NISHAT

Annual Report & Accounts 2011


D.G Khan Plant


Khairpur Plant

D.G. KHAN CEMENT
COMPANY LIMITED

2011 HIGHLIGHTS

Improving efficiency in a difficult environment

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

Operating margins exceed the previous year's figures

Solid demand for building materials in the emerging markets

Volume growth in African and Asian Markets

Compatible prices in the domestic market

Cost pressure from energy and raw materials weighed on results

Decline in net income, but higher operating profits

More investment in process optimization and alternate energy sources

Mission Statement

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

Vision Statement

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

CONTENTS

CORPORATE PROFILE

Board of Directors	Mrs. Naz Mansha	Chairperson
	Mian Raza Mansha	Chief Executive
	Mr. Khalid Qadeer Qureshi	
	Mr. Zaka-ud-Din	
	Mr. Farid Noor Ali Fazal	
	Mr. Inayat Ullah Niazi	Chief Financial Officer
	Ms. Nabiha Shahnawaz Cheema	
Audit Committee	Mr. Khalid Qadeer Qureshi	Member/Chairman
	Mr. Farid Noor Ali Fazal	Member
	Ms. Nabiha Shahnawaz Cheema	Member
Company Secretary	Mr. Khalid Mahmood Chohan	

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Barclays Bank Plc
Citibank N.A.
Deutsche Bank AG
Dubai Islamic Bank
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
HSBC
Habib Metropolitan Bank Limited
MCB Bank Limited
NIB Bank
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
Silk Bank 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: 92-42-36367812-20 UAN: 111 11 33 33
Fax: 92-42-36367414
Email: info@dgcement.com
web site: www.dgcement.com

Factory

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of the Shareholders of D. G. Khan Cement Company Limited ("the Company") will be held on October 31, 2011 (Monday) at 03:30 p. m. at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore to transact the following ordinary business:

1. To receive and adopt the Audited Separate Financial Statements and Consolidated Financial Statements of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' reports thereon.

2. To appoint statutory Auditors for the year ending June 30, 2012 and fix their remuneration.

By order of the Board

LAHORE
SEPTEMBER 07, 2011

(KHALID MAHMOOD CHOHAN)
COMPANY SECRETARY

NOTES:

BOOK CLOSURE NOTICE:-

1. The Share Transfer Books of the Company will remain closed for attending of Annual General Meeting from 24-10-2011 to 31-10-2011 (both days inclusive). Physical transfers / CDS Transactions IDs received in order at Registered Office, Nishat House, 53-A, Lawrence Road, Lahore, up to 1:00 p.m. on 22-10-2011 will be considered in time.

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

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

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

DIRECTORS' REPORT

The board of directors is pleased to submit its report along with the financial statements for the year ended 30 June 2011.

Business Outlook

Domestic economic framework and company's performance

The expectations of economic recovery in the fiscal year 2011 never translated into reality. The GDP target of 4.5% never seemed achievable. All the efforts of putting the economy back on track were thwarted by the worst ever floods striking the country north to south. Structural imbalance in the economy coupled with perennial social and energy problems never allowed the economy to get past the breaking point. The country is on the brink of internal security crisis and is facing severe international pressure on improving its security situation that is keeping foreign investments away from it.

The businesses are not getting the confidence and trust required for growth and investment. In the construction sector, apart from a few stimuli from Governmental building and infrastructural development projects, there was little sign of sustained recovery. The slight increase in volumes in the north of the country was not sufficient to make up for weaker sales in the south. The general stagnation was reflected in the sales volume of the company, which slid down in comparison to the previous year's figure. This was due to lack of demand and below mark construction activity in the rural areas of the country.

Heavy floods in the past have dampened the economic stability of the poverty stricken rural areas of the country. The public development projects in such areas are also not generating the anticipated demand of cement at the moment. Demand in residential construction and the infrastructure sector weakened overall due to a combination of rising interest rates, high inflation and transportation problems. In general, the performance of the whole industry was below par.

International Business Environment and Exports

During 2011, at last, there were positive financial signs from the industrial sectors in the developed countries. The cement demand in such markets however, remained somewhat subdued. Economic crisis took its toll with key industry players de-commissioning or scaling down their production capacities in view of extremely depressed market situations. Post 2011, however, the material demands have started to rise and so has the production. This however, resulted in oversupply situation in some regions. Middle East, in particular, faced an oversupply situation while there was mixed demand in Northern African region due to political unrest and civil war situation in almost all of the constituent states. Demand for building materials, however, followed a positive development in many markets in the emerging countries, with Asia in particular continuing to grow.

Cement exports from Pakistan saw mixed trend throughout 2011. On aggregate, export volumes fell by 12% compared with last year figures, partly due to better retention prices in domestic market where demand saw an increase fueled, to some extent, by rebuilding following the devastating floods.

Continued market expansion in Africa: Despite political turmoil in the African nations, the African market still proved to be an effective growth market recording significant improvements. Exports to African region constituted 42% of company's total exports recording a regional growth of close to 4 times than the last year's figures. Djibouti, Mozambique and Tanzania topped the African markets where export volumes picked up considerably while rest of the African markets supported the regional volumes by twofold growth numbers.

Positive demand in Asian region: Southeast Asian region is the mainstay of the company's exports in the Asian region recording significant volumetric growth in cement consumption. Nearly all Asian markets enjoyed healthy construction activity and brisk demand for cement. Demand for building materials remained strong in India, but below expectations. Nevertheless, the company's exports to India more than doubled during the year. Despite ever deteriorating geopolitical situation of Afghanistan, overall demand of cement grew steadily and the company recorded 30% growth. Sri Lankan market consolidated further by recording twice as much export as compared to last year.

Better cement prices and robust cost management makes up for falling volumes: Volumes fell across all segments. In some cases, prices too came under greater pressure in the first half of 2011. Company, nevertheless, generated operating profits of Rs 1.7 billion on net sales of Rs 18.57 billion, registering a growth of 11% compared with last year's figures. This was only possible because we fetched right prices for our product. Furthermore, we strongly pursued our goal of streamlining processes and structures as well as lowering costs by systematically implementing cost-cutting measures. A highly cautious approach was taken toward maintenance investment; only investments in efficiency improvements that would pay off very quickly were approved. The increasing impact of the cost-cutting measures is reflected in the organic growth in operating profits: still negative in the first half of 2011, it improved significantly in the second part of the year.

Strong liquidity, lower net debt, balance sheet further strengthened: Amid the somewhat unclear situation that prevailed at the start of 2010, a high priority was given to securing liquidity, as well as refinancing. A series of capital market transactions and a capital increase raised Rs 1.4 billion, thus successfully covering our financing needs. Encouragingly, cash flow from operating activities remained positive at Rs 340 million, however, compared with previous year; it showed a decline due to working capital restrictions (net working capital increased by Rs 3 billion).

Net financial debt was reduced by Rs 1.24 billion despite ongoing development projects, thus further strengthening liquidity and the balance sheet. In the past twelve months, net financial debt decreased by 7.38% from Rs 16.81 billion to Rs 15.57 billion.

Production Statistics ***Metric Tons***

	2011 Year ended 30 June	2010 Year ended 30 June	Change Year on Year	%
Clinker Production	3,738,404	4,684,379	-945,975	-20
	93%	116%	-	-
Cement Production	4,176,733	4,908,593	-731,860	-15
Clinker Sales	98,521	71,042	27,479	39
Cement Sales	4,165,635	4,908,962	-743,327	-15

D. G. Cement reacted swiftly in the first half of 2011, when a fall in demand became apparent due to heavy floods in the country in a series of domestic markets. Far-reaching measures were taken in the cement sector throughout Pakistan. Our plants in both the regions remained mothballed for some period.

