member present in person or by proxy shall have such number of votes as is equal to the product of voting shares held by him and the number of directors to be elected
 - (b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose, and
 - (c) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared, and so on until the total number of directors to be elected has been so elected.

If the number of persons who offer themselves to be elected as directors is not more than the number of vacancies for which elections are being held, such persons being otherwise eligible shall be deemed to have been elected as directors from the date on which the election was proposed to be effective.

98. A director elected under these articles shall hold office for a period of three years unless he earlier resigns or becomes disqualified from being a director, or otherwise ceases to hold office.
99. A retiring director of the company shall be eligible for re-election.
100. The company in general meeting may remove a director from office by a resolution passed with the requisite number of votes determined in accordance with the provisions of the Ordinance.
101. Any casual vacancy occurring among the directors may be filled up by the directors within a time period prescribed by the code, and the person so appointed shall hold office for the remaining period of the director in whose place he is appointed. Provided that the directors may not fill a casual vacancy by appointing any person who has been removed from the office of a director of the company under these articles.
102. No person including a retiring director of the company shall be eligible for election to the office of director of the company at any general meeting unless he has, not less than fourteen days before the date of the meeting, left at the office, a notice in writing, and duly signed, signifying his candidature for the office.
103. The company shall keep at the office a register of the directors and officers, containing the particulars required by the provisions of the Ordinance and the company shall otherwise comply with the provisions of the Ordinance as regards furnishing returns to the Registrar and giving inspection of the register.

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PROCEEDINGS OF DIRECTORS

104. The directors shall meet together at least once in each quarter of a year for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they may think fit in accordance with the Ordinance, the code and the listing requirements. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the chairman shall have a second or casting vote.
105. The quorum necessary for the transaction of the business of the directors shall be one-third of the number of directors or four directors, whichever is greater, present in person. An alternate director whose appointment is effective shall be counted in a quorum. If all the directors except one are disqualified from voting, the matter should be decided in general meeting.
106. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors. Such meetings may be held using any technology consented to by all the directors, including but not limited to telephone and video conferencing. The consent may be a standing one, withdrawable by a director only within a reasonable period of time before the meeting. It shall not be necessary to give notice of a meeting of directors to any director for the time being absent from Pakistan.
107. The board of directors of the company shall from time to time elect one of the directors as chairman of the board of directors of the company and determine the period for which he is to hold office and his remuneration. The chairman or in his absence the chief executive shall preside over all meetings of the board of directors, but if at any meeting neither the chairman nor the chief executive is present in person within half an hour of the time appointed for holding the same, the directors present in person may choose one of their number to be chairman of the meeting.
108. A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under these articles for the time being vested in or exercisable by the directors generally.
109. The directors may from time to time delegate of their powers to committees consisting of such two members or more members of their body as they think fit, and may from time to time revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the directors.
110. The meeting and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors, so far as the same are applicable thereto and are not superseded by any regulations made by the directors under these articles.
111. All acts done by any meeting of the directors or by a committee of the directors or by any person acting as a director of the company shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment or continuance in office of any such directors or person acting as aforesaid, or that they or any of them were disqualified or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified and had continued to be a director and had been entitled to be a director. Provided that nothing in this article shall be deemed to give validity to acts done by any such director after the appointment of such director has been shown to be invalid.
112. A relation to powers of directors, other than resolution in respect of any matter specified in the provisions of the Ordinance circulated through fax or email or any form of electronic transmission to all the directors for the time being entitled to receive notice of a meeting of the directors, passed without any meeting of the

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directors or of a committee of directors and signed or affirmed through fax or email or any form of electronic transmission, by a majority of all directors in writing under the hands of all directors (or in their absence their alternate directors) for the time being in Pakistan, being not less than the quorum required for meetings of the directors, or as the case may be of the members of the committee, shall be valid and effectual as if it had been passed at the meeting of the directors, or as the case may be of such committee, duly called or constituted. The resolution in writing of the company may consist of several copies of a document signed by one or more director(s) and takes effect at the date and time on which the last director, necessary for the resolution to be passed, signs a copy of the resolution; or a record of several signed electronic messages each indicating the identity of the sender, the text of the resolution and the sender's agreement or disagreement to the resolution, as the case may be and such a resolution takes effect on the date on which the last director's message, necessary for the resolution to be passed, is received.

113. If any director of the company, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from his place of business for the time being for any of the purposes of the company or in giving special attention to the business of the company as a member of a committee of the directors, the company may remunerate such director so doing either by a fixed sum or by a percentage of profits or otherwise as may be determined by the directors, and such remuneration may be either in addition to or in substitution for his or their share in the remuneration above provided for the directors.

MINUTES

114. The directors shall cause minutes to be duly entered in books provided for the purpose of or as an electronic record, of,
- (a) all appointments of officers;
 - (b) the names of the directors present in person at each meeting of the directors and of any committee of the directors;
 - (c) all orders made by the directors and committees of the directors;
 - (d) all resolutions and proceedings of general meeting and of meetings of the directors and of the committees of the directors;

and any such minutes of any meeting of the directors or of any such committee or of the company, if purporting to be signed by the chairman of such meeting or by the chairman of the next succeeding meeting, shall be prima facie evidence of the matter stated in such minutes.

POWERS AND DUTIES OF DIRECTORS

115. The directors shall duly comply with the provisions of the Ordinance, the listing requirements and the code. In particular and without prejudice to the generality of the foregoing, the company shall comply with the provisions of the Ordinance in regard to the registration of the particulars of mortgages and charges affecting the property of the company or created by it, to the keeping of a register of the directors, and to the sending to the registrar of an annual list of members and a summary of particulars relating thereto, and notice of any consolidation or increase of share capital, sub-division of shares, and copies of special resolutions and a copy of the register of directors and notifications of any changes therein. All such information may be stored as an electronic record and transmitted accordingly, where possible.
116. The control of the company shall be vested in the directors, and the business of the company shall be managed by the directors who may exercise all such powers of the company and do all such acts and things as may

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be exercised or done by the company as by the Ordinance or by these articles or by a special resolution expressly directed or required to be exercised or done by the company in general meeting, subject nevertheless to any regulations of these articles, to the provisions of the Ordinance, and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

117. Without prejudice to the general powers conferred by these articles and to any other powers or authorities conferred by these articles on the directors, it is hereby expressly declared that the directors shall have the following powers, that is to say, power:

- (1) To purchase or otherwise acquire for the company any property, rights or privileges which the company is authorised to acquire at such price and generally on such terms and conditions as they think fit, and to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the company upon such terms and conditions, and for such consideration, as they may think fit.
- (2) At their discretion to pay for any property, rights, privileges acquired by or services rendered to the company either wholly or partially in cash or in shares (subject to the provisions of the Ordinance) bonds, debentures or other securities of the company. Any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the company or not so charged.
- (3) To open account with any bank or financial institution and deposit into and withdraw money from such accounts from time to time.
- (4) To make, draw, endorse, sign, accept, negotiate and give all cheques, bills of lading, drafts, orders, bills of exchange, and other promissory notes and negotiable instruments required in the business of the company.
- (5) To secure the fulfilment of any contracts, agreements or engagements entered into by the company by mortgage or charge of all or any of the property of the company for the time being or in such other manner as they may think fit.
- (6) Subject to the provisions of the Ordinance, to appoint and at their discretion remove or suspend such agents (other than Managing Agents), managers, secretaries, officers, employees for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments and to require security in such instances and to such amount as they think fit.
- (7) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the company any property belonging to the company or in which it is interested or for any other purposes, and to execute and do all such deeds, documents and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.
- (8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its officers or otherwise concerning the affairs of the company and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company.
- (9) To refer claims or demands by or against the company to arbitration and observe and perform the awards.
- (10) To make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the Company.
- (11) To act on behalf of the company in all matters relating to bankrupts and insolvents.
- (12) To determine who shall be entitled to sign on the company's behalf bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.

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- (13) From time to time to provide for the management of the affairs of the company either in different parts of Pakistan or elsewhere in such manner as they think fit, and in particular to establish branch offices and to appoint any persons to be the attorneys or agents of the company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.
- (14) To invest and deal with any of the moneys of the company not immediately required for the purposes thereof upon such securities and in such manner as they may think fit, and from time to time to vary or realise such investments.
- (15) To execute in the name and on behalf of the company in favour of any director of the company or other person who may incur or be about to incur any personal liability for the benefit of the company, such mortgages of the company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on.
- (16) To give to any person employed by the company, a commission on the profits of any particular business or transaction or a share in the general profits of the company, and such commission or share of profits shall be treated as part of the working expenses of the company.
- (17) From time to time to make, vary and repeal bye-laws for the regulation of the business of the company, its employees.
- (18) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the company.
- (19) To establish, maintain, support and subscribe to any charitable or public object, and any institution, society, or club which may be for the benefit of the company or its employees, or may be connected with any town or place where the company carries on business; to give pensions, gratuities, or charitable aid to any person or persons who have served the company or to the wives, children, or dependants of such person or persons, that may appear to the directors just or proper, whether any such person, his widow, children or dependants, have or have not a legal claim upon the company.
- (20) Subject to the provisions of the Ordinance, before recommending any dividends, to set aside portions of the profits of the company to form a fund to provide for such pensions, gratuities, or compensation; or to create any provident or benefit fund in such or any other manner as to the directors may deem fit.
- (21) Subject to the provision of the Ordinance to accept from any member on such terms and conditions as shall be agreed a surrender of his shares or any part thereof.
- (22) To make advances and loans without security or on such security as they may deem proper and as permissible under the law.
- (23) To make and alter rules and regulations concerning the time and manner of payment of the contributions of the employees and the company respectively to any such funds and the accrual, employment, suspension and forfeiture of the benefits of the said fund and the application and disposal thereof, and otherwise in relation to the working and management of the said fund as the directors shall from time to time think fit.
- (24) To delegate all or any of the powers hereby conferred upon them to such person or persons as they may from time to time think fit.
- (25) Subject to the provisions of the Ordinance to authorise the having of an official seal of the company for use abroad.

REGISTER OF DIRECTORS SHAREHOLDINGS

118. In accordance with the provisions of the Ordinance, the company shall maintain at its office a register or electronic record of the directors, chief executive officer, chief financial officer (chief accountant), company secretary or head of internal audit who is or has been the beneficial owner of listed securities and every person who is directly or indirectly the beneficial owner of not less than ten percent (10%) of the beneficial interest in the company. This register or electronic record shall be open to inspection during business hours subject to the provisions of the Ordinance.

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POWER OF ATTORNEY

119. The directors may from time to time and at any time by power of attorney appoint any company, firm or person (including any director or officer of the company) or body of persons, whether nominated directly or indirectly by the directors, to be the attorney or attorneys of the company for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney to delegate all or any of the powers, authorities and discretions vested in him; and without prejudice to the generality of the foregoing any such power of attorney may authorise the attorney to institute, conduct, defend, compound or abandon any legal proceedings by or against the company, whether generally or in any particular case.

AUDIT COMMITTEE

120. The Directors shall establish an Audit Committee which shall comprise not less than three members, including the chairman. Majority of the members of the Committee shall be from among the non-executive directors of the company and the chairman of the Audit Committee shall preferably be a non-executive director. The names of member of the Audit Committee shall be disclosed in each annual report of the company.

BORROWING POWERS

121. (1) The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking, property and assets (both present and future), and to issue debentures, debenture stocks, and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.
- (2) In exercising the powers of the company aforesaid the directors may, from time to time and on such terms and conditions as they think fit, raise money from banks and financial institutions and from other persons under any permitted system of financing, whether providing for payment of interest or some other form of return, and in particular the directors may raise money on the basis of the mark up on price, musharika, modaraba or any other permitted mode of financing, and without prejudice to the generality of the foregoing the directors may exercise all or any of the powers of the company arising under the provisions of the Ordinance.
- (3) In regard to the issue of securities the directors may exercise all or any of the powers of the company arising under the provisions of the Ordinance and in particular the directors may issue any security as defined in the provisions of the Ordinance or may issue any instrument or certificate representing redeemable capital or participatory redeemable capital as defined in the Ordinance.
122. Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.
123. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawing, allotment of shares, attending and voting at general meetings of the company, appointment of directors of the company or otherwise.
124. The directors shall cause a proper register to be kept in accordance with the provisions of the Ordinance, of all mortgages and charges specifically affecting the property of the company, and shall duly comply with the provisions of the Ordinance, regarding registration of mortgages and charges, endorsement of certificates, filing of prescribed particulars, keeping of a copy of every instrument creating any mortgage or charge by the company at the office and giving of intimation of the payment or satisfaction of any charge or mortgage created by the company.

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125. Every register of holders of debentures of the company may be closed for any periods not exceeding in the whole forty five days in any year and not exceeding thirty days at a time. Subject as aforesaid, every such register shall be open to the inspection of members or debenture holders. But the company may in general meeting impose any reasonable restrictions, so that at least two hours, in each day when such register is open, for inspection.
126. Subject to the provisions of the Ordinance, no transfer of registered debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the company together with the certificate or certificates of the debentures.
127. If the directors refuse to register the transfer of any debentures, they shall, within thirty days from the date on which the instrument of transfer was lodged with the company, send or cause to be sent to the transferee and transferor notice of the refusal.
128. The company shall comply with the provisions of the Ordinance as to allowing inspection of copies kept at the office in accordance with the provisions of the Ordinance, and as to allowing inspection of the register of mortgages to be kept at the office in accordance with the provisions of the Ordinance.
129. The company shall comply with the provisions of the Ordinance as to supplying copies of any register of holders of debentures or of any trust deed for securing any issue of debentures.

LOCAL MANAGEMENT

130. Subject to the provisions of the Ordinance, directors may from time to time provide for the management of the affairs of the company outside Pakistan or in any special locality in Pakistan in such manner as they shall think fit and the following provisions shall operate without prejudice to the general powers hereby conferred.
 - (1) The directors may from time to time and at any time establish any local boards or agencies for managing any of the affairs of the company outside Pakistan or in any specified locality in Pakistan and may appoint any persons to be members of such local board or any managers or agents and may fix their remuneration.
 - (2) The directors may from time to time and at any time delegate to any persons so appointed any of the powers, authorities and discretions for the time being vested in the directors and may authorise the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the directors may think fit; and the directors may at any time remove any person so appointed and may annul or vary any such delegation.
 - (3) The directors may at any time and from time to time, by power of attorney under the seal of the company, appoint any person to be the attorneys of the company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these articles) and for such period and subject to such conditions as the directors may from time to time think fit; and any such appointment may, if the directors think fit, be made in favour of all or any of the members of any local board established as aforesaid, or in favour of any company or of the members directors, nominees or managers of any company or firm, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys as the directors think fit.
 - (4) Any such delegates or attorneys as aforesaid may be authorised by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

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V. ACCOUNTS AND DIVIDENDS

BOOKS OF ACCOUNT

(References to books of account, balance sheet, profit and loss accounts and auditors' report shall hereinafter mutatis mutandis include all electronic forms of record or storage of the company.)

131. The directors shall cause to be kept proper books of account in accordance with the provisions of the Ordinance.
132. The books of account shall be kept at the registered office or at such other place as the directors think fit, and shall be open to inspection by the directors during business hours. If the directors decide to keep the books of account at a place other than the registered office they shall comply with the directions contained in the provisions of the Ordinance.
133. The company shall preserve in good order the books of account of the company in respect of any financial year for a period of ten years following the close of that year or otherwise as provided in the provisions of the Ordinance.
134. The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of the members, and no member (not being a director of the company) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the directors or by the company in general meeting.
135.
 - (1) The directors shall arrange to place before the annual general meeting of the company in every year a duly audited balance sheet and profit and loss account, conforming to the requirements of provisions of the Ordinance and made up to a date not more than four months before the date of such meeting and having the auditor's report attached thereto, and a report of the directors conforming to the requirements of provisions of the Ordinance.
 - (2) As required by the provisions of the Ordinance the balance sheet and profit and loss account shall first be approved by the directors and when so approved shall be signed by the chief executive and at least one director but if on account of his absence from Pakistan or other reason the signature of the chief executive cannot be obtained, the balance sheet and profit and loss account shall be signed by at least two directors for the time being in Pakistan, and in every such case a statement signed by those two directors shall be subjoined to the balance sheet and profit and loss account stating the reason why the signature of the chief executive was not obtained.
 - (3) The directors may authorize the chairman or the chief executive to sign the report of the directors which may then be signed accordingly, but in the absence of any such authority the report of the directors shall be signed as required by provisions of the Ordinance in the same manner as the balance sheet and profit and loss account.
136.
 - (1) A copy of the balance sheet, profit and loss account and the reports of the directors and auditors shall be sent not less than twenty one (21) days before the date of the annual general meeting to the members and other persons entitled to receive notices of general meetings in the manner in which notices are to be given hereunder and a copy thereof shall be kept for a period of at least fourteen (14) days before the meeting at the office for inspection by members. The company shall send, each stock exchange listing the shares of the company three hundred copies (or such number as may be prescribed from time to time), and to the Registrar of Companies and to the Commission, five copies

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(or such number as may be prescribed from time to time), each of the balance sheet, profit and loss account and the reports of the directors and auditors at the same as they are dispatched to the members and other persons in accordance with this article.

- (2) After the balance sheet, profit and loss account and the reports of the directors and auditors have been laid before the annual general meeting of the company, three copies thereof (or, such larger number as may be prescribed under the provisions of the Ordinance) signed by the signatories thereto shall be filed with the Registrar within thirty days from the date of the meeting and the company shall also comply with the provisions of the Ordinance where applicable.
- (3) Subject to provisions of the Ordinance and the listing requirements, the company shall, within one month from the close of the first and third quarters and two month from the close of the second quarter, of the year of account of the company, prepare and transmit to the members one copy and to stock exchange listing the shares of the company three hundred copies (or such number as may be prescribed from time to time), each of the profit and loss account for that quarter and of the balance sheet as at the end of that quarter. Such quarterly profit and loss accounts and balance sheets need not to be audited but must be signed in the same manner as the annual profit and loss accounts and balance sheets are required to be signed. The directors shall also send, to the Commission and to the Registrar three copies (or such number as may be prescribed for the time being under the provisions of the Ordinance), each of such quarterly profit and loss accounts and balance sheets at the same time as they are sent to the members in accordance with this article.
- (4) The company may with the consent of shareholders and consultation of respective stock exchange(s), transmit quarterly accounts through web site of the company subject to the approval of the Commission.

137. The directors shall in all respects comply with the provisions of the Ordinance, or any statutory modification thereof for the time being in force.

ANNUAL RETURNS

138. The company shall make the requisite annual returns in accordance with the provisions of the Ordinance.

DIVIDENDS

139. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors, provided that the company in general meeting may declare a smaller dividend.

140. No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits, and in the determination of the profits available for dividends the directors shall have regard to the provisions of the Ordinance.

141. The declaration of the directors as to the amount of the net profits of the company shall be conclusive.

142. The directors may from time to time pay to the members such interim dividends as in their judgement the position of the company justifies.

143. All dividends shall be declared and paid according to the amounts paid on the shares. All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

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144. All dividends declared shall be paid within the periods specified in the provisions of the Ordinance.
145. No dividend payable in respect of a share shall bear interest against the company.
146. The directors may retain any dividends on which the company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
147. Any general meeting declaring a dividend may resolve that such dividend be paid and satisfied wholly or in part in cash or by the distribution of specific assets, and in particular by the distribution of paid-up shares, debentures, debenture-stock or other security of the company, or paid-up shares, debentures, debenture-stock or other security of any other company, or in any one or more of such ways.
148. Any general meeting may resolve that any moneys, investments, or other assets forming part of the undivided profits of the company standing to the credit of the reserve fund or in the hands of the company and available for dividend (or representing premiums received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such fund be applied on behalf of such members in paying up in full any un-issued shares, debentures, debenture-stock or other security of the company, which shall be distributed accordingly, and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalised sum.
149. For the purpose of giving effect to any resolution under the aforesaid articles, the directors may settle any difficulty which may arise in regard to the distribution as they think expedient and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the directors. Where requisite a proper contract shall be filed in accordance with the provisions of the Ordinance, and the directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.
150. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.
151. The directors may retain the dividends payable upon shares in respect of which any person is under these articles entitled to become a member or which any person under that article is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.
152. Any one of several persons who are registered as the joint-holders of any share may give effectual receipts for all dividend and payments on account of dividends in respect of such share.
153. The dividend in respect of any share shall be paid to the registered holder of such share or to his banker or to a financial institution (as defined in the Ordinance) nominated by him for the purpose. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled thereto, or, in the case of joint-holders, to the registered address of that one whose name stands first on the register in respect of the joint-holding, or to such financial institution or bank as the member or person entitled thereto or such joint-holders, as the case may be, direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent, or to the order of the institution or bank, directed as aforesaid.
154. All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the company until claimed and all dividends unclaimed for three years after

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having been declared may be forfeited by the directors for the benefit of the company, but the directors may annul the forfeiture wherever they may think proper.