Financial Performance ***Rupees in Million***

	2011		2010		Change	
	Year ended 30 June	% to net sale	Year ended 30 June	% to net sale	Year on Year	%
Sales - Net	18,577	100.00	16,275	100.00	2,302	14
Cost of Sales	-14,192	-76.40	-13,570	-83.38	-622	5
Gross Profit	4,385	23.60	2,705	16.62	1,680	62
Admin, Selling and Distribution expenses	-2,682	-14.44	-1,166	-7.16	-1,516	130
Profit from operations	1,703	9.17	1,539	9.46	164	11
Finance Cost	-2,052	-11.05	-1,903	-11.69	-149	8
Investment Income net off impairment	832	4.48	766	4.71	66	9
Other Operating Income/ Expenses (Net)	118	0.64	-44	-0.27	162	-368
Profit Before Tax	601	3.24	358	2.20	243	68
Taxation	-430	-2.31	-125	-0.77	-305	244
Profit After Tax	171	0.92	233	1.43	-62	-27

Sales development and financial results

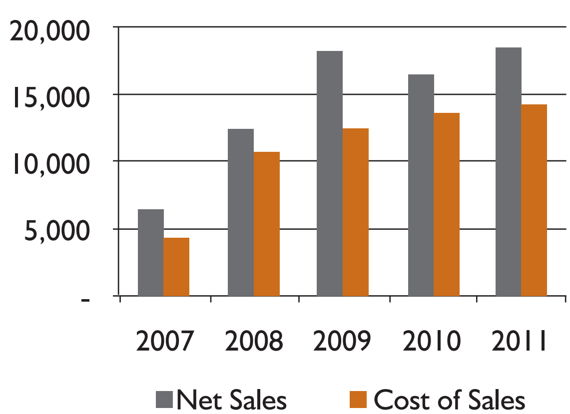
Domestic sales volumes decreased in all segments compared with 2010. Consolidated cement deliveries decreased by 15% to 4.1 million tones. Shipments of clinker however, increased by 39% to 98 thousand tons (having marginal financial impact). Despite decrease in volumes, the revenue figures continued rising due to price effects. Net sales growth of 14% was recorded during the year, thanks to compatible cement prices available throughout the domestic cement market.

Export volumes picked up nicely and almost doubled. African market region achieved the biggest gain in the cement exports volumes. The volume gains however, did not translate effectively into net revenue gains. Due to overweighing transportation costs net export retentions were lower than expected. The prices in the international market weren't attractive as well and the company resorted just to cover the contribution margins.

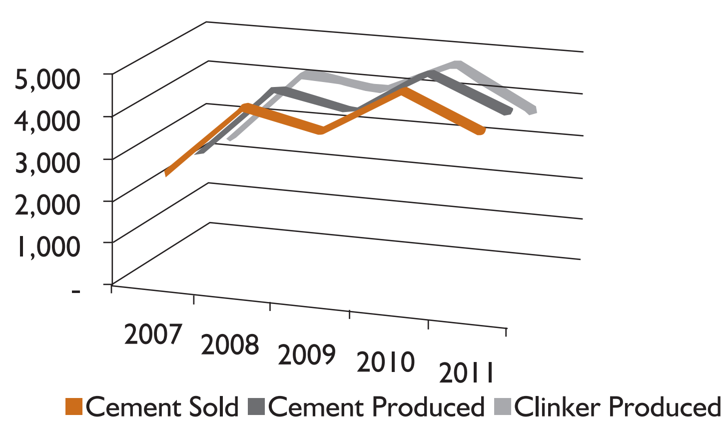
Other income statement lines

Dividend income during the year increased by Rs 185 million primarily due to issuance of 10% Bonus shares by M/s MCB Bank Limited, resulting into our increased entitlement of dividend. This, however, could not translate fully on the investment income since the company recorded impairment on some of its available for sale investments thereby sliding down our gains by Rs 119 million.

Provision for taxation during the period includes deferred tax provision amounting to Rs 242 million (2010: Rs 24 million) arising primarily due to reduction in available tax losses due to change in the export and local sales mix during the period. The provision for current tax stood at Rs 188 million (2010: Rs 101 million). The increase in current tax has primarily resulted due to increase in minimum tax rate chargeable on the company's local sales.



Figures in millions of Rupees



Figures in thousands of MT

Financial Management

Cash Flow Management: The Company has an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned to be financed through efficient management of trade receivable, payables and inventory levels. Business unit managers are assigned working capital targets which are being regularly monitored. The Board is satisfied that there are no short or long term financial constraints including access to credit and a strong balance sheet.

Risk Mitigation

Credit Risk: All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through reviews of credit worthiness, references, establishment of purchase limits taking into account the customer's financial position, past experience and other business factors. Available for sale investments are placed with companies of good standings whereas other receivables are kept secured.

Liquidity Risk: Prudent liquidity risk management ensures availability of sufficient funds for meeting contractual commitments. The Company's fund management strategy aims at managing liquidity risk through internal cash generation and committed credit lines with financial institutions.

Foreign Exchange Risk: Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. The Company is mainly exposed to short term USD/PKR parity on its import of raw materials whereas; it is exposed to EUR/PKR parity on import of various items of plant and machinery.

Capital Management

The Company's policy is to maintain a strong capital base so as to build investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

Future Outlook

Despite global political and economic turmoil in the recent past, the management foresees positive growth trends. The global economic indicators are sending off positive signals due to strong monetary and fiscal measures taken by major European nations. Demands are likely to rise in African as well as Asian regions due to higher governmental spending on development projects and anticipated political calm in the African region. The company has recently secured another sizeable export contract for an East African nation. This volumetric growth is expected to materialize into heavy bottom line gains in the income statement, however, the risks associated with higher energy and transportations costs are still hovering since the petroleum and associated energy commodities prices may bump up unexpectedly in the future.

On domestic front, given the country's GDP growth expectations put at 4.2% and the budget planned for Public Sector Development Program (PSDP) at Rs 730 billion the management foresees very encouraging levels of domestic demand. With sales for the first quarter 2012 already picking up volumes, (sourced from July and August 2011 domestic cement sales data); we are already set for the year 2012 on strong footing.

On expense side, the management positively foresees opportunities in cost reduction by cutting back the consumption of imported energy materials and accordingly, is vigorously expanding its alternative fuel consumption policy. Furthermore, process optimization policy is also underway.

Project news

Waste Heat Recovery Projects: As explained to our share holders in the last quarterly report, the project for installation of Waste Heat Recovery plant at Khairpur Plant site is currently in progress and we have received first shipment from the supplier (the shipments are expected to be fully received by the end of this calendar year). The project is running as scheduled with two design conferences already held with the suppliers.

RDF Projects: With the technical assistance and collaboration of world renowned manufacturer of advanced, industrial shredders and associated systems technology, M/s Vecoplan GmbH, the work at Khairpur RDF plant is expected to be completed within 2nd Quarter of the year with shipments already received completely. Shipments for RDF plant at D. G. Khan site are, however, currently in progress and are expected to be completed before December this year.

ERP Project: With the technical assistance and collaboration of renowned Oracle Consultant in Pakistan, M/s A. F. Ferguson & Associates, the ERP implementation project is currently in final stages and it is expected to be fully resourceful in the coming year. The ERP project is expected to bring around very strong framework of internal controls with highly effective and efficient process integration and business procedures. This would help key management and all other stakeholders make business and investment decisions on more realistic and real-time basis.

Corporate Social Responsibility

Sustainability: Sustainability is an integral part of the company's strategy. Even in difficult times, Company takes its environmental and social responsibilities as seriously as before.

Environmental Safety: The Company is fully committed towards environmental safety. With state of the art Dust Collection Systems and Electrostatic Precipitators in place, the production facilities are compliant with the National Environmental Quality Standards.

Carbon Credits: Pakistan is a signatory to the Kyoto Protocol (a protocol to the United Nations Framework Convention on Climate Change, aimed at fighting global warming) and the company, being a responsible corporate citizen, is fully committed to it and is actively reducing greenhouse gas emissions from its cement plants. The Waste Heat Recovery project at D. G. Khan Site is currently in validation phase. The company is also expected to obtain carbon credits on various RDF projects it is engaged in at present.

Electricity Generation from Waste Heat: Recent installation of Waste Heat Recovery plant at D. G. Khan site provided two-fold environmental safety. Firstly, by utilizing flue gases and heat for electricity generation and secondly, by substituting carbonaceous fuel consumption at the power generation facility thereby reducing greenhouse gas emission at the power plant.