RESERVE AND DEPRECIATION FUNDS

155. The directors may from time to time before recommending any dividend set apart any and such portion of the profits of the company as they think fit as a reserve fund to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the company, for equalization of dividends or for repairing, improving, and maintaining any of the property of the company, and for such other purposes of the company as the directors in their absolute discretion think conducive to the interests of the company; and may invest the several sums so set aside upon such investments (other than shares of the company) as they may think fit, and from time to time deal with and vary such investments, and dispose of all or any part thereof for the benefit of the company, and may divide the reserve fund into such special funds as they think fit, with full power to employ the reserve funds or any part thereof in the business of the company, and that without being bound to keep the same separate from the other assets.
156. The directors may, from time to time before recommending any dividend, set apart any and such portion of the profits of the company, as they think fit, as a depreciation fund applicable at the discretion of the directors, for providing against any depreciation in the investment of the company or for rebuilding, restoring, replacing or for altering any part of the buildings, work, plant, machinery, or other property of the company destroyed or damaged by fire, flood, storm, tempest, earthquake, accident, riot, wear and tear, or any other means whatsoever, and for repairing, altering and keeping in good condition the property of the company, or for extending and enlarging the buildings, machinery and property of the company with full power to employ the assets constituting such depreciation fund in the business of the company, and that without being bound to keep the same separate from the other assets.
157. All moneys carried to the reserve fund and depreciation fund respectively shall nevertheless remain and be profits of the company applicable, subject to due provision being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the company not immediately required for the purposes of the company may be invested by the directors in or upon such investment or securities as they may select or may be used as working capital or may be kept at any bank on deposit or otherwise as the directors may from time to time think proper.
158. The directors may also carry forward any profits which they may think prudent not to distribute, without setting them aside as a reserve.

VI. AUDIT

159. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Ordinance or any statutory modification thereof for the time being in force.

VII. SEAL

160. The directors shall provide a common seal of the company which shall not be affixed to any instrument except by the authority of a resolution of the board or by a committee of directors authorised in that behalf by the directors, and two (2) directors, or one (1) director and the secretary of the company, shall sign every instrument to which the common seal is affixed.
161. The directors may provide for the use in any territory, district or place not situated in Pakistan, of an official seal which shall be a facsimile of the common seal of the Company, with the addition on its face of the name of every territory, district or place where it is to be used. The official seal shall not be affixed to any instrument

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except by the authority of a resolution of the board or by a committee of directors authorised in that behalf by the directors, and two (2) directors, or one (1) director and the secretary of the company, or such other person as the directors may appoint for the purpose, shall sign every instrument to which the official seal is affixed. The provisions of the Ordinance shall apply to the use of the official seal.

VIII. NOTICES

162. (1) A notice may be given by the company to any member either personally or by sending it by post to him at his registered address or (if he has no registered address in Pakistan) to the address, if any, within Pakistan supplied by him to the company for the giving of notices to him or in electronic form as prescribed by the provisions of the Electronic Transactions Ordinance.
- (2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.
163. In accordance with provisions of the Electronic Transactions Ordinance, a notice dispatched by electronic transmission shall be deemed to be received by the addressee at his place of business or where he ordinarily resides when it reaches the designated information system of the addressee. If no information system has been so designated, receipt will occur when the electronic notice reaches an information system of the addressee.
164. If a member has no registered address in Pakistan, and has not supplied to the company an address within Pakistan or an electronic address, for the giving of notices to him, a notice addressed to him or to the shareholders generally and advertised in a newspaper, circulating in the Province in which the registered office is situated and in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate, shall be deemed to be duly given to him on the day on which the advertisement appears.
165. A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.
166. A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in Pakistan supplied for the purpose by the persons claiming to be so entitled or addressing it in a similar manner and dispatching it to a designed electronic address or until any such address has been so supplied, by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.
167. Notice of every general meeting shall be given in same manner hereinbefore authorised to (a) every member of the company except those members who (having no registered address within Pakistan) have not supplied to the company either a postal address within Pakistan or electronic address for the giving of notices to them, and also to (b) every person entitled to a share in consequence of the death or insolvency of a member, who but for his death or insolvency would be entitled to receive notice of the meeting. Subject to these articles and provisions of the Ordinance, no other persons shall be entitled to receive notices of general meetings.
168. Any notice required to be given by the company to the members or any of them and not expressly provided for by these articles shall be sufficiently given, if given by advertisement.
169. Any notice required to be or which may be given by advertisement shall be advertised once in a newspaper circulating in the province in which the office is situate and in at least one issue each of a daily newspaper in

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the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate.

170. Any notice given by advertisement shall be deemed to have been given on the day on which the advertisement shall first appear.
171. Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall be duly given to the person from whom he derives his title to such shares.
172. Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these articles shall, notwithstanding that such member may be then deceased and whether or not the company shall have received notice of his decease, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holder thereof, and such service shall for all purposes of these articles be deemed a sufficient service of such notice or document on his heirs, executors, or administrators, and all persons, if any, jointly interested with them in any such share.
173. The signature to any notice to be given by the company may be written or printed.
174. In the event of a winding up of the company, every member of the company who is not for the time being normally resident in the town in which the office is situate shall be bound, within eight weeks after the passing of an effective resolution to wind up the company voluntarily or the making of an order for the winding up of the company, to serve notice in writing on the company appointing some householder residing in that town upon whom all summonses, notices, process, orders and judgements in relation to or under the winding up of the company may served, and in default of such nomination the liquidator of the company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee, whether appointed by the member or the liquidator, shall be deemed to be good personal service on such member for all purposes, and where the liquidator makes any such appointment he shall with all convenient speed give notice thereof to such member by advertisement in some newspaper circulating in the province in which the office is situate and in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language circulating in the province in which the stock exchange on which the company is listed is situate or by a registered letter sent through the post and addressed to such member at his address as mentioned in the register, and such notice shall be deemed to be served on the day on which the advertisement shall first appear or on the day following that on which the letter is posted, as the case may be. The provisions of this article shall not prejudice the right of the liquidator to serve any notice or other document in any other manner prescribed by the regulations of the company.

PUBLICATION OF NOTICES IN NEWSPAPERS

175. Subject to such provisions of the listing requirements as may apply specifically to the manner in which certain notices are to be published in the newspaper(s):
 1. Every prospectus issued by or on behalf of the company or by or on behalf of any person who has been engaged or interested in the formation of the company shall, in its full text or in such abridged form as may be prescribed, be published by the company in at least one (1) Urdu and one (1) English daily newspaper, in accordance with the provisions of the Ordinance not less than seven (7) days or more than thirty (30) days before the subscription list, as specified in the prospectus, is due to open. Provided that the company may, for special reasons and with permission of the commission, publish the advertisements of a prospectus more than thirty (30) days before the subscription list is due to open.

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2. The company may, on giving not less than seven (7) days notices by advertisement in a newspaper having circulation in the Province, or part of Pakistan not forming part of a province, in which the office of company is situated and, in addition, in a newspaper having circulation in the Province, or other part as aforesaid, in which the stock exchange(s) on which the company is listed is / are situated, close the register of members or debenture holders, as the case may be, for any time or times not exceeding in the whole forty-five (45) days in a year and not exceeding thirty (30) days at a time, in accordance with the provisions of the Ordinance.
3. The notice of a general meeting of the company, whether annual or extraordinary general meeting, shall be published in at least one (1) issue each of daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.
4. All notices received by the company in accordance with provisions of the Ordinance for election as a director, shall be transmitted to the members not later than seven (7) days before the date of the general meeting at which the directors are to be elected, by publication in at least one (1) issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange(s) on which the Company's securities are listed is / are situated, in accordance with the provisions of the Ordinance.
5. If a resolution is to be passed at the company's annual general meeting appointing as auditors a person other than a retiring auditors, the company shall, not less than seven (7) days before the date fixed for the annual general meeting, publish in at least one (1) issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.
6. Notice of any resolution for winding up a company voluntarily under section 358, shall be given by the company within ten (10) days of the passing of the same by advertisement in the official Gazette of Pakistan, and also in a newspaper circulating in the province where the office of the company is situated and, in addition, shall also published in at least one (1) issue of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the province in which the stock exchange(s) on which the company is listed is / are situated, in accordance with the provisions of the Ordinance.

IX. AMALGAMATION, DIVISION AND RECONSTRUCTION

176. Subject to and in accordance with the provisions of the Ordinance, the company may reconstruct, amalgamate into an other company or divide into two (2) or more companies in the process of which the whole or any part of the undertaking, property or liabilities of the company or any other company, may be transferred to any other company or the company, respectively, as the case may be. Provided that any sale of the undertaking of the company, the directors, or the liquidator on a winding up, may, if authorised by a special resolution, accept fully paid shares, debentures or securities of any other company, whether incorporated in Pakistan or not, either then existing or to be formed, for the purchase in whole or in part of the property of the company, and the directors (if the profits of the company permit) or the liquidator (in a winding up) may distribute such shares, or securities, or any other property of the company amongst the members without realisation, or vest the same in trustees for them, and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributories of the company, and for valuation of any such securities or property at such price in such manner as the meeting may approve, and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in case the company is proposed to be or is in the course of being wound up, such statutory rights (if any) under the provisions of the Ordinance as are incapable of being varied or excluded by these articles.

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X. SECRECY

177. Every director, manager, adviser, auditor, trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the company shall, if so required by the directors before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the directors or by any meeting or by any court of law and except so far as may be necessary in order to comply with any of the provisions in these articles contained.
178. No member or other person (not being a director) shall be entitled to enter upon the property of the company or to inspect or examine the company's premises or properties of the company without the permission of the directors for the time being or, subject to the provisions of these articles, to require discovery of or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the company and which in the opinion of the directors it will be inexpedient in the interest of the members of the company to communicate.

XI. ARBITRATION

179. Whenever a difference arises between the company on the one hand and any of the members, their executors, administrators, or assignees on the other hand touching the true intent or construction or the incident or consequences of these presents, or of the status of enactment's of the legislature, or touching anything then or thereafter done, executed, omitted or suffered in pursuance of these presents or of the status of enactment's touching any breach or alleged breach or otherwise relating to the premises or to these presents, or to the status or to any of the affairs or officers of the company, the company by written agreement refer to arbitration in accordance with the Arbitration Act 1940 (X of 1940) and every such difference shall be referred to the decision of an arbitrator to be appointed by the parties in difference or if they cannot agree upon a single arbitrator, to the decision of two arbitrators, one appointed by such party, or in the event of disagreement of the arbitrators, to that of an umpire appointed by arbitrators themselves. The provisions of Arbitration Act 1940 (X of 1940) shall apply to all arbitrations between the company and persons having such difference.
180. The costs of, or incidental to any such reference and award shall be in the discretion of the arbitrator/arbitrators or umpire as the case may be who may determine the amount there of and may award by whom, and to whom, and in what manner the same shall be borne and paid.

XII. WINDING UP

181. If the company shall be wound up and the assets available for distribution among the members, subject to the rights attached to any preference share capital, as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up on the shares held by them respectively. But this article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

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182. If the company shall be wound, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution divide among the members in specie or kind any part of the assets of the company, and may with the like sanction vest any part of the assets of the company in trustees upon such trusts for the benefit of the members or any of them as the liquidator with the like sanction shall think fit.

XIII. INDEMNITY

183. Every director or officer of the company and every person employed by the company as auditor shall be indemnified out of the funds of the company against all liability incurred by him as such director, officer or Auditor in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under section 488 of the Ordinance in which relief is granted to him by the court.

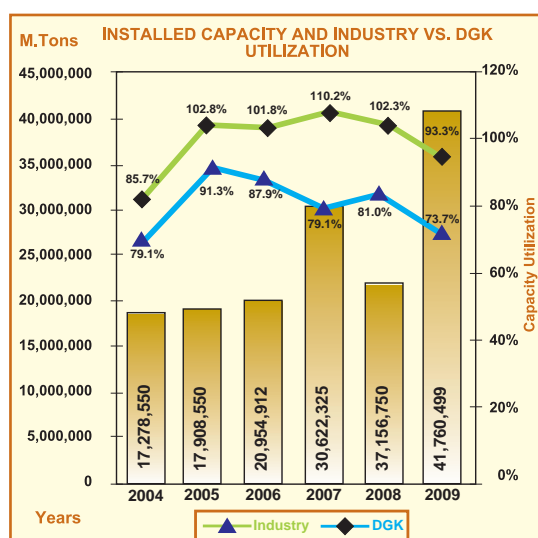
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DIRECTORS' REPORT

I am delighted to present before you the 31st annual report of D.G. Khan Cement Company Ltd., for the year ended June 30, 2009 along with the financial statements and auditor's report thereon.

INDUSTRY REVIEW

Worst ever global financial meltdown portrayed severe economic crisis in almost every part of the world. The economy of Pakistan had no escape to it. The situation in Pakistan was rather even more awful on the back of shaky political posture and nastiest law and order situation in most parts of the country.



On the wake of on going unfavorable investment climate, severe crisis of electricity and deteriorating safety concerns led to poor economic progress during FY 2009. The GDP growth during FY 2009 hovered around merely 2%, lowest during the last 7 years in the country. The manufacturing sector showed a negative growth of nearly 4% compared with sizable positive growth of 5% last year. The growth in GDP was mainly contributed by outperforming progress made in agriculture sector during the period under review which is nearly 4.7% against only 1.7% last year. Government spending of Rs 550 billion on Public Sector Development Plan as announced in last budget for FY 2008 was cut down to a revised amount of Rs 418 billion due to liquidity crisis prevailing in the country. All these bode negatively on the cement sector in the country as well. Cement sales in local market during FY 2009 plunged by nearly 14%, first time during the last 7 years.

The cement industry of the country sold over 19 million tons cement in the local market against about 23 million tons last year. On the other hand, exports of cement from the country are on the rise. Total cement exports from the country first time crossed 10 million mark. Overall capacity utilization of the available capacity declined to nearly 74% from last year of 93% mainly on account of less demand and further addition of new capacities during the period under report. Your company has sold equal to 93% of its capacity which is significantly higher than industry average of 74%. This was only possible due to brand loyalty and customers' satisfaction on the company's products.

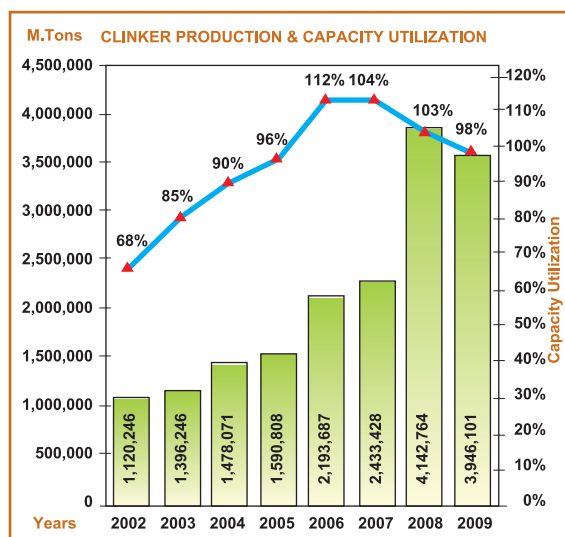
PLANT PERFORMANCE

Plants operated well and satisfactorily during the period under report.

Clinker production is slightly less than last year which is due to less demand of cement during the period under report.

	FY2008-09		FY2007-08	
	M.Tons	Utilization	M.Tons	Utilization
DGK-Unit-1	913,872	112.8%	912,303	112.6%
DGK-Unit-2	1,086,267	90.5%	1,368,798	114.1%
KHP-Unit	1,945,962	96.8%	1,861,663	92.6%
Total	3,946,101	98.2%	4,142,764	103.1%

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Cement production	FY 2008-09	FY 2007-08
	M.Tons	M.Tons
DGK-Unit-1	873,063	967,697
DGK-Unit-2	1,118,774	1,281,323
KHP-Unit	1,885,459	1,978,747
Total	3,877,296	4,227,767

Cement production during the period under report witnessed a decline of 8% on account of less demand of cement.

SALES

Liquidity crisis both in the country as well as in export markets created recession like situation. Reduced Government spending on development projects and adverse business activities led to slow down in cement demand. Your company is making all out effort to tap all potential export markets. During the year sizable quantity of cement has been exported to Sri Lanka and South African countries, in addition to traditional markets of Afghanistan and UAE. Going forward, your company also exported 177 thousand tons of clinker against 72 thousand tons last year.

The following table portrays the sales summary:

	FY 2008-09	FY 2007-08
	M.Tons	M.Tons
DGK Site	1,981,487	2,266,773
KHP Site	1,873,462	1,967,180
Cement Sales	3,854,950	4,233,953
Clinker Sales	177,064	167,683

OPERATING RESULTS

	2009	2008
	(Rupees in thousand)	
-Net Sales	18,038,209	12,445,996
-Cost of Sales	12,358,479	10,530,723
-Gross Profit	5,679,730	1,915,273
-After tax profit / (loss)	525,581	(53,230)
-EPS (Basic)	Rs. /Share	
	1.96	(0.21)

In spite of decline in cement sales, the net sales revenue ballooned by nearly 45% on account of stable cement prices in the country. Cement prices on the export front, however, have shown declining trends due to tough competition from other regional exporters.

Cost of sales during the period increased by nearly 18% due to hyper-inflation in the country and high fuel prices in the international markets, especially, in first half of the FY 2009. Average coal cost witnessed an increase of around 39% both due to increased international prices as well as high inland transportation costs. In addition, electricity tariff witnessed a sharp

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increase during the year and registered an increase of nearly 24%. In addition, increase in gas tariff has also enhanced the electricity generation cost. Sharp devaluation of Pakistani Rupee also posed negatively on the cost of production on account of high maintenance costs.

Although State Bank of Pakistan eased out monetary stance in the country and benchmark lending rates witnessed a decline during the period under report, but the rising input costs and capital outlays on ongoing projects adversely affected the liquidity and finance costs during the period. Going forward, sharp devaluation of Pakistani Rupee due to weak economic conditions and unfavorable trade balances, also affected the profitability negatively in form of exchange losses.

During the period your company earned a dividend of Rs 707 million on its investments against Rs 820 million last year which added to the profitability of the company.

After accounting for all charges including depreciation / amortization of Rs 1,368.954 million, financial charges of Rs 2,606.358 million and provision for taxation of Rs 251.319 million (including deferred tax of Rs 122.576 million) etc. your Company earned a net profit of Rs 525.581 million.

DIVIDEND

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

OPERATING AND FINANCIAL DATA

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

ONGOING PROJECTS

The world's largest Vertical Cement Grinding Mill at D.G. Khan Site started commercial operation in March 2009. After some initial problems the mill is working satisfactorily and will substantially save the energy and maintenance costs.

New project of power generation from waste heat emanate from cement plants at D. G. Khan site is in full swing. The erection work of the state of the art equipment and machinery is in progress. The project is expected to start power generation in the next calendar year.

FUTURE OUTLOOK

The last year is one of the worst years when compared with a few recent years. Almost all large scale manufacturing along with cement sector which had been showing double digit growth during the last couple of years received serious setback during FY 2009.

In order to bring the economy of the country back on track, Government of Pakistan, despite all fiscal pressures, has set a historic development plan for FY 2010. The Government announced a projected outlay of Rs 646 billion which is over 54% higher than the revised target of FY 2009. Although the announced PSDP seems ambitious but interesting thing is that most part of this outlay is infrastructural centric, that includes construction of 8 small dams in each of the provinces which bodes well for long term cement demand in the country. Going forward, reduction of Federal Excise Duty by Rs 200 per metric ton in the budget FY 2010 would stimulate cement demand in the country.

Export of cement is rapidly increasing. The cement industry of Pakistan with idle production capacities are trying to find new global markets. Slow handling of cement export at various ports is, a serious impediment. In this respect, cement industry has proposed to the Government that bulk handling facilities at different ports of the country should be constructed so as to facilitate fast and economic handling of cement, clinker and coal.

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Indian Punjab is facing acute shortage of cement and has a potential market for Pakistani cement. Due to limited availability of train carriage, sizable amount of exports could not be possible to Indian Punjab. Govt. should allow export of cement through land route to India which will not only increase cement sector profitability but also earn a sizable amount of foreign exchange for the country.

RELATED PARTIES

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

CORPORATE & FINANCIAL REPORTING FRAME WORK

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

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

Proper books of account of the Company have been maintained.

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

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

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

There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Value of investments of Provident Fund as on June 30, 2009 is Rs 320.989 million.

Board Meetings:

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

S. No.	Name of Director	Attendance
1.	Mrs. Naz Mansha / Chairperson	7
2.	Mian Raza Mansha / Chief Executive	7
3.	Mian Hassan Mansha	0*
4.	Mr. Manzar Mushtaq	2**
5.	Mr. Khalid Qadeer Qureshi	8
6.	Mr. Zaka ud din	8
7.	Mr. Muhammad Azam	7
8.	Ms. Nabihah Shahnawaz Cheema	3***
9.	Mr. Inayat Ullah Niazi / Chief Financial Officer	8

* Mian Hassan Mansha was appointed as Director on December 19, 2008 in place of Mr. Manzar Mushtaq. Mian Hassan Mansha subsequently resigned on January 15, 2009.

** Mr. Manzar Mushtaq resigned on December 19, 2008.

*** Ms. Nabihah Shahnawaz Cheema appointed as Director on January 15, 2009 in place of Mian Hassan Mansha.

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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, 2009 is annexed.