Safety: Programs to strengthen the safety culture across the company were continued without exception. The year 2011, however, saw an accident (no fatality) for which necessary corrective and preventive action was taken by the management. The management is doing everything in its power to achieve the objective of comprehensive workplace safety.

Relief work: Since 2010, our homeland has been suffering from devastating floods of huge magnitude claiming precious lives and destroying infrastructure all the way through. The economy has suffered a lot and the already poverty stricken country is in a state of economic turmoil.

The company and its employees are not behind in helping their country men in the period of distress and calamity. They have contributed financially and remain actively involved in the relief efforts for the rehabilitation of the affected people.

Quality Management

The company has embarked on achieving manufacturing excellence through improvement in quality, productivity and services. Total productive/ preventive maintenance policy will improve supply chain with reductions in losses and defects, waste and lead times. The customers on the other hand will benefit through more accurate deliveries and consistent quality product.

Appropriations

The management, keeping in view the profitability of the company decided not to recommend any dividend for the year.

Auditors

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have retired and, being eligible, have offered themselves for re-appointment. The Audit Committee, however, has proposed for appointment of M/s A. F. Ferguson & Co., Chartered Accountants as auditors for the year ending 30 June 2012 subject to approval of shareholders in the Annual General Meeting.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended 30 June 2011 have been adopted by the company and have been fully complied with. A Statement to this effect is annexed to the Report.

Material Changes

There have been no material changes since 30 June 2010 and the company has not entered into any commitment which would affect its financial position at the date except for those mentioned in the audited financial statements of the company for the year ended 30 June 2011.

Election of the Directors

During the year under consideration, elections were held for the office of the directors of the company. The retiring Directors, upon completion of their stipulated terms, submitted their proposals for contesting the offices except for Mr Muhammad Azam, who did not show any intentions for contesting his office. Mr Farid Noor Ali Fazal along with all of the retiring directors (excluding Mr Muhammad Azam), being eligible, contested the office of Director and got elected in the board. I wish to place on record my profound appreciation of the services rendered by Mr Muhammad Azam during the tenure of his office and welcome all others to their office as Directors of this company.

Meetings of Board of Directors

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

Audit Committee

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

Corporate and Financial Reporting Framework

- The financial statements together with the notes thereon have been drawn up by the management of the company in conformity with the Companies Ordinance, 1984 and applicable International Financial Reporting Standards (IFRS). These Statements present fairly the company's state of affairs, the results of its operations, cash flow and changes in equity.
- Any departure from the application of IFRS has been adequately disclosed.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- The key operating and financial data for the last six years is annexed.
- Value of investments of Provident Fund is Rs 448.281 million (2010: Rs 389.378 million).
- Ms Nabiha Shahnawaz Cheema, Director of the company, sold 1,500 shares of the company during the year.

Pattern of Shareholding

A statement of pattern of shareholding of certain class of shareholders as at 30 June 2011, whose disclosure is required under the reporting frameworks, is included in the annexed shareholders' information.

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

Company's Staff and Customers

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

For and on behalf of the Board

Mian Raza Mansha
Chief Executive Officer
Lahore: 07 September 2011

STATEMENT OF VALUE ADDITION FOR THE YEAR ENDED JUNE 30, 2011

	2011			2010		
	(Rupees in thousand)		%	(Rupees in thousand)		%
Revenue Generated						
Revenues:						
- Local sales	16,986,833			18,337,945		
- Exports	6,486,701	23,473,534	95%	3,698,676	22,036,621	96%
Income from other sources						
- Investment income	951,350			766,399		
- Other income	155,312	1,106,662	5%	145,274	911,673	4%
		24,580,196	100%		22,948,294	100%
Revenue Distributed						
Suppliers:						
- Raw and packing materials	1,805,898			1,912,808		
- Services	2,443,757			971,606		
- Stores spares	1,513,316			1,262,521		
- Fuels and energy	8,047,528	13,810,499	56%	8,096,516	12,243,451	53%
Employees		985,962	4%		841,521	4%
Government:						
- Direct taxes	430,232			99,028		
- Indirect taxes	4,621,996			5,509,345		
- Other levies and duties	-	5,052,228	21%	26,353	5,634,726	25%
Providers of Capital:						
- Banks	2,051,680			1,902,760		
- Ordinary share holders	-	2,051,680	8%	-	1,902,760	8%
Reinvested in business						
- Depreciation	1,430,409			1,392,563		
- Profit for the year	170,960	1,601,369	7%	233,022	1,625,585	7%
Other operating costs - Net		1,078,458	4%		700,251	3%
		24,580,196	100%		22,948,294	100%

OPERATING AND FINANCIAL DATA

	2011	2010	2009	2008	2007	2006
PRODUCTION & SALES						
						(M.Tons)
Clinker	**3,738,404**	4,684,379	3,946,101	4,142,764	2,433,428	2,193,687
Cement	**4,176,733**	4,908,593	3,877,296	4,227,767	2,542,602	2,125,585
Cement Sales:	**4,165,635**	4,908,962	3,854,949	4,233,953	2,502,306	2,134,355
Local	**2,860,795**	4,103,861	2,831,115	3,572,078	2,348,829	1,968,114
Export	**1,304,840**	805,101	1,023,834	661,875	153,477	166,241
Clinker Sale						
Local	**-**	-	-	72,481	25,000	80,000
Export	**98,521**	71,041	177,064	95,202	-	-
OPERATING RESULTS						
						(Rupees in thousand)
Net sales	**18,577,198**	16,275,354	18,038,209	12,445,996	6,419,625	7,955,665
Gross profit	**4,384,969**	2,705,360	5,679,730	1,915,273	2,031,985	3,962,843
Pre-tax profit /(loss)	**601,192**	358,403	776,900	(250,930)	1,720,471	3,448,533
After tax profit /(loss)	**170,961**	233,022	525,581	(53,230)	1,622,471	2,418,455
FINANCIAL POSITION						
Current assets	**18,295,030**	16,417,492	13,287,591	19,202,591	19,214,954	9,909,895
Current liablilities	**12,657,194**	13,786,189	15,834,799	12,054,718	7,390,229	6,015,436
Property, plant & equipment	**24,611,565**	25,307,302	24,345,793	22,977,894	22,117,551	7,521,723
Total assets	**49,673,050**	47,046,043	42,723,041	51,992,934	51,744,331	34,304,376
Long term liabilites	**5,090,685**	5,274,674	4,528,224	8,538,959	8,806,917	7,461,740
Shareholder's equity	**30,217,285**	26,519,220	20,918,442	30,080,257	33,923,185	19,268,200
RATIOS						
Current ratio	**1.45:1**	1.19:1	0.84:1	1.59:1	2.6 : 1	1.64 : 1
Debt to equity ratio	**25 : 75**	28 : 72	27 : 73	45 : 55	44 : 56	48 : 52
Gross profit to sales (%)	**23.60**	16.62	31.49	15.39	31.65	49.81
Net profit to sales (%)	**0.92**	1.43	2.91	(0.43)	25.27	30.40
Break up value per Share (Rs.)	**41.75**	37.28	39.97	41.89	43.60	44.34
Earnings per share						
Basic (Rs.)	**0.45**	0.70	1.63	(0.21)	6.43	10.37
Diluted (Rs.)	**0.45**	0.70	1.63	(0.21)	6.43	9.14

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2011 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
1422	1	100 Shares	66956
2173	101	500 Shares	721625
1593	501	1000 Shares	1353059
2521	1001	5000 Shares	6340014
650	5001	10000 Shares	4887058
206	10001	15000 Shares	2639792
115	15001	20000 Shares	2115221
89	20001	25000 Shares	2078158
52	25001	30000 Shares	1465275
32	30001	35000 Shares	1043189
29	35001	40000 Shares	1107866
23	40001	45000 Shares	986509
28	45001	50000 Shares	1362091
12	50001	55000 Shares	641036
15	55001	60000 Shares	876354
8	60001	65000 Shares	506789
15	65001	70000 Shares	1017414
5	70001	75000 Shares	371280
10	75001	80000 Shares	779261
5	80001	85000 Shares	419945
12	85001	90000 Shares	1065688
6	90001	95000 Shares	556456
20	95001	100000 Shares	1989000
5	100001	105000 Shares	516440
6	105001	110000 Shares	656120
4	110001	115000 Shares	458144
11	115001	120000 Shares	1310066
4	120001	125000 Shares	490934
6	125001	130000 Shares	764107
5	130001	135000 Shares	669577
2	135001	140000 Shares	275180
1	140001	145000 Shares	145000
6	145001	150000 Shares	895920
4	150001	155000 Shares	614738
1	155001	160000 Shares	155084
2	160001	165000 Shares	324973
5	165001	170000 Shares	835265
4	170001	175000 Shares	689509
2	175001	180000 Shares	356145
1	180001	185000 Shares	185000
2	185001	190000 Shares	375859
1	190001	195000 Shares	193908
2	195001	200000 Shares	397000
3	200001	205000 Shares	608442
3	215001	220000 Shares	651323
3	220001	225000 Shares	672040
1	225001	230000 Shares	228559
2	230001	235000 Shares	469000
3	235001	240000 Shares	719300
1	245001	250000 Shares	246240
4	255001	260000 Shares	1026681
1	260001	265000 Shares	264000
1	265001	270000 Shares	270000
1	280001	285000 Shares	281588

Continued →

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2011 (ORDINARY SHARES)

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
2	285001	290000 Shares	574980
2	290001	295000 Shares	589000
4	295001	300000 Shares	1198080
1	315001	320000 Shares	316100
1	320001	325000 Shares	320681
1	325001	330000 Shares	327148
1	330001	335000 Shares	334500
1	335001	340000 Shares	337501
1	340001	345000 Shares	340348
2	345001	350000 Shares	700000
1	350001	355000 Shares	354800
2	355001	360000 Shares	720000
2	360001	365000 Shares	723435
1	415001	420000 Shares	420000
1	425001	430000 Shares	427200
1	430001	435000 Shares	432000
2	440001	445000 Shares	887422
1	465001	470000 Shares	468300
1	470001	475000 Shares	473232
2	495001	500000 Shares	1000000
1	505001	510000 Shares	510000
1	575001	580000 Shares	578871
1	610001	615000 Shares	610473
1	620001	625000 Shares	624000
1	630001	635000 Shares	633000
1	650001	655000 Shares	651765
1	660001	665000 Shares	664944
1	670001	675000 Shares	673749
2	690001	695000 Shares	1385501
1	720001	725000 Shares	724800
1	735001	740000 Shares	735046
1	755001	760000 Shares	758300
1	780001	785000 Shares	780115
1	800001	805000 Shares	802080
1	850001	855000 Shares	850320
1	880001	885000 Shares	880800
1	885001	890000 Shares	885600
1	935001	940000 Shares	935790
1	980001	985000 Shares	981849
1	995001	1000000 Shares	1000000
1	1045001	1050000 Shares	1045119
1	1050001	1055000 Shares	1053232
1	1065001	1070000 Shares	1066800
1	1100001	1105000 Shares	1101488
1	1150001	1155000 Shares	1155000
1	1170001	1175000 Shares	1175000
1	1185001	1190000 Shares	1188000
1	1205001	1210000 Shares	1209600
1	1215001	1220000 Shares	1215708
1	1330001	1335000 Shares	1331973
1	1405001	1410000 Shares	1407944
1	1545001	1550000 Shares	1548485
1	1555001	1560000 Shares	1558164
1	1615001	1620000 Shares	1619527

Continued →

NO. OF SHAREHOLDERS	SHARE HOLDING (NO. OF SHARES) FROM	TO	TOTAL SHARES HELD
1	1680001	1685000 Shares	1681600
1	1770001	1775000 Shares	1774320
1	1795001	1800000 Shares	1800000
1	1830001	1835000 Shares	1834800
1	1840001	1845000 Shares	1840800
1	1945001	1950000 Shares	1948800
1	1955001	1960000 Shares	1956760
1	1975001	1980000 Shares	1977001
1	2095001	2100000 Shares	2097782
1	2135001	2140000 Shares	2136000
1	2195001	2200000 Shares	2195500
1	2245001	2250000 Shares	2246400
1	2355001	2360000 Shares	2360000
1	2365001	2370000 Shares	2369342
1	2590001	2595000 Shares	2594400
1	2600001	2605000 Shares	2604540
1	2675001	2680000 Shares	2675275
1	2785001	2790000 Shares	2787387
1	2995001	3000000 Shares	2997393
1	3075001	3080000 Shares	3078082
1	3220001	3225000 Shares	3221572
1	3490001	3495000 Shares	3490600
1	3595001	3600000 Shares	3600000
1	3680001	3685000 Shares	3680011
1	4635001	4640000 Shares	4635974
1	4685001	4690000 Shares	4688478
1	4905001	4910000 Shares	4909249
1	6005001	6010000 Shares	6006253
1	6415001	6420000 Shares	6416743
1	6525001	6530000 Shares	6529158
1	7995001	8000000 Shares	8000000
1	8060001	8065000 Shares	8060906
1	9205001	9210000 Shares	9208116
1	9780001	9785000 Shares	9780532
1	9995001	10000000 Shares	10000000
1	11145001	11150000 Shares	11149920
1	15725001	15730000 Shares	15729997
1	19335001	19340000 Shares	19337060
9245	TOTAL		438119118

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 2011

		SHARES HELD	PERCENTAGE
1.	Directors, Chief Executive Officer, and their spouse and minor children	18,709,311	4.27
2.	Associated Companies, undertakings and related parties.	138,982,145	31.72
3.	NIT and ICP	6,418,362	1.46
4.	Banks Development Financial Institutions Non Banking Financial Institutions.	30,169,679	6.89
5.	Insurance Companies	8,281,877	1.89
6.	Modarabas and Mutual Funds	10,238,324	2.34
7.	Shareholders holding 10%	137,574,201	31.40
8.	General Public :		
	a. Local	138,358,835	31.58
	b. Foreign	67,124,633	15.32
9.	Others Pension Funds, Provident Funds etc.	23,032,618	5.26

MEETINGS OF BOARD OF DIRECTORS

Sr. No.	Name of Director		No. of meetings attended
1	Mrs Naz Mansha	Chairperson	5
2	Mian Raza Mansha	Chief Executive Office	5
3	Mr Khalid Qadeer Qureshi	Chairman Audit Committee	6
4	Mr Zaka ud Din		6
5	Mr Muhammad Azam (Retired on 30.10.10)		3
6	Mr Inayat Ullah Niazi	Chief Financial Officer	6
7	Mr Farid Noor Ali Fazal	Member Audit Committee	3
8	Ms Nabeeha Shahnawaz Cheema	Member Audit Committee	6

INFORMATION UNDER CLAUSE XIX (i) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2011

(A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES AS ON 30/06/2011:-

		No. of Shares	Percentage
1. NISHAT MILLS LTD		137,574,201	31.40
2. ADAMJEE INSURANCE COMPANY LIMITED		1,407,944	0.32

(B) NIT AND ICP:-

1. INVESTMENT CORPORATION OF PAKISTAN		1,400	0.00
2. NIT		219	0.00
3. NATIONAL BANK OF PAKISTAN-TRUSTEE WING		6,416,743	1.46

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

1. MRS. NAZ MANSHA	DIRECTOR/CHAIRPERSON	113,098	0.03
2. MIAN RAZA MANSHA	DIRECTOR/CHIEF EXECUTIVE	12,696,880	2.90
3. MR. KHALID QADEER QURESHI	DIRECTOR	720	0.00
4. MR. ZAKA UD DIN	DIRECTOR	720	0.00
5. MR. I.U. NIAZI	DIRECTOR/CFO	2,775	0.00
6. MS. NABIHA SHAHNAWAZ CHEEMA	DIRECTOR	2,820	0.00
7. MRS. AMMIL RAZA MANSHA (SPOUSE OF CHIEF EXECUTIVE)		5,891,098	1.34

(D) EXECUTIVES:-

NIL

(E) PUBLIC SECTOR COMPANIES & CORPORATIONS:-

1. Joint Stock Companies		150,509,392	34.35

(F) BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS:-

1. Investment Companies		10,403,760	2.37
2. Insurance Companies		8,281,877	1.89
3. Financial Institutions		30,169,679	6.89
4. Modaraba Companies		10,238,324	2.34

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

1. NISHAT MILLS LTD.		114,645,168	31.40

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

The trading in the Company's Shares during the period July 1, 2010 to June 30, 2011 by the related parties is as under:-

	Sale (No. of Shares)	Purchase (No. of Shares)
MS. NABIHA SHAHNAWAZ CHEEMA (DIRECTOR)	1,500	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancies occurred in the Board during the year.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

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

9. No orientation course has been arranged during the year.

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 2 members are non-executive directors including the chairman of the committee and 1 member is executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the 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 07, 2011

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

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

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

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2010 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company the year ended 30 June 2011.