AUDITOR COMMITTEE

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

AUDITORS

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

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board



MIAN RAZA MANSHA
Chief Executive

Lahore
September 17, 2009

D.G. Khan Cement Company Limited

OPERATING AND FINANCIAL DATA

	2009	2008	2007	2006	2005	2004
PRODUCTION & SALES						
	(M.Tons)					
Clinker	3,946,101	4,142,764	2,433,428	2,193,687	1,590,808	1,478,071
Cement	3,877,296	4,227,767	2,542,602	2,125,585	1,812,333	1,482,362
Cement sales:	3,854,949	4,233,953	2,502,306	2,134,355	1,812,546	1,487,976
Local	2,831,115	3,572,078	2,348,829	1,968,114	1,522,341	1,316,632
Export	1,023,834	661,875	153,477	166,241	290,205	171,345
Clinker sale						
Local	-	72,481	25,000	80,000	-	-
Export	177,064	95,202	-	-	-	-
OPERATING RESULTS						
	(Rupees in thousand)					
Net sales	18,038,209	12,445,996	6,419,625	7,955,665	5,279,560	3,882,756
Gross profit	5,679,730	1,915,273	2,031,985	3,962,843	1,948,791	1,385,494
Pre-tax profit / (loss)	776,900	(250,930)	1,720,471	3,448,533	2,121,271	1,120,415
After tax profit / (loss)	525,581	(53,230)	1,622,471	2,418,455	1,682,078	794,493
FINANCIAL POSITION						
Current assets	13,287,591	19,202,591	19,214,954	9,909,895	4,196,769	2,881,143
Current liabilities	15,834,799	12,054,718	7,390,229	6,015,436	3,055,858	2,376,989
Property, plant & equipment	24,345,793	22,977,894	22,117,551	7,521,723	6,637,237	6,128,083
Total assets	42,723,041	51,992,934	51,744,331	34,304,376	18,016,505	11,714,619
Long term liabilities	4,528,224	8,538,959	8,806,917	7,461,740	5,105,649	2,882,575
Shareholder's equity	20,918,442	30,080,257	33,923,185	19,268,200	9,317,998	6,317,055
RATIOS						
Current ratio	0.84:1	1.59:1	2.6 : 1	1.64 : 1	1.37 : 1	1.10 : 1
Gross profit to sales (%)	31.49	15.39	31.65	49.81	36.91	35.68
Net profit to sales (%)	2.91	(0.43)	25.27	30.40	31.86	20.46
Earnings per share						
Basic (Rs.)	1.96	(0.21)	6.43	10.37	9.12	4.31
Diluted (Rs.)	1.96	(0.21)	6.43	9.14	7.82	3.78

D.G. Khan Cement Company Limited

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2009 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
1619	1		100 Shares	88911
2574	101		500 Shares	886742
1868	501		1000 Shares	1642061
2463	1001		5000 Shares	6179582
520	5001		10000 Shares	3985787
172	10001		15000 Shares	2191627
110	15001		20000 Shares	2007878
65	20001		25000 Shares	1536176
53	25001		30000 Shares	1514469
27	30001		35000 Shares	879525
30	35001		40000 Shares	1131208
16	40001		45000 Shares	688150
30	45001		50000 Shares	1456557
14	50001		55000 Shares	726502
16	55001		60000 Shares	950236
7	60001		65000 Shares	443513
5	65001		70000 Shares	332943
16	70001		75000 Shares	1184100
4	75001		80000 Shares	312984
6	80001		85000 Shares	494689
7	85001		90000 Shares	623200
6	90001		95000 Shares	560980
19	95001		100000 Shares	1892600
6	100001		105000 Shares	611328
3	105001		110000 Shares	324896
5	110001		115000 Shares	564200
8	115001		120000 Shares	950127
3	120001		125000 Shares	367300
8	125001		130000 Shares	1030839
3	130001		135000 Shares	399009
2	135001		140000 Shares	277516
5	140001		145000 Shares	717266
7	145001		150000 Shares	1041273
2	150001		155000 Shares	305720
4	155001		160000 Shares	631284
2	160001		165000 Shares	332584
1	175001		180000 Shares	175257
2	180001		185000 Shares	364474
3	185001		190000 Shares	564654
3	190001		195000 Shares	579500
6	195001		200000 Shares	1200000
1	205001		210000 Shares	205800
1	210001		215000 Shares	214000
2	215001		220000 Shares	437000
1	220001		225000 Shares	225000
1	225001		230000 Shares	227427
3	230001		235000 Shares	703033

Continued →

D.G. Khan Cement Company Limited

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
2	235001		240000 Shares	478840
1	240001		245000 Shares	244782
1	250001		255000 Shares	251700
1	270001		275000 Shares	275000
2	275001		280000 Shares	556500
1	290001		295000 Shares	290064
7	295001		300000 Shares	2100000
2	315001		320000 Shares	640000
1	320001		325000 Shares	324500
1	330001		335000 Shares	666640
1	335001		340000 Shares	673900
1	345001		350000 Shares	350000
1	350001		355000 Shares	353800
1	365001		370000 Shares	366000
1	375001		380000 Shares	378434
1	380001		385000 Shares	768400
1	390001		395000 Shares	395000
1	410001		415000 Shares	410600
2	415001		420000 Shares	418200
1	420001		425000 Shares	420788
1	450001		455000 Shares	452100
1	455001		460000 Shares	456600
1	460001		465000 Shares	465000
1	495001		500000 Shares	496200
1	500001		505000 Shares	501000
1	515001		520000 Shares	519300
1	560001		565000 Shares	563078
1	590001		595000 Shares	591960
2	595001		600000 Shares	1200000
1	600001		605000 Shares	600540
1	605001		610000 Shares	607000
1	610001		615000 Shares	610200
2	620001		625000 Shares	1249880
1	655001		660000 Shares	660000
1	665001		670000 Shares	668400
1	680001		685000 Shares	681840
1	725001		730000 Shares	727680
2	835001		840000 Shares	1679000
1	860001		865000 Shares	862200
1	895001		900000 Shares	898440
1	930001		935000 Shares	933840
1	940001		945000 Shares	943100
1	955001		960000 Shares	960000
1	1005001		1010000 Shares	1010000
1	1065001		1070000 Shares	1066800
1	1075001		1080000 Shares	1080000
1	1115001		1120000 Shares	1119570

Continued →

D.G. Khan Cement Company Limited

NO. OF SHAREHOLDERS	FROM	SHARE HOLDING (NO. OF SHARES)	TO	TOTAL SHARES HELD
2	1170001	1175000 Shares		2348287
1	1180001	1185000 Shares		1181300
1	1275001	1280000 Shares		1277743
1	1315001	1320000 Shares		1319900
1	1365001	1370000 Shares		1366800
1	1385001	1390000 Shares		1390000
1	1530001	1535000 Shares		1530857
2	1545001	1550000 Shares		3098485
1	1555001	1560000 Shares		1560000
1	1615001	1620000 Shares		1620000
1	1995001	2000000 Shares		2000000
1	2025001	2030000 Shares		2026000
1	2095001	2100000 Shares		2100000
1	2395000	2400000 Shares		2400000
1	2860001	2865000 Shares		2862160
1	3200001	3205000 Shares		3202240
1	3215001	3220000 Shares		3217800
1	3225001	3230000 Shares		3226170
1	3405001	3410000 Shares		3409201
1	3495001	3500000 Shares		3500000
1	3600001	3605000 Shares		3602369
1	4720001	4725000 Shares		4722454
1	5195001	5200000 Shares		5200000
1	5595001	5600000 Shares		5597852
1	6415001	6420000 Shares		6417423
1	7595001	7600000 Shares		7597500
1	7740001	7745000 Shares		7743000
1	13965001	13970000 Shares		13965300
1	15090001	15095000 Shares		15090276
1	15920001	15925000 Shares		15922940
1	18010001	18015000 Shares		18011848
1	79610001	79615000 Shares		79614700
9823	TOTAL			304249388

CLASSIFICATION OF ORDINARY SHARES BY CATEGORIES AS AT JUNE 30, 2009

CATEGORIES OF MEMBERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	9,450	114,446,756	37.62
Investment Companies	29	10,209,621	3.36
Insurance Companies	19	8,681,346	2.85
Joint Stock Companies	206	134,836,295	44.32
Financial Institutions	20	9,912,827	3.26
Modaraba Companies	21	3,338,100	1.10
Foreign Investors	15	5,506,251	1.81
Others	63	17,318,192	5.69
TOTAL :	9,823	304,249,388	100.00

D.G. Khan Cement Company Limited

INFORMATION UNDER CLAUSE XIX (i) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2009

SHARES HELD PERCENTAGE

(A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES :-

1. NISHAT MILLS LTD.	95,537,640	31.40
2. ADAMJEE INSURANCE COMPANY LIMITED	1,173,287	0.39

(B) NIT AND ICP:-

1. INVESTMENT CORPORATION OF PAKISTAN	1,400	0.00
2. NATIONAL BANK OF PAKISTAN-TRUSTEE WING (NATIONAL INVESTMENT (UNIT) TRUST)	10,184,217	3.35

(C) DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN:-

1. MRS. NAZ MANSHA	DIRECTOR/ CHAIRPERSON	78,541	0.03
2. MIAN RAZA MANSHA	DIRECTOR/ CHIEF EXECUTIVE	6,717,422	2.21
3. MR. I.U. NIAZI	DIRECTOR/CFO	1,928	0.00
4. MS. NABIHA SHAHNAWAZ CHEEMA	DIRECTOR	3,000	0.00
5. MRS. AMMIL RAZA MANSHA (SPOUSE OF CHIEF EXECUTIVE)		4,091,041	1.34

(D) EXECUTIVES:-

NIL

(E) PUBLIC SECTOR COMPANIES & CORPORATIONS:-

1. Joint Stock Companies	134,836,295	44.32
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(F) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS
INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS:-

1. Investment Companies	10,209,621	3.36
2. Insurance Companies	8,681,346	2.85
3. Financial Institutions	9,912,827	3.26
4. Modaraba Companies	3,338,100	1.10

(G) SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY:-

1. NISHAT MILLS LTD.	95,537,640	31.40
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INFORMATION UNDER CLAUSE XIX (J) OF THE CODE OF CORPORATE GOVERNANCE

The trading in the Company's Shares during the period July 1, 2008 to June 30, 2009 by the related parties is as under:-

		Sale	Purchase
		(No. of Shares)	
MR.I.U. NIAZI	(DIRECTOR/CFO)	11,000	-

D.G. Khan Cement Company Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, 35 & 37 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred in the Board which were filled simultaneously.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course has been arranged at group level.
10. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment have been duly approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The audit committee is continued and it comprises 3 members, of whom all are non-executive directors including the chairman of the committee.

D.G. Khan Cement Company Limited

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges. All transactions with related parties were made on an arm's length basis.
21. We confirm that all other material principles contained in the Code have been substantially complied with.



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

Lahore
September 17, 2009

D.G. Khan Cement Company Limited

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 systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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

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

Lahore
September 17, 2009

KPMG Taseer Hadi & Co.
KPMG TH KPMG Taseer Hadi & Co
Chartered Accountants

D.G. Khan Cement Company Limited

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 2009 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 2009 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 17, 2009

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co
Chartered Accountants

D.G. Khan Cement Company Limited

BALANCE SHEET

	Note	2009 (Rupees in thousand)	2008
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2008: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2008: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid up capital	5	3,042,494	2,535,412
Reserves	6	17,401,220	27,595,698
Accumulated profit / (loss)		474,728	(50,853)
		<u>20,918,442</u>	<u>30,080,257</u>
NON-CURRENT LIABILITIES			
Long term finances	7	4,375,837	8,411,051
Liabilities against assets subject to finance lease	8	-	-
Long term deposits	9	73,765	73,890
Retirement and other benefits	10	78,622	54,018
Deferred taxation	11	1,441,576	1,319,000
		<u>5,969,800</u>	<u>9,857,959</u>
CURRENT LIABILITIES			
Trade and other payables	12	1,435,420	1,370,336
Accrued markup	13	531,772	364,664
Short term borrowing - secured	14	9,068,575	7,597,020
Current portion of non - current liabilities	15	4,763,942	2,687,608
Provision for taxation		35,090	35,090
		<u>15,834,799</u>	<u>12,054,718</u>
CONTINGENCIES AND COMMITMENTS	16		
		<u>42,723,041</u>	<u>51,992,934</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.



Chief Executive

D.G. Khan Cement Company Limited

AS AT JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	24,345,793	22,977,894
Assets subject to finance lease	18	-	5,135
Capital work in progress	19	1,750,208	2,488,307
Investments	20	3,172,508	6,795,961
Long term loans, advances and deposits	21	166,940	523,046
		29,435,449	32,790,343
 CURRENT ASSETS			
Stores, spares and loose tools	22	2,935,880	2,299,250
Stock-in-trade	23	899,836	445,856
Trade debts	24	513,966	366,173
Investments	25	7,785,968	15,082,582
Advances, deposits, prepayments and other receivables	26	908,100	782,358
Cash and bank balances	27	243,842	226,372
		13,287,592	19,202,591
		42,723,041	51,992,934

The details of valuation of investments, impairment and impact on profit and loss account are given in note 20.5.



Director

D.G. Khan Cement Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
Sales - net	28	18,038,209	12,445,996
Cost of sales	29	(12,358,479)	(10,530,723)
Gross profit		5,679,730	1,915,273
Administrative expenses	30	(141,852)	(111,658)
Selling and distribution expenses	31	(1,871,517)	(561,465)
Other operating expenses	32	(795,854)	(581,913)
Other operating income	33	770,137	847,344
Impairment on investment		(257,386)	-
Profit from operations		3,383,258	1,507,581
Finance cost	34	(2,606,358)	(1,749,837)
Share of loss of associated company		-	(8,674)
Profit / (loss) before tax		776,900	(250,930)
Taxation	35	(251,319)	197,700
Profit / (loss) for the year		525,581	(53,230)
Earnings / (loss) per share - basic and diluted	42	1.96	(0.21)

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

The annexed notes from 1 to 44 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 20.5.



Chief Executive



Director

D.G. Khan Cement Company Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
Cash flows from operating activities			
Cash generated from operations	36	3,829,987	1,263,660
Finance cost paid		(2,439,250)	(1,727,177)
Retirement and other benefits paid		(6,934)	(5,054)
Taxes paid		(235,684)	(135,780)
Net decrease in long term deposits		(125)	(5,577)
		1,147,994	(609,928)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,995,630)	(2,698,370)
Purchase of investments		(38,878)	(188,339)
Net decrease / (increase) in long term loans, advances and deposits		356,106	(325,502)
Sales proceeds of property, plant and equipment		4,076	26,655
Dividend received		707,242	820,435
Interest received		42,205	8,333
		(924,879)	(2,356,788)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,014,164	-
Proceeds from long term finances		300,000	3,000,000
Repayment of long term finances		(2,989,690)	(3,178,083)
Repayment of liabilities against assets subject to finance lease		(1,141)	(19,957)
Dividend paid		(533)	(379,093)
		(1,677,200)	(577,133)
Net decrease in cash and cash equivalents		(1,454,085)	(3,543,849)
Cash and cash equivalents at the beginning of year		(7,370,648)	(3,826,799)
Cash and cash equivalents at the end of year	37	(8,824,733)	(7,370,648)

The annexed notes from 1 to 44 form an integral part of these financial statements.



Chief Executive



Director

D.G. Khan Cement Company Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	CAPITAL RESERVE				REVENUE RESERVE		Total
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit / (loss)	
	-----R u p e e s i n t h o u s a n d -----						
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
Final dividend for the year ended 30 June 2007 - Rs 1.5 per share	-	-	-	-	-	(380,312)	(380,312)
Transfer from profit and loss account	-	-	-	-	1,375,000	(1,375,000)	-
Fair value loss during the year	-	-	(3,409,386)	-	-	-	(3,409,386)
Loss for the year	-	-	-	-	-	(53,230)	(53,230)
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,071,827	(50,853)	30,080,257
Right Issue	507,082	507,082	-	-	-	-	1,014,164
Fair value loss during the year	-	-	(10,701,560)	-	-	-	(10,701,560)
Profit for the year	-	-	-	-	-	525,581	525,581
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,071,827	474,728	20,918,442

The annexed notes from 1 to 44 form an integral part of these financial statements.



Chief Executive



Director

D.G. Khan Cement Company Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1 Legal status and nature of business

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

2 Basis of preparation

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

2.2 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

IFRS 7 - "Financial Instrument : Disclosures", requires extensive disclosures about the significance of the financial instruments for the financial position and performance of the Company along with the nature and extent of risk arising from such financial instruments to which the Company is exposed during the year and at the end of the reporting period, and how the Company manages those risks. Adoption of this standard has resulted in additional disclosures given in note 41 to the financial statements.

Relevant but not yet effective

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2009 revises the existing IAS 1 and requires, apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Company's financial statements other than certain increased disclosures only.

Not Relevant and not yet effective

The following standards, amendments and interpretations to approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures only:

- Revised IAS 23 - Borrowing costs
- IFRS 2 (amendment) - Share based payments
- IFRS 3 (amendment) - Business Combinations
- IFRS 8 - Operating Segments
- IAS 27 - Consolidated and separate financial statements
- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1 Presentation of Financial Statements
- IFRIC 15 - Agreements for the Construction of Real Estate

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- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

In addition to above, International Accounting Standards Board made certain amendments to existing standards and interpretations as part of its first and second annual improvements projects. These amendments are unlikely to have 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	4.15
- Interest rate and cross currency swaps	note	4.16

4 Significant accounting policies

4.1 Taxation

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

Current

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

Deferred

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

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

4.2 Retirement and other benefits

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

Defined benefit plan

The Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at 30 June 2009 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 2009 as adjusted for unrecognised actuarial gains and losses.

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

Defined contribution plan

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

Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss. The most recent valuation was carried out as at 30 June 2009 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 and loss 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 4.16 and borrowing costs as referred to in note 4.18.

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

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

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

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

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

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

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

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

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mentioned in note 18. Depreciation of leased assets is charged to profit and loss.

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

Investment in equity investments of subsidiary company

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

Investments in equity instruments of associated companies

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

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

Available for sale

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

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

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

At subsequent reporting dates, the company reviews the carrying amounts of the investments to assess whether

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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.

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 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.

4.11 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.

4.12 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.

4.13 Borrowings

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

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s finance cost. Finance costs are accounted for on an accrual basis.

4.14 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.

4.15 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.

4.16 Derivative financial instruments and hedging activities

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

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

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

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

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

4.17 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.

4.18 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related

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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.

4.19 Revenue recognition

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

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

4.20 Dividend

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

4.21 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

2009 (Number of shares)	2008		2009 (Rupees in thousand)	2008
209,642,299	158,934,068	Ordinary shares of Rs 10 each fully paid in cash	2,096,423	1,589,341
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares	746,071	746,071
<u>304,249,388</u>	<u>253,541,157</u>		<u>3,042,494</u>	<u>2,535,412</u>

95,537,640 (2008: 79,614,700) ordinary shares of the Company are held by Nishat Mills Limited, an associated concern as at 30 June 2009. In addition 1,173,287 (2008: 1,173,287) ordinary shares are held by the Adamjee Insurance Company Limited a related party as at 30 June 2009.

6 Reserves

	Note	2009 (Rupees in thousand)	2008
Movement in and composition of reserves is as follows:			
Capital			
Share premium	6.1		
At the beginning of the year		2,711,384	2,711,384
Addition during the year		507,082	-
		3,218,466	2,711,384

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	Note	2009 (Rupees in thousand)	2008
Fair value reserve	6.2		
At the beginning of the year		19,458,977	22,868,363
Fair value adjustment during the year		(10,701,560)	(3,409,386)
		8,757,417	19,458,977
Capital redemption reserve fund	6.3	353,510	353,510
		12,329,393	22,523,871

Revenue

General reserve			
At the beginning of the year		5,071,827	3,696,827
Transfer from profit and loss account		-	1,375,000
		5,071,827	5,071,827
		17,401,220	27,595,698

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

	Note	2009 (Rupees in thousand)	2008
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7 Long term finances

These are composed of:

Long term loans	7.1 & 7.2	7,135,311	9,094,112
Loan under musharika arrangement	7.3	2,000,000	2,000,000
		9,135,311	11,094,112
Less: Current portion shown under current liabilities	15	4,759,474	2,683,061
		4,375,837	8,411,051

D.G. Khan Cement Company Limited

7.1 Long term loans

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

Loan	Lender	2009 (Rupees in thousand)	2008	Rate of interest per annum	Outstanding installments	Interest payable
Long term loan from banking company-secured						
1	Habib Bank Limited	228,571	457,143	* Base rate + 0.625%	2 equal semi-annual installments ending 31 March 2010	Quarterly
2	Habib Bank Limited	57,143	114,286	* Base rate + 3%	2 equal semi-annual installments ending 20 June 2010	Quarterly
3	National Bank of Pakistan	85,721	171,428	* Base rate + 0.65%	2 equal semi-annual installments ending 30 June 2010	Semi annual
4	Bank of Punjab	-	80,000	* Base rate + 0.5%	The loan has been fully repaid during the year	
5	Standard Chartered Bank	20,000	60,000	* Base rate + 0.6%	Last installment payable on 19 August 2009	Payable on 19 August 2009
6	Standard Chartered Bank	60,000	100,000	* Base rate + 0.6%	3 semi-annual installments ending 19 August 2010	Semi annual
7	Allied Bank Limited	520,000	780,000	* Base rate + 0.65%	4 equal semi-annual installments ending 30 June 2011	Semi annual
8	Habib Bank Limited	454,545	636,364	* Base rate + 0.625%	5 equal semi-annual installments ending 29 September 2011	Quarterly
9	National Bank of Pakistan	500,000	700,000	* Base rate + 0.65%	5 equal semi-annual installments ending 16 November 2011	Semi annual
10	Habib Bank Limited	500,000	700,000	* Base rate + 0.625%	5 equal semi-annual installments ending on 30 December 2011	Quarterly
11	United Bank Limited	700,000	900,000	* Base rate + 0.65%	7 equal semi-annual installments ending 30 September 2012	Semi annual
12	Bank Alfalah	576,364	634,000	* Base rate + 0.65%	10 equal semi-annual installments ending March 2014	Quarterly
13	United Bank Limited	500,000	1,000,000	* Base rate + 0.60%	1 installment payable on 27 August 2009	Semi annual
14	Habib Bank Limited	300,000	-	* Base rate + 2.5%	10 equal semi annual installments commencing on 13 Oct 2010	Semi annual
Foreign currency-unsecured						
15	European Investment Bank US\$ 32.386 million (2008 : US\$ 40.482 million)	2,632,967	2,760,891	** Base rate + 0.063%	8 equal semi-annual installments ending on 29 March 2013	Quarterly
		<u>7,135,311</u>	<u>9,094,112</u>			

* 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.

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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 14,524 million (2008: Rs 15,353 million).

- 7.3 This finance facility is arranged under syndicated arrangement, led by Meezan Bank Limited. The aggregate sanction limit is Rs. 2,000 million (2008: Rs 2,000 million) and carries four unequal semi annual rentals. Principle amount is payable on 08 May 2010. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs 2,666 million (2008: Rs 2,666 million).

	Note	2009 (Rupees in thousand)	2008
8 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		-	1,141
Less: Current portion shown under current liabilities	15	-	1,141
		<u>-</u>	<u>-</u>
9 Long term deposits			
Customers		29,462	28,252
Others		44,303	45,638
		<u>73,765</u>	<u>73,890</u>

- 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	2009 (Rupees in thousand)	2008
10 Retirement and other benefits			
Staff gratuity	10.1	40,537	26,362
Leave encashment	10.2	38,085	27,656
		<u>78,622</u>	<u>54,018</u>
10.1 Staff gratuity-net			

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation	10.1.2	56,040	33,122
Fair value of plan assets	10.1.3	(274)	(1)
Benefits payable		115	-
Unrecognised actuarial losses	10.1.6	(15,344)	(6,759)
Liability as at 30 June		<u>40,537</u>	<u>26,362</u>

10.1.1 Change in present value of net staff gratuity

Liability as at 01 July		26,362	17,147
Charge for the year including capitalized during the year		15,328	11,297
Contributions plus benefit payments made directly by the Company during the year		(1,153)	(2,266)
Reversal of excess payments made during the year		-	184
Liability as at 30 June		<u>40,537</u>	<u>26,362</u>

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2009 2008
(Rupees in thousand)

10.1.2 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July	33,122	22,741
Current service cost	11,088	8,775
Interest cost	3,975	2,274
Benefits due but not paid	(115)	-
Reversal of excess payments made last year	-	184
Benefits paid during the year	(880)	(2,266)
Actuarial loss on present value of defined benefit obligation	8,850	1,414
Present value of defined benefit obligation as at 30 June	56,040	33,122

10.1.3 Movement in fair value of plan assets

Fair value of plan assets as at 01 July	1	36
Expected return on plan assets	-	4
Contributions during the year	1,153	2,266
Benefits paid during the year	(880)	(2,266)
Actuarial (loss) on plan assets	-	(39)
Fair value of plan assets as at 30 June	274	1

10.1.4 Actual return on plan assets

Expected return on plan assets	-	4
Actuarial (loss) on plan assets	-	(39)
	-	(35)

10.1.5 Plan assets consist of the following:

Cash and other deposits	274	1
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10.1.6 Movement in un-recognised actuarial losses

Un recognised actuarial losses as at 01 July	(6,759)	(5,558)
Actuarial losses arising during the year	(8,850)	(1,453)
Actuarial losses charged to profit during the year	265	252
Un recognised actuarial losses as at 30 June	(15,344)	(6,759)

10.1.7 Charge for the year including capitalized during the year

Current service cost	11,088	8,775
Interest cost	3,975	2,274
Expected return on plan Assets	-	(4)
Actuarial losses charged to profit during the year	265	252
	15,328	11,297

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	2009	2008	2007	2006	2005
	Rupees in thousand				
10.1.8 Historical Information					
Present value of defined benefit obligation	56,040	33,122	22,741	11,685	40,390
Present value of plan assets	(274)	(1)	(36)	N/A	N/A
Deficit in the plan	55,766	33,121	22,705	11,685	40,390
Experience adjustment arising on plan liabilities	8,850	1,414	2,859	(495)	3,531
Experience adjustment arising on plan assets	-	(39)	(2)	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:

	2009	2008
Discount rate	12 % per annum	12 % per annum
Expected rate of increase in salary	11 % per annum	11 % per annum
Expected rate of return on plan assets	12 % per annum	12 % per annum
Average expected remaining working life time of employee	12 years	12 years

10.1.10 The Company expects to pay Rs. 23.086 million in contributions to defined benefit plan in 2010.

	Note	2009 (Rupees in thousand)	2008
10.2 Leave encashment			
Opening balance		27,656	22,715
Expenses recognized		17,272	11,135
Payments made		(2,375)	(2,788)
		42,553	31,062
Payable within one year	15	(4,468)	(3,406)
Closing balance		38,085	27,656

10.2.1 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July	27,656	22,715
Current service cost	7,984	5,853
Interest cost	3,319	2,272
Benefits paid during the period	(2,375)	(2,788)
Actuarial loss on present value of defined benefit obligation	5,969	3,010
Payable within one year	(4,468)	(3,406)
Present value of defined benefit obligation as at 30 June	38,085	27,656

10.2.2 Charge for the year including capitalized during the year

Current service cost	7,984	5,853
Interest cost	3,319	2,272
Actuarial loss on present value of defined benefit obligation	5,969	3,010
	17,272	11,135

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2009	2008	2007	2006	2005
Rupees in thousand				

10.2.3 Historical Information

Present value of defined benefit obligation	42,553	31,062	25,839	17,711	8,691
Experience adjustment arising on plan liabilities	5,969	3,010	2,168	8,149	1,174

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

	2009	2008
Discount rate	12 % per annum	12 % per annum
Expected rate of increase in salary	11 % per annum	11 % per annum
Average expected remaining working life time of employee	12 years	12 years
Expected withdrawal and early retirement rate	Based on experience	

	2 0 0 9		2 0 0 8	
	Officers (days)	Workers (days)	Officers (days)	Workers (days)
Average number of leaves				
- Utilized per annum	14.00	19.00	13.00	18.00
- Encashed per annum	6.00	6.00	6.00	10.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	2.00	0.50	3.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	1.00	0.25	2.00

11 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2009	2008
	(Rupees in thousand)	
Deferred tax liability		
Accelerated tax depreciation	4,365,652	4,672,944
Deferred tax assets		
Provision for retirement and other benefits	(6,946)	(2,629)
Unabsorbed tax credits	(2,917,130)	(3,351,315)
	1,441,576	1,319,000

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	Note	2009 (Rupees in thousand)	2008
12 Trade and other payables			
Trade creditors		264,089	288,093
Customers' balances		446,579	354,380
Accrued liabilities		258,265	226,773
Derivative financial instruments		-	145,262
Workers' profit participation fund	12.1	41,724	-
Workers welfare fund payable		50,967	35,112
Sales tax payable		81,468	-
Custom duties payable		-	1,131
Federal excise duty payable		227,319	190,299
Special excise duty payable		2,036	8,007
Withholding tax payable		5,414	8,417
Retention money		16,884	67,254
Unclaimed dividend		4,894	5,427
Advances against sale of scrap		1,504	2,488
Redeemable preference shares (non-voting) - unsecured		127	127
Other payables		34,150	37,566
		1,435,420	1,370,336

12.1 Workers' profit participation fund

Balance as at 01 July		-	93,145
Provision for the year	32	41,724	-
Interest for the year	34	-	522
		41,724	93,667
Less: Payments during the year		-	93,667
Balance as at 30 June		41,724	-

13 Accrued markup

Long term loans		313,097	273,080
Short term borrowing - secured		218,591	91,495
Preferred dividend on redeemable preference shares		84	89
		531,772	364,664

14 Short term borrowing - secured

Short term running finances	14.1	5,137,780	5,159,645
Import finances	14.2	1,822,397	2,237,375
Export refinance	14.3	2,108,398	200,000
		9,068,575	7,597,020

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 9,695 million (2008: Rs 6,470 million). The rates of mark up range from 13.17% to 17.17% (2008: 9.83% to 15.00%) or part thereof on the balance outstanding. The aggregate short term running finances of Rs 9,695

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million (2008: Rs 6,470 million) are secured by a first registered charge on all present and future current assets of the company wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.0 million (2008: 10.2 million) shares of MCB Bank Limited and 18.0 million (2008: Nil) shares of Nishat Mills Limited.

14.2 Import finances- secured

The Company has obtained import finance facilities aggregating to Rs 2,537 million (2008: Rs 2,903 million) from commercial banks. The rates of mark-up range from 3.11% to 17.17% (2008: 3.89% to 6.46%). 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 5,277.42 million (2008: Rs 5,766.17 million) for opening letters of credit and Rs 1,551.4 million (2008: Rs 1,401.40 million) for guarantees, the amount utilized as at 30 June 2009 was Rs 986.966 million (2008: Rs 1,133.30 million) and Rs 927.1 million (2008: Rs 828.74 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Company. Of the facility for guarantees, Rs 14.48 million (2008: Rs 14.48 million) is secured by a lien over bank deposits as referred to in note 27.2.

14.3 This represents ERF loans obtained from various commercial banks, which carry mark-up at 7.5% per annum (2008: 7.5%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Company.

Note	2009 (Rupees in thousand)	2008
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15 Current portion of non-current liabilities

Long term finances	7	4,759,474	2,683,061
Liabilities against assets subject to finance lease	8	-	1,141
Retirement and other benefits	10	4,468	3,406
		4,763,942	2,687,608

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.

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

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

- (iv) Company's appeal relating to chargeability of minimum tax liability under section 113 of the Income Tax Ordinance, 2001 ("Ordinance") inclusive of presumptive taxes under section 8 and 154 of the Ordinance on 'Dividends' and 'Exports' amounting to Rs. 50.453 million relating to tax years 2003 to 2006, has been decided against the Company by the CIT (A). The order of CIT (A) has been contested in appeal before ITAT awaiting decision of Lahore High Court on identical issue. Management of the Company believes that there is a strong likelihood that such appeal would be decided in the Company's favour owing to the recent judgment of Lahore High Court on the similar issue.

- (v) The Company has issued following guarantees in favour of:

- Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise duty amounting to Rs 20.460 million (2008: Rs 21.830 million)
- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 180.9 million (2008: Rs 113 million)
- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2008: Rs 3 million)
- Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs 3 million (2008: Rs 3 million).
- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs 1 Million (2008: Rs 1 million).
- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 1.835 million (2008: Rs 3.925 million)
- Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D.G. Khan Project amounting to Rs 714.883 million (2008: Rs 707.164 million)

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- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 50,000 (2008: Rs 50,000).
- Bank guarantee in respect of Alternative energy development board (AEDB) amounting to Rs 1.973 million (2008: Nil).

16.2 Commitments

- (i) Contracts for capital expenditure Rs 196.252 million (2008: Rs 113.987 million).
- (ii) Letters of credit for capital expenditure Rs 0.068 million (2008: Rs 857.570 million).
- (iii) Letters of credit other than capital expenditure Rs 986.898 million (2008: Rs 275.746 million).
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2009	2008
	(Rupees in thousand)	
Not later than one year	268	319
Later than one year and not later than five year	917	747
Later than five years	3,866	3,524
	5,051	4,590
	5,051	4,590

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17. Property, plant and equipment

(Rupees in thousand)

Description	Annual rate of depreciation %	Cost as at June 30, 2008	Additions/ (deletions)	Written off during the year	Transfer in/ (out)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge/ (deletions) for the year	Accumulated depreciation written off during the year	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009
Freehold land	-	275,999	64,893	-	-	340,892	-	-	-	-	340,892
Leasehold land	3.33	63,000	-	-	-	63,000	1,050	2,100	-	3,150	59,850
Building on freehold land											
- Factory building	10	4,490,715	231,597	-	(1,143)	4,721,169	1,053,294	354,565	-	1,407,859	3,313,310
- Office building and housing colony	5	577,884	61,134	-	-	639,018	147,614	23,414	-	171,028	467,990
Roads	10	360,537	56,058	-	-	416,595	107,721	28,408	-	136,129	280,466
Plant and machinery	4.76-4.98	21,863,557	2,081,601 (1,742)	-	1,143	23,944,559	4,789,362	733,417 (1,485)	-	5,521,294	18,423,265
Quarry equipment	20	1,323,586	174,380	-	-	1,497,966	453,800	157,400	-	611,200	886,766
Furniture, fixture and office equipment	10	247,887	23,285 (1,420)	-	-	269,752	66,704	19,136 (691)	-	85,149	184,603
Vehicles	20	145,450	4,886 (1,948)	-	5,046	153,434	53,578	16,837 (923)	-	69,492	83,942
Aircraft	30	38,185	-	-	-	38,185	33,126	1,519	-	34,645	3,540
Power and water supply lines	10	380,032	35,895	-	-	415,927	82,689	32,069	-	114,758	301,169
2009		29,766,832	2,733,729 (5,110)	-	5,046	32,500,497	6,788,938	1,368,865 (3,099)	-	8,154,704	24,345,793

Freehold land and building include book values of Rs 12 million (2008: Rs 12 million) and Rs 9.177 million (2008: Rs 9.177 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defence Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Company.

Description	Annual rate of depreciation %	Cost as at June 30, 2007	Additions/ (deletions)	Written off during the year	Transfer in/ (out)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation written off during the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Freehold land	-	206,738	69,261	-	-	275,999	-	-	-	-	275,999
Leasehold land	3.33	-	63,000	-	-	63,000	-	1,050	-	1,050	61,950
Building on freehold land											
- Factory building	10	4,395,391	107,273	(11,949)	-	4,490,715	686,201	377,569	(10,476)	1,053,294	3,437,421
- Office building and housing colony	5	539,799	38,085	-	-	577,884	126,611	21,003	-	147,614	430,270
Roads	10	355,136	5,401	-	-	360,537	80,098	27,623	-	107,721	252,816
Plant and machinery	4.76-4.98	20,119,099	1,648,600 (20,352)	(5,356)	121,566	21,863,557	4,110,402	684,450 (1,292)	(4,198)	4,789,362	17,074,195
Quarry equipment	20	1,263,942	69,905	(10,261)	-	1,323,586	282,389	181,485	(10,074)	453,800	869,786
Furniture, fixture and office equipment	10	236,217	39,077	(27,407)	-	247,887	69,971	17,755	(21,022)	66,704	181,183
Vehicles	20	128,851	24,456 (9,350)	(1,740)	3,233	145,450	44,614	17,002 (6,423)	(1,615)	53,578	91,872
Aircraft	30	38,185	-	-	-	38,185	30,959	2,167	-	33,126	5,059
Power and water supply lines	10	321,468	61,802	(3,238)	-	380,032	56,030	29,491	(2,832)	82,689	297,343
2008		27,604,826	2,126,860 (29,702)	(59,951)	124,799	29,766,832	5,487,275	1,359,595 (7,715)	(50,217)	6,788,938	22,977,894

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

	Note	2009 (Rupees in thousand)	2008
Cost of sales	29	1,354,851	1,346,428
Administrative expenses	30	12,679	11,844
Selling and distribution expenses	31	1,335	1,323
		1,368,865	1,359,595

17.2 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
(Rupees in thousand)						
Plant and machinery	Jafer Brothers	1,742	1,485	257	800	Negotiation
Office equipment	Allied Engineers	1,420	691	729	1,950	-do-
Vehicles	Outsiders					
	Rashid Maqbool	566	337	229	351	-do-
	Ghulam Haider	811	500	311	481	-do-
	Employees					
	M. Hafeez Tareen	571	86	485	494	-do-
		2009 5,110	3,099	2,011	4,076	
		2008 29,702	7,715	21,987	26,655	

18. Assets subject to finance lease

(Rupees in thousand)

Description	Rate %	Cost as at June 30, 2008	Additions/ (deletions)	Transfer In/(out)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009
Vehicles	20	10,333	(10,333)	-	-	5,198	89 (5,287)	-	-
2009		10,333	(10,333)	-	-	5,198	89 (5,287)	-	-

(Rupees in thousand)

Description	Rate %	Cost as at June 30, 2007	Additions/ (deletions)	Transfer In/(out)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Vehicles	20	16,883	-	(6,550)	10,333	7,490	1,025 (3,317)	5,198	5,135
Plant and machinery	4.76	138,000	-	(138,000)	-	14,017	2,417 (16,434)	-	-
2008		154,883	-	(144,550)	10,333	21,507	3,442 (19,751)	5,198	5,135

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	Note	2009 (Rupees in thousand)	2008
18.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	80	3,331
Administrative expenses	30	9	111
		89	3,442
 19 Capital work in progress			
Civil works		120,157	198,881
Plant and machinery		1,474,504	2,073,276
Advances		10,434	16,563
Others		110,944	61,846
 Expansion project :			
- Civil works		34,166	135,434
- Others		3	2,307
		34,169	137,741
		1,750,208	2,488,307
 20 Investments			
Investment in subsidiary company	20.1	203,629	203,629
Available for sale	20.2	2,968,879	6,592,332
		3,172,508	6,795,961
 20.1 Investment in subsidiary company			
Un-quoted			
Nishat Paper Products Company Limited			
23,268,398 (2008: 23,268,398) fully paid ordinary shares of Rs 10 each			
Equity held: 50% (2008: 50%)			
		203,629	203,629
 20.2 Available for sale			
Related parties	20.2.1	1,406,068	1,552,937
Others	20.2.2	519	1,334
		1,406,587	1,554,271
Revaluation surplus		1,562,292	5,038,061
		2,968,879	6,592,332

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	Note	2009 (Rupees in thousand)	2008
20.2.1 Related parties			
Quoted			
Nishat Mills Limited - associated company			
18,281,733 (2008: 18,281,733) fully paid ordinary shares of Rs 10 each		893,664	893,664
731,921 (2008: Nil) fully paid ordinary shares of Rs 10 each received as a result of merger	20.4	135,709	-
Market value - Rs 719.096 million (2008: Rs 1,571.681 million)		(184,915)	-
Less: Impairment Loss		844,458	893,664
Nishat (Chunian) Limited			
7,609,163 (2008: 6,917,421) fully paid ordinary shares of Rs 10 each		48,872	48,872
Market value - Rs 65.515 million (2008: Rs 166.087 million)			
3,804,582 (2008: Nil) fully paid Preference shares of Rs 10 each		38,046	-
Market value - Rs 38.046 million (2008: Nil)			
MCB Bank Limited			
13,228,929 (2008: 12,026,299) fully paid ordinary shares of Rs 10 each		125,834	125,834
Market value - Rs 2,050.881 million (2008: Rs 3,925.143 million)			
Adamjee Insurance Company Limited - associated company			
3,219,447 (2008: 2,926,770) fully paid ordinary shares of Rs 10 each		348,858	348,858
Market value - Rs 270.401 million (2008: Rs 792.335 million)			
Un-quoted			
Gulf Nishat Apparel Limited - associated company			
Nil (2008: 13,906,500) fully paid ordinary shares of Rs 10 each	20.4	-	135,709
		561,610	659,273
		<u>1,406,068</u>	<u>1,552,937</u>

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

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	Note	2009 (Rupees in thousand)	2008
20.2.2 Others-Quoted			
Maple Leaf Cement Factory Limited			
13,747 (2008: 13,747) fully paid ordinary shares of Rs 10 each		282	282
Market value - Rs 0.058 million (2008: Rs 0.149 million)		(128)	-
Less: Impairment loss		154	282
1,999 (2008: 1,999) fully paid preference shares of Rs 10 each		20	20
Market value - Rs 0.015 million (2008: Rs 0.017 million)		(3)	-
Less: Impairment loss		17	20
First Capital Mutual Fund			
89,000 (2008: 89,000) certificates of Rs 10 each		890	890
Market value - Rs 0.212 million (2008: Rs 0.734 million)		(678)	-
Less: Impairment loss		212	890
Habib Bank Limited			
132 (2008: 110) fully paid ordinary shares of Rs 10 each		24	24
Market value - Rs 0.012 million (2008: Rs 0.023 million)		(6)	-
Less: Impairment loss		18	24
Oil and Gas Development Company Limited			
2,353 (2008: 2,353) fully paid ordinary shares of Rs 10 each		76	76
Market value - Rs 0.185 million (2008: Rs 0.293 million)			
Pakistan Petroleum Limited			
605 (2008: 550) fully paid ordinary shares of Rs 10 each		27	27
Market value - Rs 0.115 million (2008: Rs 0.135 million)			
Kot Addu Power Company Limited			
500 (2008: 500) fully paid ordinary shares of Rs 10 each		15	15
Market value - Rs 0.021 million (2008: Rs 0.024 million)		519	1,334
20.3	Investments with a face value of Rs 280 million (2008: Rs 102 million) are pledged as security against bank facilities. 2,396,924 (2008: 2,179,020) shares of MCB Bank Limited are blocked in CDC account.		
20.4	During the year Gulf Nishat Apparel Limited has been merged into Nishat Mills Limited at a swap ratio of one ordinary share of Nishat Mills Limited for 19 shares of Gulf Nishat Apparel Limited. Consequently 731,921 shares of Nishat Mills Limited have been received during the year against 13,906,500 shares of Gulf Nishat Apparel Limited.		
20.5	The impairment loss recognized in the profit and loss account has been measured in accordance with SRO 150(I)/2009 issued by the Securities and Exchange Commission of Pakistan dated 13 February 2009.		