KPMG Taseer Hadi & Co.

Lahore
September 07, 2011

KPMG Taseer Hadi & Co
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of D. G. Khan Cement Company Limited ("the Company") as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

Lahore
September 07, 2011

KPMG Taseer Hadi & Co
Chartered Accountants
(Bilal Ali)

BALANCE SHEET

	Note	2011	2010
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
- 950,000,000 (2010: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
- 50,000,000 (2010: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital	3	4,381,192	3,650,993
Reserves	4	24,957,382	22,160,477
Accumulated profit		878,711	707,750
		30,217,285	26,519,220
NON-CURRENT LIABILITIES			
Long term finances	5	4,880,579	5,089,507
Long term deposits	6	70,893	81,138
Retirement and other benefits	7	139,213	104,029
Deferred taxation	8	1,707,886	1,465,960
		6,798,571	6,740,634
CURRENT LIABILITIES			
Trade and other payables	9	1,644,045	1,679,749
Accrued markup	10	284,511	346,425
Short term borrowing - secured	11	8,691,982	9,585,642
Current portion of non-current liabilities	12	2,001,566	2,139,283
Provision for taxation		35,090	35,090
		12,657,194	13,786,189
CONTINGENCIES AND COMMITMENTS	13		
		49,673,050	47,046,043

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

Chief Executive

AS AT JUNE 30, 2011

	Note	2011	2010
		----(Rupees in thousand)-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**24,611,565**	25,307,302
Capital work in progress	15	**1,373,820**	465,650
Investments	16	**5,259,416**	4,696,922
Long term loans, advances and deposits	17	**133,219**	158,677
		31,378,020	30,628,551
CURRENT ASSETS			
Stores, spares and loose tools	18	**3,543,034**	3,017,742
Stock-in-trade	19	**862,141**	1,036,876
Trade debts	20	**459,300**	303,949
Investments	21	**12,126,349**	10,740,972
Advances, deposits, prepayments and other receivables	22	**1,136,564**	1,087,161
Cash and bank balances	23	**167,642**	230,792
		18,295,030	16,417,492
		49,673,050	47,046,043

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----(Rupees in thousand)----	
Sales - net	24	18,577,198	16,275,354
Cost of sales	25	(14,192,229)	(13,569,994)
Gross profit		4,384,969	2,705,360
Administrative expenses	26	(211,362)	(172,436)
Selling and distribution expenses	27	(2,470,599)	(994,418)
Other operating expenses	28	(37,964)	(189,015)
Other operating income	29	1,106,662	911,672
Impairment on investments		(118,836)	-
Profit from operations		2,652,870	2,261,163
Finance cost	30	(2,051,678)	(1,902,760)
Profit before tax		601,192	358,403
Taxation	31	(430,231)	(125,381)
Profit for the year		170,961	233,022
			Restated
Earnings per share - basic and diluted	32	0.45	0.70

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

Chief Executive **Director**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-----(Rupees in thousand)----	
Profit after taxation	**170,961**	233,022
Other comprehensive income :		
Available for sale financial assets		
- Change in fair value	**2,185,542**	4,209,530
- Realized gain through profit and loss account	**-**	(58,772)
- Impairment loss through profit and loss account	**(118,836)**	-
Other comprehensive income for the year	**2,066,706**	4,150,758
Total comprehensive income for the year	**2,237,667**	4,383,780

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

Chief Executive **Director**

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	33	2,795,938	3,194,599
Finance cost paid		(2,113,592)	(2,088,107)
Retirement and other benefits paid		(19,793)	(11,368)
Taxes paid		(312,120)	(260,492)
Net increase/ (decrease) in long term deposits		(10,245)	7,373
Net cash generated from operating activities		340,188	842,005
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(1,672,612)	(1,079,494)
Proceeds from sale of property, plant and equipment		39,386	16,785
Investments - net		-	(249,445)
Net decrease in long term loans, advances and deposits		23,693	8,489
Dividend received		951,354	766,398
Interest received		42,146	2,555
Net cash used in investing activities		(616,033)	(534,712)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,460,398	1,216,998
Proceeds from long term finances		1,850,000	3,050,000
Repayment of long term finances		(2,204,042)	(5,104,383)
Dividend paid		(1)	(25)
Net cash generated from/ (used in) financing activities		1,106,355	(837,410)
Net increase/ (decrease) in cash and cash equivalents		830,510	(530,117)
Cash and cash equivalents at the beginning of year		(9,354,850)	(8,824,733)
Cash and cash equivalents at the end of year	34	(8,524,340)	(9,354,850)

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Share premium	Fair value reserve	Capital redemption reserve fund	General reserve	Accumulated profit	Total
	-----------------	-----------------	---(Rupees	in thousand)---	-----------------	-----------------	-----------------
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,071,827	474,728	20,918,442
Capital transactions with owners							
- Right issue	608,499	608,499	-	-	-	-	1,216,998
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	233,022	233,022
- Other comprehensive income for the year	-	-	4,150,758	-	-	-	4,150,758
	-	-	4,150,758	-	-	233,022	4,383,780
Balance as at 30 June 2010	3,650,993	3,826,965	12,908,175	353,510	5,071,827	707,750	26,519,220
Capital transactions with owners							
- Right issue	730,199	730,199	-	-	-	-	1,460,398
Total comprehensive income for the year							
- Profit for the year	-	-	-	-	-	170,961	170,961
- Other comprehensive income for the year	-	-	2,066,706	-	-	-	2,066,706
	-	-	2,066,706	-	-	170,961	2,237,667
Balance as at 30 June 2011	**4,381,192**	**4,557,164**	**14,974,881**	**353,510**	**5,071,827**	**878,711**	**30,217,285**

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

Chief Executive **Director**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 Legal status and nature of business

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation and statement of compliance

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

2.2 Accounting convention

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

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

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

- Provision for taxation	note	2.4
- Retirement and other benefits	note	2.5
- Residual values and useful lives of depreciable assets	note	2.7
- Interest rate and cross currency swaps	note	2.17
- Provisions and contingencies	note	2.19

2.3 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 recognized in the profit and loss account as finance cost. Finance costs are accounted for on an accrual basis.

2.4 Taxation

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

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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

2.5 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 2011 using the "Projected Unit Credit Method".

The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30 June 2011 as adjusted for unrecognized actuarial gains and losses.

Cumulative net unrecognized 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.

Defined contribution plan

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

Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at 30 June 2011 using the "Projected Unit Credit Method".

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

2.6 Trade and other payables

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

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

2.7 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, gains and losses transferred from equity on qualifying cash flow hedges as referred to in note 2.17 and borrowing costs as referred to in note 2.20.

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

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

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

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

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

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

2.8 Capital work-in-progress

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

2.9 Leases

Finance leases

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

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

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

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

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

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

Operating leases

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

2.10 Investments

Investment in equity instruments of subsidiary company

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

Investments in equity instruments of associated companies

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

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

Available for sale

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

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

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

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

2.11 Stores and spares

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

2.12 Stock-in-trade

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

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

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

2.13 Financial assets and liabilities

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

2.14 Offsetting of financial assets and financial liabilities

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

2.15 Trade debts

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

2.16 Cash and cash equivalents

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

2.17 Derivative financial instruments and hedging activities

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

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

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

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

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

2.18 Foreign currencies

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

2.19 Provisions

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

2.20 Borrowing costs

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

2.21 Revenue recognition

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

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

2.22 Dividend

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

2.23 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective

The following new standards and amendments to standards are not effective for the year ended 30 June 2011, and have not been applied in preparing these financial statments.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for annual periods beginning on or after 1 January 2011) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Company's financial statements.

3 Issued, subscribed and paid up capital

3.1 Issued, subscribed and paid up capital

2011	2010		2011	2010
----(Number of shares)----			----(Rupees in thousand)----	
343,512,030	270,492,177	Ordinary shares of Rs.10 each fully paid in cash	3,435,121	2,704,922
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
438,119,119	365,099,266		4,381,192	3,650,993

137,574,201 (2010: 114,645,168) ordinary shares of the Company are held by Nishat Mills Limited, an associated concern as at 30 June 2011. In addition 1,407,944 (2010: 1,407,944) ordinary shares are held by the Adamjee Insurance Company Limited, a related party as at 30 June 2011.

3.2 Reconciliation of number of shares

	2011	2010
	----(Number of shares)----	
Number of shares as at 01 July	365,099,266	304,249,388
Issued during the year for cash	73,019,853	60,849,878
Number of shares as at 30 June	438,119,119	365,099,266

4 Reserves

Movement in and composition of reserves is as follows:

	Note	2011	2010
		----(Rupees in thousand)----	
Capital Reserves			
Share premium	4.1		
At the beginning of the year		3,826,965	3,218,466
Additions during the year		730,199	608,499
At the end of the year		4,557,164	3,826,965
Fair value reserves	4.2		
At the beginning of the year		12,908,175	8,757,417
Fair value adjustments during the year		2,066,706	4,150,758
At the end of the year		14,974,881	12,908,175
Capital redemption reserve fund	4.3	353,510	353,510
		19,885,555	17,088,650
Revenue reserves			
General reserves			
At the beginning of the year		5,071,827	5,071,827
Transfer from profit and loss account		-	-
At the end of the year		5,071,827	5,071,827
		24,957,382	22,160,477

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

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

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

5 Long term finances

	Note	2011	2010
		----(Rupees in thousand)----	
These are composed of:			
- Long term loans	5.1 & 5.2	**6,067,627**	7,222,988
- Loan under musharika arrangement	5.3	**807,500**	-
		6,875,127	7,222,988
Less: Current portion shown under current liabilities	12	**1,994,548**	2,133,481
		4,880,579	5,089,507

5.1 Long term loans

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

Loan	Lender	2011	2010	Rate of interest per annum	Outstanding installments	Interest payable
		(Rupees in thousand)				
1	Allied Bank Limited	-	260,000	* Base rate + 0.65%	The loan has been fully repaid during the year	Semi annual
2	Habib Bank Limited	90,909	272,727	* Base rate + 1.1%	1 installment ending 29 September 2011	Quarterly
3	National Bank of Pakistan	100,000	300,000	* Base rate + 0.65%	1 installment ending 16 November 2011	Semi annual
4	Habib Bank Limited	100,000	300,000	* Base rate + 1.25%	1 semi-annual installment ending on 30 December 2011	Quarterly
5	United Bank Limited	300,000	500,000	* Base rate + 1.10%	3 equal semi-annual installment ending 30 September 2012	Semi annual
6	Bank Alfalah Limited	345,818	461,091	* Base rate + 1.00%	6 equal semi-annual installment ending 16 March 2014	Quarterly
7	Standard Chartered bank	800,000	1,000,000	* Base rate + 1.5%	4 unequal quarterly installment ending 30 June 2012	Quarterly
8	Bank of Punjab	250,000	300,000	* Base rate + 1.5%	15 equal quarterly installments ending 31 March 2015	Quarterly
9	Allied Bank Limited	750,000	750,000	* Base rate + 1.5%	20 step-up quarterly installments ending 30 June 2016	Quarterly
10	Allied Bank Limited	950,000	1,000,000	* Base rate + 1.5%	18 step-up quarterly installments ending 30 November 2015	Quarterly
11	Askari Bank Limited	487,500	-	* Base rate + 1.3%	19 step-up quarterly installments ending in June 2016	Qurarterly
12	Faysal Bank Limited	500,000	-	* Base rate + 1.3%	8 semi annual unequal installments ending 31 December 2016	Quarterly
	Foreign currency-unsecured					
13	European Investment Bank US$ 16.193 million (2010 : US$ 24.289 million)	1,393,400	2,079,170	** Base rate + 0.063%	4 equal semi-annual installments ending on 29 March 2013	Quarterly
		6,067,627	7,222,988			

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

5.2 These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs. 13,530 million (2010: Rs. 16,547 million).

5.3 This finance facility is obtained from Meezan Bank Limited under Musharika arrangement. The aggregate sanction limit is Rs. 850 million which is repayable in 20 unequal quarterly installments starting from 30 March 2011. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company in favour of the Bank.

5.1 Long term loans

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

Loan	Lender	2011 (Rupees in thousand)	2010 (Rupees in thousand)	Rate of interest per annum	Outstanding installments	Interest payable
1	Allied Bank Limited	-	260,000	* Base rate + 0.65%	The loan has been fully repaid during the year	Semi annual
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9	Allied Bank Limited	750,000	750,000	* Base rate + 1.5%	20 step-up quarterly installments ending 30 June 2016	Quarterly
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* Base rate
Average ask rate of six-month and three-month Karachi Inter Bank Offer Rate ("KIBOR") to be set for each mark-up period.
** Base rate
Average ask rate of three-month London Inter Bank Offer Rate ("LIBOR") to be set for each mark-up period.

5.2 These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Company upto Rs. 13,530 million (2010: Rs. 16,547 million).

5.3 This finance facility is obtained from Meezan Bank Limited under Musharika arrangement. The aggregate sanction limit is Rs. 850 million which is repayable in 20 unequal quarterly installments starting from 30 March 2011. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company in favour of the Bank.

	2011	2010
	----(Rupees in thousand)----	

6 Long term deposits

	2011	2010
Customers	33,252	32,167
Others	37,641	48,971
	70,893	81,138

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.

7 Retirement and other benefits

	Note	2011	2010
		----(Rupees in thousand)----	
Staff gratuity	7.1	87,673	60,678
Leave encashment	7.2	51,540	43,351
		139,213	104,029

7.1 Staff gratuity - net

The amounts recognised in the balance sheet are as follows :

	2011	2010
Present value of defined benefit obligation	127,910	75,264
Fair value of plan assets	(332)	(394)
Benefits payable	25	323
Unrecognised actuarial losses	(39,930)	(14,515)
Liability as at 30 June	87,673	60,678

7.1.1 Change in present value of defined benefit obligation

	2011	2010
Liability as at 01 July	60,678	40,537
Charge for the year including capitalized during the year	30,727	23,086
Contributions plus benefit payments made directly by the Company during the year	(3,732)	(2,945)
Liability as at 30 June	87,673	60,678

7.1.2 Movement in liability for defined benefit obligation

	2011	2010
Present value of defined benefit obligation as at 01 July	75,264	56,040
Current service cost	21,409	15,583
Interest cost	8,784	6,725
Benefits due but not paid	(25)	(323)
Benefits paid during the year	(3,476)	(2,715)
Actuarial loss/(gain) on present value of defined benefit obligation	25,954	(46)
Present value of defined benefit obligation as at 30 June	127,910	75,264

7.1.3 Movement in fair value of plan assets

	2011	2010
Fair value of plan assets as at 01 July	394	274
Expected return on plan assets	4	33
Contributions during the year	3,732	2,945
Benefits paid during the year	(3,799)	(2,830)
Actuarial gain/(loss) on plan assets	1	(28)
Fair value of plan assets as at 30 June	332	394