The recognition of impairment loss based on the market values as at June 30, 2009 would have had the following effect on these financial statements:

D.G. Khan Cement Company Limited

30 June 2009
(Rupees in '000)

Increase in 'Impairment Loss' in Profit and Loss Account	281,136
Effect on tax charge for the year	-
Decrease in profit for the year - after tax	281,136
Decrease in surplus of revaluation of Available for sale securities	281,136
Decrease in Un-appropriated profit	281,136

Decrease in earnings per share -after tax	1.05
-------------------------------------------	------

	Note	2009 (Rupees in thousand)	2008
21 Long term loans, advances and deposits			
Loans to employees - considered good			
- Executives	21.1	17	89
- Others		5,017	5,261
		5,034	5,350
Less: Receivable within one year			
- Executives		17	73
- Others		1,604	1,548
		1,621	1,621
		3,413	3,729
Loan to related party - considered good	21.2	137,645	154,851
Less: Receivable within one year	26	17,206	17,206
		120,439	137,645
Advance against issue of shares - related party	21.3	-	339,816
Security deposits		43,088	41,856
		166,940	523,046

21.1 Executives

Opening balance		89	444
Interest accrued		-	17
		89	461
Less: Repayment during the year		(72)	(372)
		17	89

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate 10% per annum (2008: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 5.034 million (2008: Rs 5.350 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.082 million (2008: Rs 0.413 million).

21.2 This represents un-secured loan of Rs 122.500 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.

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and is receivable annually. This amount is receivable in 10 annual installments commencing 01 January 2007 and 28 March 2008.

- 21.3 Advance given to Nishat Hotels Limited for issuance of shares has been received back during the year due to the suspension of the project.

	2009	2008
	(Rupees in thousand)	
22 Stores, spares and loose tools		
Stores [including in transit Rs 462.422 million (2008: Rs 179.944 million)]	1,669,358	1,898,494
Spares [including in transit Rs 45.189 million (2008: Nil)]	1,251,795	389,236
Loose tools	14,727	11,520
	2,935,880	2,299,250

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

	Note	2009	2008
		(Rupees in thousand)	
23 Stock-in-trade			
Raw materials		121,414	138,409
Packing material [including in transit Rs 14.633 million (2008: Rs Nil)]		141,062	110,786
Work-in-process		387,444	118,292
Finished goods		249,916	78,369
		899,836	445,856
24 Trade debts - considered good			
Secured		417,680	291,570
Related parties	24.1	11,106	3,662
Others		85,180	70,941
		513,966	366,173
24.1 Due from related parties			
Nishat Mills Limited		11,106	-
Nishat (Chunian) Limited		-	769
Nishat Power Limited		-	2,893
		11,106	3,662

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

25 Investments

Available-for-sale			
Related parties	25.1	590,843	661,666
Add: Revaluation surplus		7,195,125	14,420,916
		7,785,968	15,082,582

D.G. Khan Cement Company Limited

	Note	2009 (Rupees in thousand)	2008
25.1 Related parties-Quoted			
Nishat Mills Limited - associated company			
1,875,658 (2008: 1,875,658) fully paid ordinary shares of Rs 10 each		171,794	171,794
Market value -Rs 70.937 million (2008: Rs 161.250 million)		(65,700)	-
Less: Impairment Loss		106,094	171,794
Nishat (Chunian) Limited			
166,318 (2008: 151,199) fully paid ordinary shares of Rs 10 each		11,638	11,638
Market value - Rs 1.432 million (2008: Rs 3.630 million)		(5,955)	-
Less: Impairment Loss		5,683	11,638
83,159 (2008: Nil) fully paid preference shares of Rs 10 each		832	-
Market value - Rs 0.832 million (2008: Rs Nil)		478,234	478,234
MCB Bank Limited		590,843	661,666
50,277,195 (2008: 45,706,541) fully paid ordinary shares of Rs 10 each		478,234	478,234
Market value Rs 7,794.474 million (2008: Rs 14,917.702 million)		590,843	661,666

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

	Note	2009 (Rupees in thousand)	2008
26 Advances, deposits, prepayments and other receivables			
Loans to employees - considered good		1,621	1,621
Advances - considered good			
- to employees	26.1	3,386	2,834
- to trade suppliers	26.2	325,063	413,868
		328,449	416,702
Current portion of long term receivable from related party	21	17,206	17,206
Due from related parties	26.3	9,774	11,492
Mark-up receivable from related party	26.4	1,116	1,255
Derivative financial instruments	26.5 & 26.6	213,072	102,235
Profit receivable on bank deposits		1,282	443
Prepayments		180	180
Letters of credit - margins, deposits, opening charges, etc.		21,807	5,597
Claims recoverable from government			
Income tax		222,159	115,218
Sales tax	26.7	50,699	70,593
Excise duty		17,243	18,374
Export rebate		17,646	19,814
		307,747	223,999
Dividend receivable		-	11
Other receivables		5,846	1,617
		908,100	782,358

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- 26.1 Included in advances to employees are amounts due from executives of Rs 277 thousand (2008: Rs 385 thousand).
- 26.2 This includes amount due from Subsidiary company amounting to Rs 266.973 million (2008: Rs 377.736 million) relating to advance for purchase of paper bags carrying interest at average borrowing rate of the Company.

	Note	2009 (Rupees in thousand)	2008
26.3 Due from related parties			
Nishat Mills Limited	26.3.1	9,602	11,492
Nishat Hotels and Properties Ltd.	26.3.1	172	-
		9,774	11,492

- 26.3.1 These relate to normal business of the Company and are interest free.
- 26.4 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 21.2.
- 26.5 The Company has entered into two interest rate cross currency swap agreements with banks for a notional amount of USD 15 million (2008: USD 15 million), maturing upto 29 September 2013. The outstanding balance of these arrangements is USD 11.138 million (2008: USD 13.712 million) as at the balance sheet date. Under interest rate swap arrangements the Company would pay 3 months KIBOR rates and receive 3 months LIBOR rates as per the respective arrangements on quarterly basis, further under cross currency swap arrangements the Company would pay PKR and receive USD, which would be settled semi annually. As at the balance sheet date, the net fair value of these interest rate cross currency swaps is Rs 206.533 million (2008: Rs 89.76 million).
- 26.6 The Company has entered into an interest rate cross currency swap agreements with a bank for a notional amount of Rs. 750 million (2008: Rs 750 million), maturing upto 23 November 2009. The outstanding balance of these arrangements is Rs. 750 million (2008: Rs 750 million) as at the balance sheet date. Under interest rate swap arrangements the Company would receive 6 months KIBOR rates and pay 6 months LIBOR rates as per the respective arrangements, further under cross currency swaps arrangements the Company would pay USD and receive PKR, which would be settled semi annually. As at the balance sheet date, the net fair value of interest rate cross currency swap is Rs 6.539 million (2008: Rs 13.160 million).
- 26.7 Sales tax recoverable includes an amount of Rs 50.699 million (2008: Rs 47.439 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.

	2009 (Rupees in thousand)	2008
27 Cash and bank balances		
At banks		
Saving accounts		
- Pak rupee	29,785	119,776
- Foreign currency US \$ 22.22 (2008: US \$ 22.22)	2	2
Current accounts	212,060	105,308
	241,847	225,086
Cash in hand	1,995	1,286
	243,842	226,372

D.G. Khan Cement Company Limited

27.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2008: 0.1% to 5% per annum).

27.2 Included in balances at banks on saving accounts are Rs 14.480 million (2008: Rs 14.480 million) which are under lien to secure bank guarantees as referred to in note 14.2.

28 Sales - net	Note	2009 (Rupees in thousand)	2008
Local sales		17,590,823	14,685,075
Export sales	28.1	5,801,994	2,741,111
		<u>23,392,817</u>	<u>17,426,186</u>
Less: Government levies		5,046,757	4,729,441
Commission to stockists and export agents		307,851	250,749
		<u>5,354,608</u>	<u>4,980,190</u>
		<u>18,038,209</u>	<u>12,445,996</u>

28.1 Export sales include rebate on exports amounting to Rs 11.936 million (2008: Rs 16.500 million).

29 Cost of sales		2009 (Rupees in thousand)	2008
Raw and packing materials consumed		1,527,430	1,381,169
Salaries, wages and other benefits	29.1	641,408	478,790
Electricity and gas		1,427,631	1,644,759
Furnace oil/coal		6,603,908	4,595,975
Stores and spares consumed	29.2	879,772	761,950
Repair and maintenance		131,911	98,482
Insurance		45,573	43,082
Depreciation on property, plant and equipment	17.1	1,354,851	1,346,428
Depreciation on assets subject to finance lease	18.1	80	3,331
Royalty		86,514	83,731
Excise duty		30,023	25,962
Vehicle running		18,208	15,484
Postage, telephone and telegram		4,188	5,383
Printing and stationery		8,149	3,471
Legal and professional charges		2,856	1,476
Traveling and conveyance		6,297	8,300
Estate development		10,285	9,639
Rent, rates and taxes		7,731	6,982
Freight charges		5,600	5,746
Other expenses		16,150	14,132
		<u>12,808,565</u>	<u>10,534,272</u>
Opening work-in-process		118,292	142,686
Closing work-in-process		(387,444)	(118,292)
		<u>(269,152)</u>	<u>24,394</u>
Cost of goods manufactured		<u>12,539,413</u>	<u>10,558,666</u>
Opening stock of finished goods		78,369	69,728
Closing stock of finished goods		(249,916)	(78,369)
		<u>(171,547)</u>	<u>(8,641)</u>
Less: Own consumption capitalised		9,387	19,302
		<u>12,358,479</u>	<u>10,530,723</u>

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- 29.1 Salaries, wages and other benefits include Rs 16.323 million (2008: Rs 13.106 million), Rs 11.640 million (2008: Rs 8.661 million) and Rs 13.937 million (2008: Rs 7.783 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. 3.814 million (2008: Rs. 3.465 million) being stores and spares written off.

	Note	2009 (Rupees in thousand)	2008
30 Administrative expenses			
Salaries, wages and other benefits	30.1	73,858	56,893
Electricity, gas and water		3,482	2,985
Repair and maintenance		6,753	1,614
Insurance		1,707	1,675
Depreciation on property, plant and equipment	17.1	12,679	11,844
Depreciation on assets subject to finance lease	18.1	9	111
Vehicle running		4,259	3,539
Postage, telephone and telegram		3,353	3,439
Printing and stationery		3,423	2,206
Legal and professional charges	30.2	8,014	3,463
Traveling and conveyance		5,289	6,765
Rent, rates and taxes		185	170
Entertainment		1,441	1,132
School expenses		9,790	9,004
Fee and subscription		3,818	1,982
Other expenses		3,792	4,836
		141,852	111,658

30.1 Salaries, wages and other benefits

Salaries, wages and other benefits include Rs 2.565 million (2008: Rs 2.099 million), Rs. 2.26 million (2008: Rs. 1.620 million) and Rs 1.843 million (2008: Rs 2.041 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

2009	2008
(Rupees in thousand)	

30.2 Legal and professional charges

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

Statutory audit	1,000	850
Half yearly review	225	225
Certification and sundry services	20	20
Out of pocket expenses	75	75
	1,320	1,170

D.G. Khan Cement Company Limited

	Note	2009 (Rupees in thousand)	2008
31 Selling and distribution expenses			
Salaries, wages and other benefits	31.1	49,946	35,371
Electricity, gas and water		1,064	875
Repair and maintenance		366	299
Insurance		294	299
Depreciation on property, plant and equipment	17.1	1,335	1,323
Vehicle running		2,414	1,933
Postage, telephone and telegram		932	1,234
Printing and stationery		1,614	1,553
Rent, rates and taxes		3,030	3,438
Legal and professional charges		263	-
Traveling and conveyance		3,328	3,720
Entertainment		393	296
Advertisement and sales promotion		1,657	3,395
Freight charges -local		64	12,914
Freight and handling charges -export		1,802,298	492,219
Other expenses		2,519	2,596
		<u>1,871,517</u>	<u>561,465</u>

31.1 Salaries, wages and other benefits include Rs 1.920 million (2008: Rs 1.433 million), Rs 1.203 million (2008: Rs 0.987 million) and Rs 1.391 million (2008: Rs 1.131 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

	Note	2009 (Rupees in thousand)	2008
32 Other operating expenses			
Workers' profit participation fund		41,724	-
Book value of asset written off	17	-	9,734
Donation	32.1	7,387	5,000
Worker welfare fund		15,855	-
Exchange loss		730,888	567,179
		<u>795,854</u>	<u>581,913</u>

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

33 Other operating income

Income from financial assets

Income on bank deposits		2,712	661
Interest on loans to employees		67	128
Gain on sale of right letters		5,039	-
Dividend income from:			
- Related parties	33.1	707,206	820,303
- Others		25	143
		<u>707,231</u>	<u>820,446</u>
		715,049	821,235

D.G. Khan Cement Company Limited

2009 2008
(Rupees in thousand)

Income from non-financial assets

Rental income	1,602	1,588
Profit on disposal of property, plant and equipment	2,065	4,668
Scrap sales	11,170	10,240
Mark-up on loan/advances to related parties	40,126	7,755
Provisions and unclaimed balances written back	125	1,858
	55,088	26,109
	770,137	847,344

33.1 Dividend income from related parties

Nishat Mills Limited	50,394	50,393
Nishat (Chunian) Limited	-	10,603
MCB Bank Limited	649,495	750,527
Adamjee Insurance Company Limited	7,317	8,780
	707,206	820,303
	707,206	820,303

34 Finance cost

Interest and mark-up on:		
- Long term loans	1,210,330	1,030,526
- Short term borrowings	1,066,099	460,730
- Finance lease	10	563
- Workers' profit participation fund	-	522
Loss on derivative financial instruments	261,519	205,308
Guarantee commission	34,381	36,836
Bank charges	34,019	15,352
	2,606,358	1,749,837
	2,606,358	1,749,837

34.1 During the year borrowing cost amounting to Rs 22.948 million (2008: Nil) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

Note 2009 2008
(Rupees in thousand)

35 Provision for taxation

For the year		
- Current	35.1	(128,743)
- Deferred		(122,576)
		(251,319)
		(251,319)
		197,700

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

For purposes of current taxation, the tax credits available for carry forward as at 30 June 2009 are estimated approximately at Rs 8,163 million (2008: Rs 9,576 million).

D.G. Khan Cement Company Limited

35.2 Since the Company has taxable loss for the year, therefore, no numerical tax reconciliation is given.

	Note	2009 (Rupees in thousand)	2008
36 Cash flow from operating activities			
Profit / (loss) before tax		776,900	(250,930)
Adjustment for :			
- Depreciation on property, plant and equipment		1,368,865	1,359,595
- Depreciation on assets subject to finance lease		89	3,442
- Profit on disposal of property, plant and equipment		(2,065)	(4,668)
- Dividend income		(707,231)	(820,446)
- Share of loss of associate		-	8,674
- Impairment loss		257,386	-
- Store and spares directly written off		3,814	3,465
- Markup income		(42,905)	(8,544)
- Retirement and other benefits accrued		32,600	22,616
- Exchange loss - net		730,888	567,179
- Finance cost		2,606,358	1,749,837
		5,024,699	2,630,220
Effect on cash flow due to working capital changes:			
- Increase in stores, spares and loose tools		(640,444)	(806,424)
- Increase in stock-in-trade		(453,980)	(150,716)
- Increase in trade debts		(147,793)	(221,928)
- Increase in advances, deposits, prepayments and other receivables		(18,112)	(529,341)
- Increase in trade and other payables		65,617	341,849
		(1,194,712)	(1,366,560)
Cash generated from operations		3,829,987	1,263,660
37 Cash and cash equivalents			
Short term borrowings - secured	14	(9,068,575)	(7,597,020)
Cash and bank balances	27	243,842	226,372
		(8,824,733)	(7,370,648)
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:

D.G. Khan Cement Company Limited

	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	5,668	4,723	8,964	7,470	101,538	73,737
Contributions to provident and gratuity funds	-	-	896	1,370	8,297	10,822
Housing	270	3,149	594	810	21,755	33,978
Utilities	-	-	-	-	6,508	-
Leave passage	-	-	697	354	2,185	1,965
Medical expenses	385	469	30	72	1,236	1,068
Others	4,238	1,940	1,266	1,432	37,157	12,835
	<u>10,561</u>	<u>10,281</u>	<u>12,447</u>	<u>11,508</u>	<u>178,676</u>	<u>134,405</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>92</u>	<u>69</u>

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 5 directors (2008: 5 directors) was Rs Nil (2008: Rs Nil).

39 Transactions with related parties

The related parties comprise subsidiary company, associated companies, other related companies, directors of the company, key management personnel and post employment benefit plans. The directors of the related companies are close members of the family of the directors of the company. The company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, dividend income is disclosed in note 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:

Relationship with the company	Nature of transaction	2009	2008
		(Rupees in thousand)	
i. Subsidiary Company	Purchase of goods	912,294	978,083
	Rental income	762	748
	Interest income	37,390	4,693
ii. Other related parties	Sale of goods	33,345	25,431
	Insurance premium	58,152	57,090
	Purchase of services	811,471	1,022,511
	Insurance claims received	729	32,213
	Mark-up income on balances with related parties	5,374	3,691

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

D.G. Khan Cement Company Limited

40. Plant capacity and actual production

	Capacity		Actual production	
	2009	2008	2009	2008
Clinker (M. Tons)				
Unit 1	810,000	810,000	913,872	912,303
Unit 2	1,200,000	1,200,000	1,086,267	1,368,798
Unit 3	2,010,000	2,010,000	1,945,962	1,861,663

41 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

41.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 13,147 million (2008: Rs. 23,782 million) financial assets which are subject to credit risk amount to Rs. 12,789 million (2008: Rs. 23,775 million).

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

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

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

D.G. Khan Cement Company Limited

	2009	2008
	(Rupees in thousand)	
Available for sale financial assets		
- Non Current Investments	3,172,509	6,795,961
- Current Investments	7,785,967	15,082,582
Long term loans, advances and deposits	166,940	523,046
Trade debts	513,966	366,173
Advances, deposits, prepayments and other receivables	695,028	680,123
Bank balances	241,847	225,086
Interest rate swaps - assets	213,072	102,235
	12,789,329	23,775,206

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

	2009
	(Rupees in thousand)
Foreign	417,680
Domestic	96,286
	513,966

The aging of trade receivables at the reporting date is:

Past due 1 - 3 Months	490,181
Past due 4 - 6 Months	2,620
Past due 7 - 10 Months	1,967
Past due 11 - 12 Months	1,060
Past due above one year	18,138
	513,966

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

41.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
<i>Non derivative financial liabilities</i>						
Long term finances	1,629,737	3,129,737	4,315,837	60,000	-	9,135,311
Long term deposits	-	-	73,765	-	-	73,765
Trade and other payables	585,327	-	-	-	-	585,327
<i>Derivative financial liabilities</i>						
Interest rate swaps - liability	-	-	-	-	-	-
2008-2009	2,215,064	3,129,737	4,389,602	60,000	-	9,794,403

D.G. Khan Cement Company Limited

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
<i>Non derivative financial liabilities</i>						
Long term finances	1,062,712	1,620,349	8,411,050	-	-	11,094,111
Long term deposits	-	-	73,890	-	-	73,890
Trade and other payables	781,407	-	-	-	-	781,407
<i>Derivative financial liabilities</i>						
Interest rate swaps - liability	145,262	-	-	-	-	145,262
2007-2008	1,989,381	1,620,349	8,484,940	-	-	12,094,670

41.3 Market risk

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

41.3.1 Currency risk

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

	2009	2008
	(Rupees in thousand)	
Foreign debtors	417,680	291,570
Foreign currency bank accounts	2	2
Less: Long Term Loans	(2,632,967)	(2,760,891)
Less: Import Finances	-	(2,237,375)
Less: Payables	(10,904)	(4,705)
Derivative financial instruments - asset	155,519	(1,814,842)
Gross balance sheet exposure	(2,070,670)	(6,526,241)
Outstanding letter of credits	(685,418)	(1,133,316)
Net exposure	<u>(2,756,088)</u>	<u>(7,659,557)</u>

The following significant exchange rates have been applied:

	Reporting date rate	
	2009	2008
USD to PKR - Buy	81.10	68.00
USD to PKR - Sell	81.30	68.20
	Average rate	
	2009	2008
USD to PKR - Buy	78.69	62.57
USD to PKR - Sell	78.89	62.77

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

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	2009	2008
	(Rupees in thousand)	
Effect on profit and loss	33,900	112,310

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

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

41.3.2 Interest rate risk

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

	2009	2008	2009	2008
	Effective rate (in percentage)		Carrying amount (Rupees in thousand)	
Financial liabilities				
<i>Fixed rate instruments:</i>				
Short term borrowings - PKR	7.5	7.5	2,108,398	200,000
<i>Variable rate instruments:</i>				
Long term finances - PKR	12.59 to 16.62	10.66 to 12.16	6,502,344	8,333,221
Long term finances - USD	2.45	4.69	2,632,967	2,760,891
Liabilities against assets subject to finance lease	-	5.24 to 5.3	-	1,141
Short term borrowings - PKR	13.17 to 17.17	9.83 to 15	6,079,898	5,159,645
Short term borrowings - USD	3.11 to 6.89	3.89 to 6.46	880,279	2,237,375

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	100bps	
	Increase	Decrease
	(Rupees in thousand)	
Effect on profit - 30 June 2009	(182,039)	182,039
Effect on profit - 30 June 2008	186,911	(186,911)

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

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41.3.3 Other price risk

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

Sensitivity analysis:

Due to the floor mechanism placed on the market values of securities and economic conditions prevailed during the year, management believes that sensitivity analysis is unrepresentative of the price risks.

41.4 Fair value of financial instruments

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

41.5 Capital management

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

The Company's objectives when managing capital are:

- (i) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

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

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

The debt-to-equity ratios as at 30 June 2009 and at 30 June 2008 were as follows:

	2009	2008
	(Rupees in thousand)	
Total debt	18,735,658	19,056,937
Total equity and debt	39,654,100	49,137,194
Debt-to-equity ratio	47%	39%

The increase in the debt-to-equity ratio in 2009 resulted primarily from additional borrowings made during the year to meet finance the expansion project and meet additional working capital requirements and deficit on revaluation of available for sale securities .

D.G. Khan Cement Company Limited

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

	2009	2008 Restated
42 Earnings / (loss) per share - basic and diluted		
42.1 Earnings / (loss) per share - Basic		
Profit / (loss) for the year	<i>Rupees in thousand</i> 525,581	(53,230)
Weighted average number of ordinary shares	<i>Number</i> 268,184,027	248,470,334
Earnings / (loss) per share - basic	<i>Rupees</i> 1.96	(0.21)

42.2 Earnings / (loss) per share - Diluted

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

43 Date of authorisation

These financial statements were authorised for issue on 17 September 2009 by the Board of Directors of the Company.

44 General

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

44.2 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

D.G. Khan Cement Company Limited and its Subsidiary

D.G. Khan Cement Company Limited
Consolidated Financial Statements
for the year ended 30 June 2009

D.G. Khan Cement Company Limited and its Subsidiary

DIRECTOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Combined financials are as follows:

	FY 2008-09	FY 2007-08
Sale Revenue	18,368,507	12,464,347
Gross Profit	5,804,826	1,936,301
Profit/(Loss) Before Tax	654,458	(175,273)
Profit After Tax	415,082	25,685
Earning per Share	1.68	0.12

A separate report on affairs of D.G. Khan Cement Company Ltd for the year ended June 30, 2009 has been separately presented.

For and on behalf of the Board



Mian Raza Mansha
Chief Executive

Lahore
September 17, 2009

D.G. Khan Cement Company Limited and its Subsidiary

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of D.G. Khan Cement Company Limited ("the Company") and its subsidiary company (hereinafter referred as "the Group") as at 30 June 2009 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. The financial statements of the subsidiary company, Nishat Paper Products Company Limited were audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of the such other auditor.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards required 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 polices and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 June 2009 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan

Lahore
September 17, 2009

KPMG Taseer Hadi & Co.
KPMGTH KPMG Taseer Hadi & Co.
Chartered Accountants

D.G. Khan Cement Company Limited and its Subsidiary

CONSOLIDATED BALANCE SHEET

	Note	2009 (Rupees in thousand)	2008
EQUITY AND LIABILITIES			
Capital and reserves			
Authorised capital			
950,000,000 (2008: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (2008: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital	5	3,042,494	2,535,412
Reserves	6	17,440,244	27,634,722
Accumulated profit		483,954	32,399
		20,966,692	30,202,533
Minority interest		289,434	325,907
		21,256,126	30,528,440
Non-current liabilities			
Long term finances	7	4,675,837	8,871,051
Liabilities against assets subject to finance lease	8	155	393
Long term deposits	9	73,765	73,890
Retirement and other benefits	10	78,622	54,018
Deferred taxation	11	1,361,576	1,251,000
		6,189,955	10,250,352
Current liabilities			
Trade and other payables	12	1,446,235	1,450,074
Accrued markup	13	569,329	391,610
Short term borrowing - secured	14	9,446,856	8,194,330
Current portion of non-current liabilities	15	4,924,181	2,828,202
Provision for taxation		35,090	35,090
		16,421,691	12,899,306
Contingencies and commitments	16		
		43,867,772	53,678,098

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 20.5



Chief Executive

D.G. Khan Cement Company Limited and its Subsidiary

AS AT JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
ASSETS			
Non-current assets			
Property, plant and equipment	17	25,550,453	24,224,273
Assets subject to finance lease	18	731	6,839
Capital work in progress	19	1,750,208	2,488,307
Investments	20	2,968,879	6,592,332
Long term loans, advances and deposits	21	167,959	524,176
		30,438,230	33,835,927
 Current assets			
Stores, spares and loose tools	22	2,964,840	2,323,883
Stock-in-trade	23	1,023,230	1,300,325
Trade debts	24	656,986	463,446
Investments	25	7,785,979	15,082,605
Advances, deposits, prepayments and other receivables	26	737,493	427,832
Cash and bank balances	27	261,014	244,080
		13,429,542	19,842,171
		43,867,772	53,678,098



Director

D.G. Khan Cement Company Limited and its Subsidiary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
Sales - net	28	18,368,507	12,464,347
Cost of sales	29	(12,563,681)	(10,528,046)
Gross profit		5,804,826	1,936,301
Administrative expenses	30	(145,547)	(110,745)
Selling and distribution expenses	31	(1,881,101)	(562,970)
Other operating expenses	32	(823,692)	(595,687)
Other operating income	33	735,021	846,606
Impairment on investment		(257,386)	-
Profit from operations		3,432,121	1,513,505
Finance cost	34	(2,777,663)	(1,766,298)
Excess of acquirer's interest in the net assets of acquiree		-	86,194
Share of loss of associated company		-	(8,674)
Profit / (loss) before tax		654,458	(175,273)
Taxation	35	(239,376)	200,958
Profit for the year		415,082	25,685
Attributable to:			
Equity holders of the parent		451,555	30,022
Minority interest		(36,473)	(4,337)
		415,082	25,685
Earnings per share - basic and diluted	41	1.68	0.12

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

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 20.5



Chief Executive



Director

D.G. Khan Cement Company Limited and its Subsidiary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees in thousand)	2008
Cash flows from operating activities			
Cash generated from operations	36	4,440,576	1,245,428
Finance cost paid		(2,599,956)	(1,744,245)
Retirement and other benefits paid		(6,934)	(5,054)
Taxes paid		(259,397)	(132,522)
Net Decrease in long term deposits		(14)	(5,577)
Net cash generated from / (used in) operating activities		1,574,275	(641,970)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,998,900)	(2,724,888)
Acquisition of subsidiary		-	(121,902)
Purchase of investments		(38,878)	(48,752)
Sale proceeds of investments		-	64,019
Net decrease / (increase) in long term loans, advances and deposits		356,106	(326,133)
Sales proceeds of property, plant and equipment		4,076	35,353
Dividend received		707,242	820,435
Interest received		6,106	7,617
Net cash used in investing activities		(964,248)	(2,294,251)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,014,164	-
Proceeds from long term finances		300,000	3,000,000
Repayment of long term finances		(3,157,516)	(3,789,167)
Repayment of liabilities against assets subject to finance lease		(1,734)	(18,970)
Dividend paid		(533)	(379,093)
Net cash used in financing activities		(1,845,619)	(1,187,230)
Net decrease in cash and cash equivalents		(1,235,592)	(4,123,451)
Cash and cash equivalents at the beginning of year		(7,950,250)	(3,826,799)
Cash and cash equivalents at the end of year	37	(9,185,842)	(7,950,250)

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.



Chief Executive



Director

D.G. Khan Cement Company Limited and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	CAPITAL RESERVE				REVENUE RESERVE		Minority Interest	
	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit		Total
	-----R u p e e s i n t h o u s a n d -----							
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	-
Final dividend for the year ended 30 June 2007 - Rs 1.5 per share	-	-	-	-	-	(380,312)	(380,312)	-
Transfer from profit and loss account	-	-	-	-	1,375,000	(1,375,000)	-	-
Fair value loss during the year	-	-	(3,409,386)	-	-	-	(3,409,386)	-
Minority interest arising on business combination	-	-	-	-	-	-	-	330,244
Post acquisition reserve	-	-	-	-	39,024	-	39,024	-
Profit / (Loss) for the year	-	-	-	-	-	30,022	30,022	(4,337)
Balance as at 30 June 2008	2,535,412	2,711,384	19,458,977	353,510	5,110,851	32,399	30,202,533	325,907
Right Issue	507,082	507,082	-	-	-	-	1,014,164	-
Fair value loss during the year	-	-	(10,701,560)	-	-	-	(10,701,560)	-
Profit / (Loss) for the year	-	-	-	-	-	451,555	451,555	(36,473)
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,110,851	483,954	20,966,692	289,434

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.



Chief Executive



Director

D.G. Khan Cement Company Limited and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1 Legal status and nature of business

The Group comprises of

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

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

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of D.G Khan Cement Company Limited and its subsidiary Nishat Paper Products Company Limited with 50% holding (2008: 50%) ("the Group Companies").

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

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

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

2.3 Standards, interpretations and amendments to published approved accounting standards

Effective in current year

IFRS 7 - "Financial Instrument : Disclosures", requires extensive disclosures about the significance of the financial instruments for the financial position and performance of the Group along with the nature and extent of risk arising from such financial instruments to which the Group is exposed during the year and at the end of the reporting period, and how the Group manages those risks. Adoption of this standard has resulted in additional

D.G. Khan Cement Company Limited and its Subsidiary

disclosures given in note 41 to the financial statements.

Relevant but not yet effective

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2009 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive Income Statement. Adoption of the above standard will only effect the presentation of financial statements.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Group's financial statements other than certain increased disclosures only.

Not Relevant and not yet effective

The following standards, amendments and interpretations to approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures only:

- Revised IAS 23 - Borrowing costs
- IFRS 2 (amendment) - Share based payments
- IFRS 3 (amendment) - Business Combinations
- IFRS 8 - Operating Segments
- IAS 27 - Consolidated and separate financial statements
- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

In addition to above, International Accounting Standards Board made certain amendments to existing standards and interpretations as part of its first and second annual improvements projects. These amendments are unlikely to have impact on the Group's financial statements.

3 Basis of measurement

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision 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 Group's financial statements or where judgments were exercised in application of accounting policies are:

D.G. Khan Cement Company Limited and its Subsidiary

-	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	4.15
-	Interest rate and cross currency swap	note	4.16

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

4.2 Retirement and other benefits

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

D. G. Khan Cement Limited

Defined benefit plan

The Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at 30 June 2009 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 2009 as adjusted for unrecognised actuarial gains and losses.

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

D.G. Khan Cement Company Limited and its Subsidiary

Defined contribution plan

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

Accumulating compensated absences

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

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 2009 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 4.16 and borrowing costs as referred to in note 4.18.

Depreciation on all property, plant and equipment is charged to profit on the reducing balance method, except for plant and machinery which is being depreciated using the straight line method, so as to write off the historical cost of such asset over its estimated useful life at annual rates mentioned in note 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 Group assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds

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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

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 Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group

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does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the as transferred.

Available for sale

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

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

Investments at fair value through profit or loss

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

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

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

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.

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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 Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized 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 Offsetting of financial assets and financial liabilities

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

4.11 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.

4.12 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.

4.13 Borrowings

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

4.14 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.

4.15 Provisions

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

4.16 Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently

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measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

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

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

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

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

4.17 Foreign currencies

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

4.18 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.

4.19 Revenue recognition

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

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

4.20 Dividend

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

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4.21 Related party transactions

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

5 Issued, subscribed and paid up capital

2009 (Number of shares)	2008		2009 (Rupees in thousand)	2008 (Rupees in thousand)
209,642,299	158,934,068	Ordinary shares of Rs 10 each fully paid in cash	2,096,423	1,589,341
20,000,000	20,000,000	Ordinary shares of Rs 10 each issued for consideration other than cash	200,000	200,000
74,607,089	74,607,089	Ordinary shares of Rs 10 each issued as fully paid bonus shares	746,071	746,071
304,249,388	253,541,157		3,042,494	2,535,412

95,537,640 (2008: 79,614,700) ordinary shares of the parent Company are held by Nishat Mills Limited, an associated concern as at 30 June 2009. In addition 1,173,287 (2008: 1,173,287) ordinary shares are held by the Adamjee Insurance Company Limited a related party as at 30 June 2009.

6 Reserves	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Movement in and composition of reserves is as follows:			
Capital			
Share premium			
	6.1		
At the beginning of the year		2,711,384	2,711,384
Addition during the year		507,082	-
		3,218,466	2,711,384
Fair value reserve			
	6.2		
At the beginning of the year		19,458,977	22,868,363
Net (loss) / gain during the year		(10,701,560)	(3,409,386)
		8,757,417	19,458,977
Capital redemption reserve fund			
	6.3	353,510	353,510
		12,329,393	22,523,871
Revenue			
General reserve			
At the beginning of the year		5,110,851	3,696,827
Post acquisition reserves		-	39,024
Transfer from profit and loss account		-	1,375,000
		5,110,851	5,110,851
		17,440,244	27,634,722

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

	Note	2009 (Rupees in thousand)	2008
7 Long term finances			
These are composed of:			
Long term loans	7.1 & 7.2	7,595,311	9,694,112
Loan under musharika arrangement	7.3	2,000,000	2,000,000
		9,595,311	11,694,112
Less: Current portion shown under current liabilities	15	4,919,474	2,823,061
		4,675,837	8,871,051

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7.1 Long term loans

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

Loan	Lender	2009 (Rupees in thousand)	2008	Rate of interest per annum	Outstanding installments	Interest payable
Long term loan from banking company-secured						
1	Habib Bank Limited	228,571	457,143	*Base rate + 0.625%	2 equal semi-annual installments ending 31 March 2010	Quarterly
2	Habib Bank Limited	57,143	114,286	* Base rate + 3%	2 equal semi-annual installments ending 20 June 2010	Quarterly
3	National Bank of Pakistan	85,721	171,428	*Base rate + 0.65%	2 equal semi-annual installments ending 30 June 2010	Semi annual
4	Bank of Punjab	-	80,000	* Base rate + 0.5%	The loan has been fully repaid during the year	
5	Standard Chartered Bank	20,000	60,000	* Base rate + 0.6%	Last Installment payable on 19 August 2009	payable on 19 August 2009
6	Standard Chartered Bank	60,000	100,000	* Base rate + 0.6%	3 equal semi-annual installments ending 19 August 2010	Semi annual
7	Allied Bank Limited	520,000	780,000*	Base rate + 0.65%	4 equal semi-annual installments ending 30 June 2011	Semi annual
8	Habib Bank Limited	454,545	636,364	*Base rate + 0.625%	5 equal semi-annual installments ending 29 September 2011	Quarterly
9	National Bank of Pakistan	500,000	700,000	*Base rate + 0.65%	5 equal semi-annual installments ending 16 November 2011	Semi annual
10	Habib Bank Limited	500,000	700,000	*Base rate + 0.625%	5 equal semi-annual installments ending on 30 December 2011	Quarterly
11	United Bank Limited	700,000	900,000	*Base rate + 0.65%	7 equal semi-annual installments ending 30 September 2012	Semi annual
12	Bank Alfalah	576,364	634,000	*Base rate + 0.65%	10 equal semi-annual installments beginning on March 2014	Quarterly
13	United Bank Limited	500,000	1,000,000	*Base rate + 0.60%	1 installment payable on 27 August 2009	Semi annual
14	Habib Bank Limited	300,000	-	* Base rate + 2.5%	10 equal semi annual installments to commence on 13 Oct 2010	Semi annual
15	Habib Bank Limited	200,000	300,000	*Base rate + 1.15%	4 equal semi-annual installments ending 28 May 2010	Quarterly
16	Habib Bank Limited	160,000	200,000	*Base rate + 1.15%	8 equal semi-annual installments commenced from 02 December 2008	Quarterly
17	Habib Bank Limited	100,000	100,000	*Base rate + 1.15%	10 equal semi-annual installments commencing from 10 July 2009	Quarterly
Foreign currency-unsecured						
18	European Investment Bank	2,632,967	2,760,891	**Base rate + 0.063%	8 equal semi-annual installments ending on 29 March 2013	Quarterly
US\$ 32.386 million (2008 : US\$ 40.482 million)		<u>7,595,311</u>	<u>9,694,112</u>			

* 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.

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7.2 Security

These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Group upto Rs 14,524 million (2008: Rs 15,353 million). These finances are also secured by first exclusive charge of Rs. 960 million (2008: Rs 960 million) over leasehold rights of land together with building, structure, fixture, plant and machinery and personal guarantees of the CEO of the Group.

7.3 This finance facility is arranged under syndicated arrangement, led by Meezan Bank Limited. The aggregate sanction limit is Rs. 2,000 million (2008: Rs 2,000 million) and carries four unequal semi annual rentals. Principle amount is payable on 08 May 2010. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Group upto Rs 2,666 million (2008: Rs 2,666 million).

Note 2009 2008
(Rupees in thousand)

8 Liabilities against assets subject to finance lease

Present value of minimum lease payments		394	2,128
Less: Current portion shown under current liabilities	15	239	1,735
		155	393

The minimum lease payments have been discounted at an implicit interest rate ranging from 9.48% to 13.01% (2008: 9.48% to 13.01%) per annum to arrive at their present value. Rentals are paid in monthly installments. Lessee has the option to purchase the assets after expiry of the lease term.

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

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

	Minimum lease payments	Future finance charge	Present value of lease liability 2009	2008
Years(R u p e e s i n t h o u s a n d).....			
Not later than one year	266	27	239	1,735
Later than one year and not later than five years	157	2	155	393
	423	29	394	2,128

2009 2008
(Rupees in thousand)

9 Long term deposits

Customers		29,462	28,252
Others		44,303	45,638
		73,765	73,890

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 Group respectively.

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	Note	2009 (Rupees in thousand)	2008
10 Retirement and other benefits			
Staff gratuity	10.1	40,537	26,362
Leave encashment	10.2	38,085	27,656
		78,622	54,018
10.1 Staff gratuity-net			
The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation	10.1.2	56,040	33,122
Fair value of plan assets	10.1.3	(274)	(1)
Benefits due but not paid		115	-
Unrecognised actuarial (losses)	10.1.6	(15,344)	(6,759)
Liability as at 30 June		40,537	26,362
Change in present value of net staff gratuity			
Liability as at 01 July		26,362	17,147
Charge for the year including capitalized during the year		15,328	11,297
Contributions plus benefit payments made directly by the Group during the year		(1,153)	(2,266)
Reversal of excess payments made during the year		-	184
Liability as at 30 June		40,537	26,362
10.1.2 Movement in liability for defined benefit obligation			
Present value of defined benefit obligation as at 01 July		33,122	22,741
Current service cost		11,088	8,775
Interest cost		3,975	2,274
Benefits due but not paid		(115)	-
Reversal of excess payments made last year		-	184
Benefits paid during the year		(880)	(2,266)
Actuarial loss on present value of defined benefit obligation		8,850	1,414
Present value of defined benefit obligation as at 30 June		56,040	33,122
10.1.3 Movement in fair value of plan assets			
Fair value of plan assets as at 01 July		1	36
Expected return on plan assets		-	4
Contributions during the year		1,153	2,266
Benefits paid during the year		(880)	(2,266)
Actuarial (loss) on plan assets		-	(39)
Fair value of plan assets as at 30 June		274	1
10.1.4 Actual return on plan assets			
Expected return on plan assets		-	4
Actuarial loss on plan assets		-	(39)
		-	(35)
10.1.5 Plan assets consist of the following:			
Cash and other deposits		274	1

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2009
(Rupees in thousand)

2008

10.1.6 Movement in unrecognised actuarial losses

Un recognised actuarial losses as at 01 July	(6,759)	(5,558)
Actuarial losses arising during the year	(8,850)	(1,453)
Actuarial losses charged to profit during the year	265	252
Un recognised actuarial losses as at 30 June	(15,344)	(6,759)

10.1.7 Charge for the year including capitalized during the year

Current service cost	11,088	8,775
Interest cost	3,975	2,274
Expected return on plan Assets	-	(4)
Actuarial losses charged to profit during the year	265	252
	15,328	11,297

2009
2008
2007
2006
2005
 ----- Rupees in thousand -----

10.1.8 Historical Information

Present value of defined benefit obligation	56,040	33,122	22,741	11,685	40,390
Present value of plan assets	(274)	(36)	N/A	N/A	N/A
Deficit in the plan	55,766	33,086	22,741	11,685	40,390
Experience adjustment arising on plan liabilities	8,850	1,414	2,859	(495)	3,531
Experience adjustment arising on plan assets	-	(39)	(2)	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:

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

10.1.10 The Group expects to pay Rs. 23.086 million in contributions to defined benefit plan in 2010.

	Note	2009 (Rupees in thousand)	2008
10.2 Leave encashment			
Opening balance		27,656	22,715
Expense recognized		17,272	11,135
Payments made		(2,375)	(2,788)
		42,553	31,062
Payable within one year	15	(4,468)	(3,406)
Closing balance		38,085	27,656

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2009 2008
(Rupees in thousand)

10.2.1 Movement in liability for defined benefit obligation

Present value of defined benefit obligation as at 01 July	27,656	22,715
Current service cost	7,984	5,853
Interest cost	3,319	2,272
Benefits paid during the period	(2,375)	(2,788)
Actuarial loss on present value of defined benefit obligation	5,969	3,010
Payable within one year	(4,468)	(3,406)
Present value of defined benefit obligation as at 30 June	38,085	27,656

10.2.2 Charge for the year including capitalized during the year

Current service cost	7,984	5,853
Interest cost	3,319	2,272
Actuarial losses charge	5,969	3,010
	17,272	11,135

2009
2008
2007
2006
2005
 ----- Rupees in thousand -----

10.2.3 Historical Information

Present value of defined benefit obligation	42,553	31,062	25,839	17,711	8,694
Experience adjustment arising on plan liabilities	5,969	3,010	2,168	8,149	1,174

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

Discount rate	12 % per annum	12 % per annum
Expected rate of increase in salary	11 % per annum	11 % per annum
Average expected remaining working life time of employees	12 years	12 years
Expected withdrawal and early retirement rate	Based on experience	

	2009		2008	
	Officers (days)	Workers (days)	Officers (days)	Workers (days)
Average number of leaves				
- Utilized per annum	14.00	19.00	13.00	18.00
- Encashed per annum	6.00	6.00	6.00	10.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	2.00	0.50	3.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	1.00	0.25	2.00

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	Note	2009 (Rupees in thousand)	2008
11 Deferred taxation			
The liability for deferred taxation comprises temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		4,576,870	5,267,352
Deferred tax assets			
Provision for retirement and other benefits		(6,946)	(2,629)
Unabsorbed tax credits		<u>(3,208,348)</u>	<u>(4,013,723)</u>
		<u>1,361,576</u>	<u>1,251,000</u>
12 Trade and other payables			
Trade creditors		268,600	293,779
Customers' balances		446,579	354,380
Due to related parties		1,778	1,779
Accrued liabilities		260,113	228,260
Derivative financial instruments		-	145,262
Workers' profit participation fund	12.1	41,724	-
Workers welfare fund payable		50,967	35,112
Sales tax payable		81,468	-
Custom duties payable		-	69,400
Federal excise duty payable		227,605	190,578
Special excise duty payable		2,036	8,007
Withholding tax payable		5,414	8,417
Retention money		16,907	67,277
Unclaimed dividend		4,894	5,427
Advances against sale of scrap		1,504	2,488
Redeemable preference shares (non-voting) - unsecured		127	127
Other payables		<u>36,519</u>	<u>39,781</u>
		<u>1,446,235</u>	<u>1,450,074</u>
12.1 Workers' profit participation fund			
Opening balance		-	93,145
Provision for the year	32	41,724	-
Interest for the year	34	-	522
		<u>41,724</u>	<u>93,667</u>
Less: Payments during the year		-	93,667
Closing balance		<u>41,724</u>	<u>-</u>
13 Accrued markup			
Long term loans		335,555	290,174
Short term borrowing - secured		233,690	101,347
Preferred dividend on redeemable preference shares		84	89
		<u>569,329</u>	<u>391,610</u>

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	Note	2009 (Rupees in thousand)	2008
14 Short term borrowing - secured			
Short term running finances	14.1	5,432,335	5,326,226
Import finances	14.2	1,846,123	2,608,104
Export Refinance	14.3	2,108,398	200,000
Modarba Finance		60,000	60,000
		9,446,856	8,194,330

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 10,145 million (2008: Rs 9,695 million). The rates of mark up range from 12.63% to 17.3% (2008: 9.83% to 15.00%) or part thereof on the balance outstanding. The aggregate short term running finances of Rs 10,145 million (2008: Rs 9,695 million) are secured by a first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.0 million (2008: 10.2 million) shares of MCB Bank Limited and 18.0 million (2008: Nil) shares of Nishat Mills Limited.

14.2 Import finances- secured

The Group has obtained import finance facilities aggregating to Rs 2,987 million (2008: Rs 2,537 million) from commercial banks. The rates of mark-up range from 3.11% to 17.17% (2008: 3.89% to 8.40%). The aggregate import finances are secured by a registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility of Rs 5,577.42 million (2008: Rs 6216.17 million) for opening letters of credit and Rs 1,566.81 million (2008: 1,416.81 million) for guarantees, the amount utilized as at 30 June 2009 was Rs 1198.60 million (2008: Rs 1,504.03 million) and Rs 942.51 million (2008: Rs 844.15 million) respectively. The aggregate facilities for guarantees are secured by a registered charge on current assets of the Group. Of the facility for guarantees, Rs 30.58 million (2008: Rs 29.38 million) is secured by a lien over bank deposits as referred to in note 27.2.

14.3 This represents ERF loans obtained from various commercial banks, which carry mark-up at 7.5% per annum (2008: 7.5%). These loans are obtained for a period of 180 days and are against pari passu hypothecation charge over current assets of the Group.

	Note	2009 (Rupees in thousand)	2008
15 Current portion of non-current liabilities			
Long term finances	7	4,919,474	2,823,061
Liabilities against assets subject to finance lease	8	239	1,735
Retirement and other benefits	10	4,468	3,406
		4,924,181	2,828,202

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

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

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

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

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

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

- (iv) The Parent Company's appeal relating to chargeability of minimum tax liability under section 113 of the Income Tax Ordinance, 2001 ("Ordinance") inclusive of presumptive taxes under section 8 and 154 of the Ordinance on 'Dividends' and 'Exports' amounting to Rs 50.453 million relating to tax years 2003 to 2006, has been decided against the the Parent Company by the CIT (A). The order of CIT (A) has been contested in appeal before ITAT awaiting decision of Lahore High Court on identical issue. Management of the Parent Company believes that there is a strong likelihood that such appeal would be decided in the Parent Company's favour owing to the recent judgment of Lahore High Court on the similar issue.

- (v) The Group has issued following guarantees in favour of:

Director Excise and Taxation Government of Sindh against levy of infrastructure cess and in favour of Sui Northern Gas Pipelines Limited as a security against gas connection amounting to Rs 16.10 million (2008: Rs 14.90 million) and Rs 15.412 (2008: Rs 15.412 million) respectively.

Collector of Customs, Excise and Sales Tax against levy of Sales Tax, custom duty and excise duty amounting to Rs 20.460 million (2008: Rs. 21.830 million)

Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure

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fee amounting to Rs 180.9 million (2008: Rs 113 million)

Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2008: Rs 3 million)

Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs 3 million (2008: Rs 3 million).

The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organisation amounting to Rs 1 Million (2008: Rs 1 million).

Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 1.835 million (2008: Rs 3.925 million)

Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D.G. Khan Project amounting to Rs 714.883 million (2008: Rs 707.164 million)

Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 50,000 (2008: Rs 50,000).

Bank guarantee in respect of Alternative energy development board (AEDB) amounting to RS 1.973 million (2008: Nil).

16.2 Commitments

- (i) Contracts for capital expenditure Rs 196.252 million (2008: Rs 113.987 million).
- (ii) Letters of credit for capital expenditure Rs .068 million (2008: Rs 857.570 million).
- (iii) Letters of credit other than capital expenditure Rs 1,174.602 million (2008: Rs 374.078 million).
- (iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2009	2008
	(Rupees in thousand)	
Not later than one year	268	319
Later than one year and not later than five years	917	747
Later than five years	3,866	3,524
	<u>5,051</u>	<u>4,590</u>

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17. Property, plant and equipment

Description	Annual rate of depreciation %	Cost as at June 30, 2008	Acquired through business combination	Additions/ (deletions)	Written off during the year	Transfer in/ (out)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Depreciation charge/ (deletions) for the year	Accumulated depreciation written off during the year	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009
Freehold land	-	287,999	-	64,893	-	-	352,892	-	-	-	-	352,892
Leasehold land	3.33	63,000	-	-	-	-	63,000	1,050	2,100	-	3,150	59,850
Building on freehold land												
- Factory building	10	4,772,947	-	231,597	-	(1,143)	5,003,401	1,087,180	366,982	-	1,454,162	3,549,239
- Office building and housing colony	5	591,363	-	61,134	-	-	652,497	150,107	23,964	-	174,071	478,426
Roads	10	370,794	-	56,058	-	-	426,852	108,967	29,309	-	138,276	288,576
Plant and machinery	4.76 - 4.98	22,881,069	-	2,084,833 (1,742)	-	1,143	24,965,303	4,856,246 (1,485)	763,489 (1,485)	-	5,618,250 (1,485)	19,347,053 (1,485)
Quarry equipment	20	1,323,586	-	174,380	-	-	1,497,966	453,800	157,400	-	611,200	886,766
Furniture, fixture and office equipment	10	253,522	-	23,305 (1,420)	-	-	275,407	68,641 (691)	19,833 (691)	-	87,783 (691)	187,624 (691)
Vehicles	20	146,243	-	5,712 (1,948)	-	5,046	155,053	53,796 (923)	16,897 (923)	-	69,770 (923)	85,283 (923)
Aircraft	30	38,185	-	-	-	-	38,185	33,126	1,519	-	34,645	3,540
Power and water supply lines	10	393,662	-	35,913	-	-	429,575	85,188	33,183	-	118,371	311,204
2009		31,122,370	-	2,737,825 (5,110)	-	5,046	33,860,131	6,898,101	1,414,676 (3,099)	-	8,309,678	25,550,453

Freehold land and building include book values of Rs 12 million (2008: Rs 12 million) and Rs 9,177 million (2008: Rs 9,177 million) respectively which are held in the name of Chief Executive of the Group. 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 Group.

D.G. Khan Cement Company Limited and its Subsidiary

	Annual rate of depreciation %	Cost as at June 30, 2007	Acquired through business combination	Additions/ (deletions)	Written off during the year	Transfer in/ (out)	Cost as at June 30, 2008	Accumulated depreciation as at June 30, 2007	Acquired through business combination	Depreciation charge/ (deletions) for the year	Accumulated depreciation written off during the year	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008
Freehold land	-	206,738	12,000	69,261	-	-	287,999	-	-	-	-	-	287,999
Leasehold land	0	-	-	63,000	-	-	63,000	-	-	1,050	-	1,050	61,950
Building on freehold land													
- Factory building	10	4,395,391	282,233	107,272	(11,949)	-	4,772,947	686,201	31,707	379,748	(10,476)	1,087,180	3,685,767
- Office building and housing colony	5	539,799	13,479	38,085	-	-	591,363	126,611	2,397	21,099	-	150,107	441,256
Roads	10	355,136	1,687	13,971	-	-	370,794	80,098	1,079	27,790	-	108,967	261,827
Plant and machinery	4.76 - 4.98	20,119,099	1,026,805	1,648,600	(5,356)	121,566	22,881,069	4,110,402	62,197	689,552	(4,198)	4,856,246	18,024,823
				(29,645)				(1,707)					
Quarry equipment	20	1,263,942	-	69,905	(10,261)	-	1,323,586	282,389	-	181,485	(10,074)	453,800	869,786
Furniture, fixture and office equipment	10	236,217	5,501	39,211	(27,407)	-	253,522	69,971	1,784	17,908	(21,022)	68,641	184,885
Vehicles	20	128,851	793	24,456	(1,740)	3,233	146,243	44,614	207	17,013	(1,615)	53,796	92,447
				(9,350)				(6,423)					
Aircraft	30	38,185	-	-	-	-	38,185	30,959	-	2,167	-	33,126	5,059
Power and water supply lines	10	321,468	12,443	62,989	(3,238)	-	393,662	56,030	2,312	29,678	(2,832)	85,188	308,474
2008		27,604,826	1,354,941	2,136,750	(59,951)	124,799	31,122,370	5,487,275	101,683	1,367,490	(50,217)	6,898,101	24,224,273
				(38,995)						(8,130)			

D.G. Khan Cement Company Limited and its Subsidiary

	Note	2009 (Rupees in thousand)	2008
17.1			
The depreciation charge for the year has been allocated as follows:			
Cost of sales	29	1,400,113	1,354,192
Administrative expenses	30	13,228	11,956
Selling and distribution expenses	31	1,335	1,342
		1,414,676	1,367,490

17.2 Disposal of property, plant and equipment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of Disposal
(Rupees in thousand)						
Plant and machinery						
	Jafer Brothers	1,742	1,485	257	800	Negotiation
	Bestway Cement Limited	9,293	415	8,878	7,800	-do-
Office equipment						
	Allied Engineers	1,420	691	729	1,950	-do-
Vehicles						
	Outsiders					
	Rashid Maqbool	566	337	229	351	-do-
	Ghulam Haider	811	500	311	481	-do-
	Employees					
	M. Hafeez Tareen	571	86	485	494	-do-
		2009 14,403	3,514	10,889	11,876	
		2008 38,995	8,130	30,865	34,455	

18 Assets subject to finance lease

	Rate	Cost as at June 30, 2008	Acquired through business combination	Additions/ (deletions)	Transfer in/ (out)	Cost as at June 30, 2009	Accumulated depreciation as at June 30, 2008	Acquired through business combination	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2009	Book value as at June 30, 2009
Vehicles	20	12,687		(11,562)		1,125	5,849		235 (5,690)	394	731
Plant and machinery	4.76										
	2009	12,687		(11,562)		1,125	5,849	-	235 (5,690)	394	731
Vehicles	20	16,883	2,354		(6,550)	12,687	7,490	635	1,040 (3,317)	5,848	6,839
Plant and machinery	4.76				(138,000)		14,017		2,417 (16,434)		
	2008	154,883	2,354		(144,550)	12,687	21,507	635	3,457 (19,751)	5,848	6,839

D.G. Khan Cement Company Limited and its Subsidiary

	Note	2009 (Rupees in thousand)	2008
18.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	29	151	3,331
Administrative expenses	30	9	126
Selling and distribution expenses	31	75	-
		235	3,457
19 Capital work in progress			
Civil works		120,157	198,881
Plant and machinery		1,474,504	2,073,276
Advances		10,434	16,563
Others		110,944	61,846
Expansion project:			
- Civil works		34,166	135,434
- Others		3	2,307
		34,169	137,741
		1,750,208	2,488,307
20 Investments - Available for sale			
Related parties	20.1	1,406,068	1,552,937
Others	20.2	519	1,334
		1,406,587	1,554,271
Revaluation surplus		1,562,292	5,038,061
		2,968,879	6,592,332
20.1 Related parties			
Quoted			
Nishat Mills Limited - associated company			
18,281,733 (2008: 18,281,733) fully paid ordinary shares of Rs 10 each		893,664	893,664
731,921 (2008: Nil) fully paid ordinary shares of Rs 10 each received as a result of merger	20.4	135,709	-
Market value - Rs 719.096 million (2008: Rs 1,571.681 million)		(184,915)	-
Less: Impairment Loss		844,458	893,664
Nishat (Chunian) Limited - associated company			
7,609,163 (2008: 6,917,421) fully paid ordinary shares of Rs 10 each		48,872	48,872
Market value - Rs 65.515 million (2008: Rs 166.087 million)		38,046	-
3,804,582 (2008: Nil) fully paid Preference shares of Rs 10 each		38,046	-
Market value - Rs 38.046 million (2008: Nil)		-	-

D.G. Khan Cement Company Limited and its Subsidiary

Note	2009 (Rupees in thousand)	2008
MCB Bank Limited		
13,228,929 (2008: 12,026,299) fully paid ordinary shares of Rs 10 each	125,834	125,834
Market value - Rs 2,050.881 million (2008: Rs 3,925.143 million)		
Adamjee Insurance Company Limited - associated company		
3,219,447 (2008: 2,926,770) fully paid ordinary shares of Rs 10 each	348,858	348,858
Market value - Rs 270.401 million (2008: Rs 792.335 million)		
Un-quoted		
Gulf Nishat Apparel Limited - associated company		
Nil (2008: 13,906,500) fully paid ordinary shares of Rs 10 each	-	135,709
20.4	561,610	659,273
	<u>1,406,068</u>	<u>1,552,937</u>

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

20.2 Others-Quoted

Maple Leaf Cement Factory Limited

13,747 (2008: 13,747) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.058 million (2008: Rs 0.149 million)
Less: Impairment loss

2009 (Rupees in thousand)	2008
282	282
(128)	-
154	282

1,999 (2008: 1,999) fully paid preference shares of Rs 10 each
Market value - Rs 0.015 million (2008: Rs 0.017 million)
Less: Impairment loss

20	20
(3)	-
17	20

First Capital Mutual Fund

89,000 (2008: 89,000) certificates of Rs 10 each
Market value - Rs 0.212 million (2008: Rs 0.734 million)
Less: Impairment loss

890	890
(678)	-
212	890

Habib Bank Limited

132 (2008: 110) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.012 million (2008: Rs 0.023 million)
Less: Impairment loss

24	24
(6)	-
18	24

Oil and Gas Development Company Limited

2,353 (2008: 2,353) fully paid ordinary shares of Rs 10 each
Market value - Rs 0.185 million (2008: Rs 0.293 million)

76	76
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D.G. Khan Cement Company Limited and its Subsidiary

	2009	2008
	(Rupees in thousand)	
Pakistan Petroleum Limited		
605 (2008: 550) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.115 million (2008: Rs 0.135 million)		
Kot Addu Power Company Limited		
500 (2008: 500) fully paid ordinary shares of Rs 10 each	<u>15</u>	<u>15</u>
Market value - Rs 0.021 million (2008: Rs 0.024 million)	<u>519</u>	<u>1,334</u>
20.3	Investments with a face value of Rs 280 million (2008: Rs 102 million) are pledged as security against bank facilities. 2,396,924 (2008: 2,179,020) shares of MCB Bank Limited are blocked in CDC account.	
20.4	During the year Gulf Nishat Apparel Limited has been merged into Nishat Mills Limited at a swap ratio of one ordinary share of Nishat Mills Limited against 19 shares of Gulf Nishat Apparel Limited. Consequently 731,921 shares of Nishat Mills Limited have been received during the year against 13,906,500 shares of Gulf Nishat Apparel Limited.	
20.5	The impairment loss recognized in the profit and loss account has been measured in accordance with SRO 150(I)/2009 issued by Securities and Exchange Commission of Pakistan dated 13 February 2009.	

The recognition of impairment loss based on the market values as at June 30, 2009 would have had the following effect on these financial statements:

	(Rupees in thousand)
Increase in 'Impairment Loss' in Profit and Loss Account	281,136
Effect on tax charge for the year	-
Decrease in profit for the year - after tax	281,136
Decrease in surplus of revaluation of Available for sale securities	281,136
Decrease in Un-appropriated profit	281,136
	Rupees
Decrease in earnings per share -after tax	<u>1.05</u>

		2009	2008
	Note	(Rupees in thousand)	
21 Long term loans, advances and deposits			
Loans to employees - considered good			
- Executives	21.1	17	89
- Others		5,017	5,261
		5,034	5,350
Less: Receivable within one year			
- Executives		17	73
- Others		1,604	1,548
		1,621	1,621
		3,413	3,729
Loan to related party - considered good	21.2	137,645	154,851
Less receivable within one year	26	17,206	17,206
		120,439	137,645
Advance against issue of shares - related party	21.3	-	339,816
Security deposits		44,107	42,986
		167,959	524,176

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	2009	2008
	(Rupees in thousand)	
21.1 Executives		
Opening balance	89	444
Addition during the year	-	-
Interest accrued	-	17
	89	461
Less: Repayment during the year	72	372
	17	89
	89	461

These represent secured loans given to executives and other employees for house building and purchase of motor vehicles and are recoverable in equal monthly installments over a period of 24 to 96 months. The loans given to executives and other employees carry interest at the rate 10% per annum (2008: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 5.034 million (2008: Rs 5.350 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.082 million (2008: Rs 0.413 million).

21.2 This represents un-secured loan of Rs 122.500 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 (2008: 1.5% to 2% per annum) respectively and is receivable annually. This amount is receivable in 10 annual installments commencing 01 January 2007 and 28 March 2008.

21.3 Advance given to Nishat Hotels Limited for issuance of shares has been received back during the year due to the suspension of the project.

	2009	2008
	(Rupees in thousand)	

22 Stores, spares and loose tools

Stores [including in transit Rs 462.422 million (2008: Rs 179.944 million)]	1,678,198	1,901,227
Spares	1,271,817	410,983
Loose tools	14,825	11,673
	2,964,840	2,323,883
	2,964,840	2,323,883

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

	Note	2009	2008
		(Rupees in thousand)	
23 Stock-in-trade			
Raw materials		241,595	968,089
Packing material		134,506	95,080
Work-in-process		387,444	118,292
Finished goods		259,685	118,864
		1,023,230	1,300,325
24 Trade debts - considered good			
- Secured		417,680	291,570
- Unsecured:			
Related parties	24.1	11,106	3,662

D.G. Khan Cement Company Limited and its Subsidiary

	Note	2009 (Rupees in thousand)	2008
Others		<u>228,200</u>	<u>168,214</u>
		<u>656,986</u>	<u>463,446</u>
24.1 Due from related parties			
Nishat Mills Limited		11,106	-
Nishat (Chunian) Limited		-	769
Nishat Power Limited		-	2,893
		<u>11,106</u>	<u>3,662</u>

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

25 Investments

Available-for-sale

Related parties	25.1	590,843	661,666
Add: Revaluation surplus		<u>7,195,125</u>	<u>14,420,916</u>
		7,785,968	15,082,582
At fair value through profit and loss	25.2	11	23
		<u>7,785,979</u>	<u>15,082,605</u>

25.1 Related parties-Quoted

Nishat Mills Limited - associated company

1,875,658 (2008: 1,875,658) fully paid ordinary shares of Rs 10 each

of Rs 10 each

Market value - Rs 70.937 million (2008: Rs 161.250 million)

Less: Impairment Loss

	171,794	171,794
	(65,700)	-
	<u>106,094</u>	<u>171,794</u>

Nishat (Chunian) Limited - associated company

166,318 (2008: 151,199) fully paid ordinary shares of Rs 10 each

Market value - Rs 1.432 million (2008: Rs 3.630 million)

Less: Impairment Loss

	11,638	11,638
	(5,955)	-
	<u>5,683</u>	<u>11,638</u>

83,159 (2008: Nil) fully paid preference shares of Rs 10 each

Market value - Rs 0.832 million (2008: Rs Nil million)

832

-

MCB Bank Limited

50,277,195 (2008: 45,706,541) fully paid ordinary shares of Rs 10 each

Market value Rs 7,794.474 million (2008: Rs 14,917.702 million)

	478,234	478,234
	<u>590,843</u>	<u>661,666</u>

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

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	Note	2009 (Rupees in thousand)	2008
25.2 At fair value through profit and loss			
Habib Bank Limited			
132 (2008: 110) fully paid ordinary shares of Rs 10 each		11	23
Market value - Rs 0.012 million (2008: 0.211 million)		11	23
26 Advances, deposits, prepayments and other receivables			
Loans to employees - considered good		1,621	1,621
Advances - considered good			
- to employees	26.1	3,415	2,848
- to suppliers		105,212	36,760
		108,627	39,608
Current portion of long term receivable from related party	21	17,206	17,206
Due from related parties	26.2	9,774	11,492
Mark-up receivable from related party	26.3	1,116	1,255
Derivative financial instruments	26.4 & 26.5	213,072	102,235
Profit receivable on bank deposits		1,282	443
Prepayments		322	180
Letters of credit - margins, deposits, opening charges, etc.		23,672	5,666
Claims recoverable from government			
Income tax		255,444	124,847
Sales tax	26.6	64,252	83,202
Excise duty		17,243	18,374
Export rebate		17,907	20,075
		354,846	246,498
Dividend receivable		-	11
Other receivables		5,955	1,617
		737,493	427,832
26.1	Included in advances to employees are amounts due from executives of Rs 277 thousand (2008: Rs 385 thousand).		
26.2 Due from related parties			
Nishat Mills Limited		9,602	11,492
Security General Insurance Limited		172	-
		9,774	11,492
	These relate to normal business of the Group 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	The Group has entered into two interest rate cross currency swap agreements with banks for a notional amount of USD 15 million (2008: USD 15 million), maturing upto 29 September 2013. The outstanding balance of these arrangements is USD 11.138 million (2008: USD 13.712 million) as at the balance sheet date. Under interest rate swap arrangements the Group would pay 3 months KIBOR rates and receive 3 months LIBOR rates as per the respective arrangements on quarterly basis, further under cross currency swap arrangements the Group would pay PKR and receive USD, which would be settled semi annually. As at the balance sheet date, the net fair value of these interest rate cross currency swaps is Rs 206.533 million (2008: Rs 89.76 million).		

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- 26.5** The Group has entered into an interest rate cross currency swap agreements with a bank for a notional amount of Rs. 750 million (2008: Rs 750 million), maturing upto 23 November 2009. The outstanding balance of these arrangements is Rs. 750 million (2008: Rs 750 million) as at the balance sheet date. Under interest rate swap arrangements the Group would receive 6 months KIBOR rates and pay 6 months LIBOR rates as per the respective arrangements, further under cross currency swaps arrangements the Group would pay USD and receive PKR, which would be settled semi annually. As at the balance sheet date, the net fair value of interest rate cross currency swap is Rs 6.539 million (2008: Rs 13.160 million).
- 26.6** Sales tax recoverable includes an amount of Rs 50.699 million (2008: Rs 47.439 million) which represents amounts which have been recovered by the sales tax department against miscellaneous demands raised by it. The Group has filed appeals against the demands at different forums.

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.

	2009	2008
	(Rupees in thousand)	
27 Cash and bank balances		
At banks		
Saving accounts		
- Pak rupee	46,071	135,447
- Foreign currency US \$ 22.20 (2008: US \$ 22.22)	2	2
Current accounts	212,946	107,345
	259,019	242,794
Cash in hand	1,995	1,286
	261,014	244,080

27.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2008: 0.1% to 5% per annum).

27.2 Included in balances at banks on saving accounts are Rs 30.58 million (2008: Rs 29.38 million) which are under lien to secure bank guarantees as referred to in note 14.2.

		2009	2008
		(Rupees in thousand)	
28 Sales - net			
Local sales		18,134,505	14,732,445
Export sales	28.1	5,801,994	2,741,111
		23,936,499	17,473,556
Less: Government levies		5,260,141	4,758,460
Commission to stockists		307,851	250,749
		5,567,992	5,009,209
		18,368,507	12,464,347

28.1 Export sales include rebate on exports amounting to Rs 11.936 million (2008: Rs 16.500 million).

29 Cost of sales

Raw and packing materials consumed		1,614,936	1,368,488
Salaries, wages and other benefits	29.1	653,339	480,352
Electricity and gas		1,433,830	1,644,759
Furnace oil/coal		6,603,912	4,597,486
Stores and spares consumed	29.2	890,422	764,204
Repair and maintenance		132,035	98,530
Insurance		50,238	43,904

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	Note	2009 (Rupees in thousand)	2008
Depreciation on property, plant and equipment	17.1	1,400,113	1,354,192
Depreciation on assets subject to finance lease	18.1	151	3,331
Royalty		86,514	83,731
Excise duty		30,023	25,962
Vehicle running		18,771	15,541
Postage, telephone and telegram		4,210	5,389
Printing and stationery		8,206	3,480
Legal and professional charges		2,956	1,499
Traveling and conveyance		6,346	8,389
Estate development		10,285	9,639
Rent, rates and taxes		7,751	6,982
Freight charges		5,655	5,753
Other expenses		16,793	12,403
		12,976,486	10,534,014
Opening work-in-process		118,292	142,686
Closing work-in-process		(387,444)	(118,292)
		(269,152)	24,394
Cost of goods manufactured		12,707,334	10,558,408
Opening stock of finished goods		118,863	107,804
Closing stock of finished goods		(253,129)	(118,864)
		(134,266)	(11,060)
Less: Own consumption capitalised		9,387	19,302
		12,563,681	10,528,046

29.1 Salaries, wages and other benefits include Rs 16.323 million (2008: Rs 13.106 million), Rs 11.640 million (2008: Rs 8.661 million) and Rs 13.937 million (2008: Rs 7.783 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

29.2 Stores and spares consumed during the year include Rs. 3.814 million (2008: Rs. 3.465 million) being stores and spares written off.

	Note	2009 (Rupees in thousand)	2008
30 Administrative expenses			
Salaries, wages and other benefits	30.1	76,007	57,150
Electricity, gas and water		3,482	2,985
Repair and maintenance		6,753	1,620
Insurance		1,764	1,685
Depreciation on property, plant and equipment	17.1	13,228	11,956
Depreciation on assets subject to finance lease	18.1	9	126
Vehicle running		4,305	3,545
Postage, telephone and telegram		3,385	3,441
Printing and stationery		3,438	2,210
Legal and professional charges	30.2	8,805	3,522
Travelling and conveyance		5,292	6,783
Rent, rates and taxes		208	176
Entertainment		1,466	1,136
School expenses		9,790	9,004
Fee and subscription		3,818	1,982
Other expenses		3,797	3,424
		145,547	110,745

D.G. Khan Cement Company Limited and its Subsidiary

30.1 Salaries, wages and other benefits

Salaries, wages and other benefits include Rs 2.565 million (2008: Rs 2.099 million), Rs. 2.26 million (2008: Rs. 1.620 million) and Rs 1.843 million (2008: Rs 2.041 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	2009	2008
Note	(Rupees in thousand)	

30.2 Legal and professional charges

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

KPMG Taseer Hadi & Co.

Statutory audit	1,000	850
Half yearly review	225	225
Certification and sundry services	20	20
Out of pocket expenses	75	75
A. F Ferguson & Co.		
Statutory audit - Subsidiary	225	175
Tax services - Group	553	553
Out of pocket expenses	15	15
	2,113	1,913

31 Selling and distribution expenses

Salaries, wages and other benefits	31.1	50,239	35,431
Electricity, gas and water		1,064	875
Repair and maintenance		366	299
Insurance		1,328	497
Depreciation on property, plant and equipment	17.1	1,335	1,342
Depreciation on assets subject to finance lease	18.1	75	-
Vehicle running		2,458	1,940
Postage, telephone and telegram		937	1,235
Printing and stationery		1,619	1,553
Rent, rates and taxes		3,030	3,438
Legal and professional charges		263	-
Travelling and conveyance		3,336	3,720
Entertainment		400	296
Advertisement and sales promotion		1,657	3,395
Freight charges -local		8,177	14,135
Freight and handling charges -export		1,802,298	492,219
Other expenses		2,519	2,595
		1,881,101	562,970

31.1 Salaries, wages and other benefits include Rs 1.920 million (2008: Rs 1.433 million), Rs 1.203 million (2008: Rs 0.987 million) and Rs 1.391 million (2008: Rs 1.131 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	2009	2008
Note	(Rupees in thousand)	

32 Other operating expenses

Workers' profit participation fund		41,724	-
Book value of asset written off		-	9,734
Donation	32.1	7,387	5,000
Worker welfare fund		15,855	-
Fair value loss on investments		12	-
Exchange loss		758,714	580,953
		823,692	595,687

D.G. Khan Cement Company Limited and its Subsidiary

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

	Note	2009 (Rupees in thousand)	2008
33 Other operating income			
Income from financial assets			
Income on bank deposits		4,145	727
Interest on loans to employees		67	128
Gain on sale of right letters		5,039	-
Dividend income from:			
- Related parties	33.1	707,206	820,303
- Others		25	143
		707,231	820,446
		716,482	821,301
Income from non-financial assets			
Rental income		1,722	1,592
Profit on sale of property, plant and equipment		2,065	4,488
Scrap sales		11,891	10,394
Mark-up on loan/advances to related parties		2,736	6,973
Provisions and unclaimed balances written back		125	1,858
		18,539	25,305
		735,021	846,606

33.1 Dividend income from related parties

Nishat Mills Limited	50,394	50,393
Nishat (Chunian) Limited	-	10,603
MCB Bank Limited	649,495	750,527
Adamjee Insurance Company Limited	7,317	8,780
	707,206	820,303

34 Finance cost

Interest and mark-up on:			
- Long term loans		1,303,032	1,040,737
- Short term borrowings		1,142,621	466,742
- Finance lease		84	584
- Workers' profit participation fund		-	522
Loss on derivative financial instruments		261,519	205,308
Guarantee commission		34,381	36,836
Bank charges		36,026	15,569
		2,777,663	1,766,298

34.1 During the year borrowing cost amounting to Rs 22.948 million (2008: Nil) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

	2009 (Rupees in thousand)	2008
35 Provision for taxation		
For the year		
- Current	(128,800)	(108,214)
- Deferred	(98,076)	309,167
	(226,876)	200,953

D.G. Khan Cement Company Limited and its Subsidiary

		2009	2008
		(Rupees in thousand)	
Prior year			
- Current		-	5
- Deferred		(12,500)	-
		(12,500)	5
		<u>(239,376)</u>	<u>200,958</u>
35.1	The provision for current taxation represents tax on export sales and dividend income.		
	For purposes of current taxation, the tax credit available for carry forward as at 30 June 2009 are estimated approximately at Rs 832.327 million (2008: Rs 784.220 million).		
35.2	Since the Group taxable loss for the year, therefore, no numerical tax reconciliation is given.		
		2009	2008
		(Rupees in thousand)	
36	Cash flow from operating activities		
	Profit/ (Loss)before tax	654,458	(175,273)
	Adjustment for :		
	- Depreciation on property, plant and equipment	1,414,676	1,367,490
	- Depreciation on assets subject to finance lease	235	3,457
	- Profit on disposal of property, plant and equipment	(2,065)	(4,488)
	- Dividend income	(707,231)	(820,446)
	- Share of loss of associate	-	8,674
	- Impairment loss	257,386	-
	- Store and spares directly written off	3,814	3,465
	- Markup income	(6,948)	(7,828)
	- Retirement and other benefits accrued	32,600	22,616
	- Fair value loss on investments	12	-
	- Excess of acquirer's interest in the net assets of acquiree	-	(86,194)
	- Exchange loss - net	730,888	580,953
	- Finance cost	2,805,501	1,766,298
	Profit before working capital changes	5,183,326	2,658,724
	Effect on cash flow due to working capital changes:		
	- Increase in stores, spares and loose tools	(644,771)	(806,424)
	- Decrease / (Increase) in stock-in-trade	277,097	(203,962)
	- Increase in trade debts	(193,540)	(221,928)
	- Increase in advances, deposits, prepayments and other receivables	(20,975)	(146,567)
	- Decrease in trade and other payables	(160,561)	(34,415)
		(742,750)	(1,413,296)
	Cash generated from operations	<u>4,440,576</u>	<u>1,245,428</u>
37	Cash and cash equivalents		
	Short term borrowings - secured	14 (9,446,856)	(8,194,330)
	Cash and bank balances	27 261,014	244,080
		<u>(9,185,842)</u>	<u>(7,950,250)</u>
38	Remuneration of Chief Executive, Directors and Executives		
38.1	The aggregate amount charged in the consolidated financial statements for the year for remuneration, including certain benefits, to the chief executive, full time working directors and executives of the Group is as follows:		

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	Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	5,668	4,723	8,964	7,470	101,538	73,737
Contributions to provident and gratuity funds	-	-	896	1,370	8,297	10,822
Housing	270	3,149	594	810	21,755	33,978
Utilities	-	-	-	-	6,508	-
Leave passage	-	-	697	354	2,185	1,965
Medical expenses	385	469	30	72	1,236	1,068
Others	4,238	1,940	1,266	1,432	37,157	12,835
	<u>10,561</u>	<u>10,281</u>	<u>12,447</u>	<u>11,508</u>	<u>178,676</u>	<u>134,405</u>
Number of persons	1	1	2	2	92	69

The Group 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 consolidated financial statements for the year for fee to 7 directors (2008: 7 directors) was Rs Nil (2008: Rs Nil).

39 Transactions with related parties

The related parties comprise, associated companies, other related companies, directors of the Group, key management personnel and post employment benefit plans. The directors of the related companies are close members of the family of the directors of the Group. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables, dividend income is disclosed in note 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:

	2009	2008
	(Rupees in thousand)	
Nature of transactions		
Sale of goods and services	33,345	25,446
Insurance premium	58,152	57,090
Purchase of services	811,471	1,022,511
Insurance claims received	729	32,213
Mark-up income on balances with related parties	5,374	3,691
Sales of property, plant and equipment	-	91,734

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

40 Plant capacity and actual production

		Capacity		Actual production	
		2009	2008	2009	2008
Clinker					
Unit 1	M. Tons	810,000	810,000	913,872	912,303
Unit 2	M. Tons	1,200,000	1,200,000	1,086,267	1,368,798
Unit 3	M. Tons	2,010,000	2,010,000	1,945,962	1,861,663
Cement bags	Bags	120,000,000	120,000,000	71,165,872	80,188,180

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41 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regular

41.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 12,090 million (2008: Rs. 23,041 million) financial assets which are subject to credit risk amount to Rs. 12,088 million (2008: Rs. 23,040 million).

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

	2009	2008
	(Rupees in thousand)	
Available for sale financial assets		
- Non Current Investments	2,968,880	6,592,332
- Current Investments	7,785,978	15,082,605
Long term loans, advances and deposits	167,959	524,176
Trade debts	656,986	463,446
Advances, deposits, prepayments and other receivables	35,655	32,204
Bank balances	259,019	242,794
Interest rate swaps - assets	213,072	102,235
	12,087,549	23,039,792

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

	2009
	(Rupees in thousand)
Foreign	417,680
Domestic	239,306
	656,986

The aging of trade receivables at the reporting date is:

Past due 1 - 3 Months	632,182
Past due 4 - 6 Months	2,620

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	2009 (Rupees in thousand)
Past due 7 - 10 Months	2,986
Past due 11 - 12 Months	1,060
Past due above one year	18,138
	656,986

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

41.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 1 to 10 years	Over 10 years	Total
2008-2009						
Non derivative financial liabilities						
Long term finances	1,709,737	3,209,737	4,615,837	60,000	-	9,595,311
Long term deposits	-	-	73,765	-	-	73,765
Short term borrowings	9,446,856					9,446,856
Trade and other payables	585,327	-	-	-	-	585,327
Derivative financial liabilities						
Interest rate swaps - liability	-	-	-	-	-	-
	11,741,920	3,209,737	4,689,602	60,000	-	19,701,259
2007-2008						
Non derivative financial liabilities						
Long term finances	1,132,712	1,690,349	8,871,050	-	-	11,694,111
Long term deposits	-	-	73,890	-	-	73,890
Short term borrowings	8,194,330					8,194,330
Trade and other payables	781,407	-	-	-	-	781,407
Derivative financial liabilities						
Interest rate swaps - liability	145,262					145,262
	10,253,711	1,690,349	8,944,940	-	-	20,889,000

41.3.1 Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency primarily U.S. Dollars (USD) and Euro. The Group uses forward exchange and derivative contracts to hedge its currency.

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	2009	2008
	(Rupees in thousand)	
Foreign debtors	85,180	70,941
Foreign currency bank accounts	241,847	225,086
Less: Long Term Loans	(2,632,967)	(2,760,891)
Less: Import Finances	(904,057)	(2,652,855)
Less: Payables	(10,904)	(4,705)
Derivative financial instruments - asset	155,519	(1,814,842)
Gross balance sheet exposure	(3,065,382)	(6,937,266)
Outstanding letter of credits	(685,418)	(1,133,316)
Net exposure	(3,750,800)	(8,070,582)

The following significant exchange rates have been applied:

	Reporting date rate	
	2009	2008
USD to PKR - Buy	81.10	68.00
USD to PKR - Sell	81.30	68.20
Euro to PKR - Sell	114.82	107.62
	Average rate	
	2009	2008
USD to PKR - Buy	78.69	62.57
USD to PKR - Sell	78.89	62.77

Sensitivity analysis:

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

	2009	2008
	(Rupees in thousand)	
Effect on profit and loss	46,135	98,793

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

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

41.3.2 Interest rate risk

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

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	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Effective rate (in Percentage)		Carrying amount (Rupees in thousand)	
Fixed rate instruments:				
Short term borrowings - PKR	7.5	7.5	2,108,398	200,000
Variable rate instruments:				
Long term finances - PKR	12.59 to 16.62	10.66 to 12.16	6,962,344	8,933,221
Long term finances - USD	2.45	4.69	2,632,967	2,760,891
Liabilities against assets subject to finance lease	-	5.24 to 5.3	393	3,129
Short term borrowings - PKR	12.63 to 17.3	9.83 to 15	6,139,898	5,386,226
Short term borrowings - USD	3.11 to 6.89	3.89 to 6.46	904,005	2,608,104

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	100 bps	
	Increase	Decrease
	(Rupees in thousand)	
Effect on profit - 30 June 2009	<u>(187,480)</u>	<u>187,480</u>
Effect on profit - 30 June 2008	<u>198,916</u>	<u>(198,916)</u>

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

41.3.3 Other price risk

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

Sensitivity analysis:

Due to the floor mechanism placed on the market values of securities and economic conditions prevailed during the year, management believes that sensitivity analysis is unrepresentative of the price risks.

41.4 Fair value of financial instruments

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

41.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital

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employed, which the Group defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

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

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

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

The debt-to-equity ratios as at 30 June 2009 and at 30 June 2008 were as follows:

	2009	2008
	(Rupees in thousand)	
Total debt	19,611,890	20,282,180
Total equity and debt	40,578,582	50,484,713
Debt-to-equity ratio	48%	40%

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. Neither there were any changes in the Group's approach to capital management during the year nor the Group is subject to externally imposed capital requirements.

42 Earnings per share - basic and diluted

		2009	2008 Restated
42.1 Earnings per share - Basic			
Profit for the year	Rupees in thousand	<u>451,555</u>	<u>30,022</u>
Weighted average number of ordinary shares	Number	<u>268,184,027</u>	<u>248,470,346</u>
Earnings per share - basic	Rupees	<u>1.68</u>	<u>0.12</u>

42.2 Earnings per share - Diluted

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

43 Date of authorisation

These financial statements were authorised for issue on 17 September 2009 by the Board of Directors of the Group.

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44 General

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

44.2 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 Annual General Meeting of the Company to be held on 29th October 2009 at 3:00 p.m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2009

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.