	2011	2010
	----(Rupees in thousand)----	

7.1.4 Actual return on plan assets

	2011	2010
Expected return on plan assets	4	33
Actuarial gain/(loss) on plan assets	1	(28)
	5	5

7.1.5 Plan assets consist of the following :

	2011	2010
Cash and other deposits	332	394

7.1.6 Movement in unrecognised actuarial losses

	2011	2010
Un recognised actuarial losses as at 01 July	(14,515)	(15,344)
Actuarial losses arising during the year	(25,954)	18
Actuarial losses charged to profit during the year	538	811
Un recognised actuarial losses as at 30 June	(39,931)	(14,515)

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

	2011	2010
Current service cost	21,409	15,583
Interest cost	8,784	6,725
Expected return on plan assets	(4)	(33)
Actuarial losses charged to profit during the year	538	811
	30,727	23,086

7.1.8 Historical information

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Present value of defined benefit obligation	127,910	75,264	56,040	33,122	22,741
Fair value of plan assets	(332)	(394)	(274)	(1)	(36)
Deficit in the plan	127,578	74,870	55,766	33,121	22,705
Experience adjustment arising on plan liabilities	25,954	(46)	8,850	1,414	2,859
Experience adjustment arising on plan assets	1	(28)	-	(39)	(2)

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

		2011	2010
Discount rate	Per annum	14 %	12 %
Expected rate of increase in salary	Per annum	14 %	11 %
Expected rate of return on plan assets	Per annum	1 %	12 %
Average expected remaining working life time of employee	Number of years	13	12

7.1.10 The Company expects to pay Rs. 38.21 million in contributions to defined benefit plan in 2012.

	2011	2010
	----(Rupees in thousand)----	

7.2 Leave encashment

	2011	2010
Opening balance	**43,351**	38,085
Expenses recognized	**25,466**	15,023
Payments made	**(10,259)**	(3,955)
	58,558	49,153
Payable within one year	**(7,018)**	(5,802)
Closing balance	**51,540**	43,351

7.2.1 Movement in liability for defined benefit obligation

	2011	2010
Present value of defined benefit obligation as at 01 July	**43,351**	38,085
Current service cost	**12,764**	9,866
Interest cost	**4,587**	4,570
Benefits paid during the year	**(10,259)**	(3,955)
Actuarial loss on present value of defined benefit obligation	**8,115**	587
Payable within one year	**(7,018)**	(5,802)
Present value of defined benefit obligation as at 30 June	**51,540**	43,351

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

	2011	2010
Current service cost	**12,764**	9,866
Interest cost	**4,587**	4,570
Actuarial losses charged to profit during the year	**8,115**	587
	25,466	15,023

7.2.3 Historical Information

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Present value of defined benefit obligation	**51,540**	49,153	42,553	31,062	25,839
Experience adjustment arising on plan liabilities	**8,115**	587	5,969	3,010	2,168

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

		2011	2010
Discount rate	Per annum	14 %	12 %
Expected rate of increase in salary	Per annum	14%	11%
Average expected remaining working life time of employees	Number of years	13	12
Expected withdrawal and early retirement rate		Based on experience	

	Officers 2011 (days)	Officers 2010 (days)	Workers 2011 (days)	Workers 2010 (days)
Average number of leaves				
- Utilized per annum	**16.00**	14.00	**18.00**	19.00
- Encashed per annum	**6.00**	6.00	**6.00**	6.00
- Utilized per annum in excess of accrued leave of 30 days	**1.00**	1.00	**2.00**	2.00
- Encashed per annum in excess of accrued leave of 30 days	**0.25**	0.25	**1.00**	1.00

	Note	2011	2010
		----(Rupees in thousand)----	

8 Deferred taxation

	Note	2011	2010
The liability for deferred taxation comprises temporary differences relating to:			
Deferred tax liability			
Accelerated tax depreciation		**4,535,764**	4,288,029
Deferred tax assets			
Provision for retirement and other benefits		**(36,200)**	(23,640)
Unabsorbed tax credits		**(2,791,678)**	(2,798,429)
		1,707,886	1,465,960

9 Trade and other payables

	Note	2011	2010
Trade creditors		**211,457**	376,307
Infrastructure cess	13.1.5	**89,164**	-
Customers' balances		**686,990**	552,463
Accrued liabilities		**279,944**	307,152
Workers' Profit Participation Fund	9.1	**31,642**	20,251
Workers Welfare Fund	29.2	**-**	77,320
Sales Tax payable		**-**	32,850
Federal Excise Duty payable		**169,864**	221,636
Special Excise Duty payable		**13,363**	-
Withholding tax payable		**5,851**	6,564
Retention money		**12,767**	20,485
Unclaimed dividend		**4,870**	4,869
Advances against sale of scrap		**936**	1,030
Advances against sale of fixed asset	9.2	**63,110**	-
Redeemable preference shares (non-voting) - unsecured		**125**	127
Other payables		**73,962**	58,695
		1,644,045	1,679,749

9.1 Workers' Profit Participation Fund

	Note	2011	2010
Balance as at 01 July		**20,251**	41,724
Provision for the year	28	**31,642**	20,251
Interest for the year	30	**1,090**	2,051
		52,983	64,026
Less: Payments during the year		**21,341**	43,775
Balance as at 30 June		**31,642**	20,251

9.2 This amount represents advance against sale of a machinery.

	Note	2011	2010
		----(Rupees in thousand)----	
10 Accrued markup			
Long term finances		154,960	185,223
Short term borrowing - secured		129,467	161,118
Preferred dividend on redeemable preference shares		84	84
		284,511	346,425
11 Short term borrowing - secured			
Short term running finances	11.1	4,046,928	7,906,872
Import finances	11.2	1,157,914	1,678,770
Export refinance	11.3	3,487,140	-
		8,691,982	9,585,642

11.1 Short term running finances

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 9,832 million (2010: Rs. 9,820 million). The rates of mark up range from 12.24% to 13.79% (2010: 12.24% to 16.26%) or part thereof on the balance outstanding. These are secured by first registered charge on all present and future current assets of the company wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.75 million (2010: 10.75 million) shares of MCB Bank Limited, 10 million (2010: 10 million) shares of Nishat Mills Limited and 2.3 million (2010 : 2.3 million) shares of Adamjee Insurance Company Limited.

11.2 Import finances

The Company has obtained import finance facilities aggregating to Rs. 4,053 million (2010: Rs. 3,737 million) from commercial banks. The rates of mark-up range from 2.26% to 15% (2010: 3.11% to 15.98%). 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. 8,430 million (2010: Rs. 7,077.42 million) for opening letters of credit and Rs. 1,610 million (2010: Rs. 1,601.4 million) for guarantees, the amount utilized as at 30 June 2011 was Rs. 1,138 million (2010: Rs. 1458.95 million) and Rs. 1,112 million (2010: Rs. 989.84 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 (2010: Rs. 14.48 million) is secured by a lien over bank deposits as referred to in note 23.2.

11.3 Export refinance

This represents ERF loans obtained from various commercial banks, which carry mark-up at 9.5% to 11% per annum (2010: 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	2011	2010
		----(Rupees in thousand)----	
12 Current portion of non-current liabilities			
Long term finances	5	1,994,548	2,133,481
Retirement and other benefits	7.2	7,018	5,802
		2,001,566	2,139,283

13 Contingencies and commitments

13.1 Contingencies

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

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

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

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

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

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

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

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

13.1.5 The Company, consequent to the order passed by the Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of fifth version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after 28 December 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated 31 May 2011, for release of 50% of the guarantees (refer 13.1.4), the final order from Sindh High Court is still pending. According to the legal counsel of the Company, chances of favourable outcome of the appeal are fair, however, as an abundant caution, provision for 50% of the amount of infrastructure cess payable has been incorporated in these financial statements amounting to Rs. 89.164 million.

13.1.6 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 (2010: Rs 20.460 million)

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs 340.9 million (2010: Rs 240.9 million)

- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs 3 million (2010: Rs 3 million)

- Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs 3 million (2010: Rs 3 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 3 Million (2010: Rs 3 million).

- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs 3.852 million (2010: Rs 1.835 million)

- Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D.G. Khan Project amounting to Rs 715.455 million (2010: Rs 715.455 million)

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs 10.050 million (2010: Rs 0.050 million).

- Bank guarantee in respect of Alternative Energy Development Board (AEDB) amounting to Rs 2.151 million (2010: Rs 2.140 million).

- The Managing Director, Lahore Waste Management Company (LWMC) against the performance of a contract amounting to Rs 10 million (2010: Nil)

13.2 Commitments

(i) Contracts for capital expenditure Rs 113.639 million (2010: Rs 115.335 million).
(ii) Letters of credit for capital expenditure Rs 1,364.57 million (2010: Rs 41.891 million).
(iii) Letters of credit other than capital expenditure Rs 873.36 million (2010: Rs 1,375.171 million).
(iv) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2011	2010
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,488	1,488
Later than five years	6,501	6,833
	8,320	8,652

14. Property, plant and equipment

	Annual rate of depreciation %	Cost as at July 01, 2010	Additions/ (Deletions)	Transfer in/(out)	Cost as at 30 June 2011	Accumulated Depreciation as at July 01, 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2011	Book value as at June 30,2011
		(Rupees in thousand)				(Rupees in thousand)			
Freehold land	-	340,892	410	-	341,302	-	-	-	341,302
Leasehold land	3.33	63,000	-	-	63,000	5,250	2,100	7,350	55,650
Building on freehold land									
- Factory building	10	4,847,944	100,981	-	4,948,925	1,740,240	316,109	2,056,349	2,892,576
- Office building and housing colony	5	681,049	111,334	-	792,383	194,737	26,201	220,938	571,445
Roads	10	434,874	4,089	-	438,963	164,328	27,214	191,542	247,421
Plant and machinery	4.76 - 4.98	26,045,208	454,768 (28,380)	-	26,471,596	6,313,259	870,555 (5,300)	7,178,514	19,293,082
Quarry equipment	20	1,497,966	-	-	1,497,966	760,331	119,304	879,635	618,331
Furniture, fixture and office equipment	10	284,709	22,132 (251)	-	306,590	103,844	19,105 (82)	122,867	183,723
Vehicles	20	148,301	66,843 (17,277)	-	197,867	75,046	17,170 (10,757)	81,459	116,408
Aircraft	30	38,185	-	-	38,185	35,707	743	36,450	1,735
Power and water supply lines	10	463,229	3,885	-	467,114	145,313	31,909	177,222	289,892
2011		**34,845,357**	**764,442** **(45,908)**	**-**	**35,563,891**	**9,538,055**	**1,430,410** **(16,139)**	**10,952,326**	**24,611,565**

	Annual rate of depreciation %	Cost as at July 01, 2009	Additions/ (Deletions)	Transfer in/(out)	Cost as at 30 June 2010	Accumulated Depreciation as at July 01, 2009	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at June 30, 2010	Book value as at June 30,2010
		(Rupees in thousand)				(Rupees in thousand)			
Freehold land	-	340,892	-	-	340,892	-	-	-	340,892
Leasehold land	3.33	63,000	-	-	63,000	3,150	2,100	5,250	57,750
Building on freehold land									
- Factory building	10	4,721,169	126,775	-	4,847,944	1,407,859	332,381	1,740,240	3,107,704
- Office building and housing colony	5	639,018	42,031	-	681,049	171,028	23,709	194,737	486,312
Roads	10	416,595	18,279	-	434,874	136,129	28,199	164,328	270,546
Plant and machinery	4.76 - 4.98	23,944,559	2,100,861	(212)	26,045,208	5,521,294	791,965	6,313,259	19,731,949
Quarry equipment	20	1,497,966	-	-	1,497,966	611,200	149,131	760,331	737,635
Furniture, fixture and office equipment	10	269,752	15,145 (400)	212	284,709	85,149	18,816 (121)	103,844	180,865
Vehicles	20	153,434	13,659 (18,792)	-	148,301	69,492	14,646 (9,092)	75,046	73,255
Aircraft	30	38,185	-	-	38,185	34,645	1,062	35,707	2,478
Power and water supply lines	10	415,927	47,302	-	463,229	114,758	30,555	145,313	317,916
2010		**32,500,497**	**2,364,052** **(19,192)**	**-**	**34,845,357**	**8,154,704**	**1,392,564** **(9,213)**	**9,538,055**	**25,307,302**

14.1 Freehold land and building include book values of Rs 12 million (2010: Rs 12 million) and Rs 7.475 million (2010: Rs 7.868 million) respectively which are held in the name of Chief Executive of the Company. This property is located in the locality of Defense Housing Authority where the by-laws restrict transfer of title of the residential property in the name of the Company.

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

	Note	2011	2010
		----(Rupees in thousand)----	
Cost of sales	25	**1,414,968**	1,379,750
Administrative expenses	26	**12,752**	11,538
Selling and distribution expenses	27	**2,690**	1,276
		1,430,410	1,392,564

14.3 Disposal of property, plant and equiment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
		(Rupees in thousand)					
Equipment							
	M/s Nishat Mills Ltd. (related party)	28,380	5,299	23,081	23,081	-	Negotiation
	Shahbaz Brothers	90	28	62	10	(52)	-d0-
Vehicles							
	Shahzad Ahmed	1,460	741	719	1,400	681	Auction
	Nadeem Mahmood	1,460	760	700	1,380	680	Auction
	Jalal Mirza	1,217	891	326	952	626	Auction
	Umer Zameer	1,196	876	320	863	543	Auction
	Nadeem Ahmed	1,119	761	358	801	443	Auction
	Engr. Rehmat Ali	1,105	809	296	800	504	Auction
	Engr. Rehmat Ali	998	730	268	780	512	Auction
	Kh. Fakhar-ul-Islam	965	700	265	955	690	Auction
	Atiq-ur-Rehman	939	627	312	1,003	691	Auction
	Kashif Manzoor	790	527	263	777	514	Auction
	Mr. Irfan Khan	749	469	280	561	281	Auction
	Atiq-ur-Rehman	571	257	314	623	309	Auction
	Mr. Umer Zameer	566	428	138	391	253	Auction
	Ch. Ahtesham-ul-Haq	560	376	184	525	341	Auction
	Security General Insurance (related party)	560	374	186	350	164	Insurance claim
	Qadeer Ahmed	560	381	179	497	318	Auction
	Pervaiz Akhtar	555	320	235	500	265	Auction
	Security General Insurance (related party)	483	169	314	550	236	Insurance claim
	Ahmad Subhani	274	99	175	462	287	Auction
	Zahid Ali Khan	275	99	176	511	335	Auction
	Nabeel Riaz	272	106	166	528	362	Auction
	Zeeshan Ali Shah	272	106	166	507	341	Auction
	Nisar Ahmed Qureshi	272	109	163	567	404	Auction
	Muhammad Nadeem	59	43	16	30	14	Auction
Others							
	Asset with book value less that Rs. 50,000	161	54	107	35	(72)	Auction
	2011	**45,908**	**16,139**	**29,769**	**39,439**	**9,670**	
	2010	19,192	9,213	9,979	16,785	6,806	

	Note	2011	2010
		----(Rupees in thousand)----	
15 Capital work in progress			
Civil works		206,776	84,874
Plant and machinery		925,123	226,353
Advances		74,190	28,988
Others		115,030	78,491
Expansion project :			
- Civil works		18,992	18,992
- Others		33,709	27,952
		52,701	46,944
		1,373,820	465,650
16 Investments			
Investment in subsidiary company	16.1	203,629	203,629
Available for sale	16.2	5,055,787	4,493,293
		5,259,416	4,696,922

16.1 Investment in subsidiary company

	Note	2011	2010
Un-quoted			
Nishat Paper Products Company Limited			
23,268,398 (2010: 23,268,398) fully paid ordinary shares of Rs 10 each			
Equity held: 50% (2010: 50%)		203,629	203,629

16.2 Available for sale

	Note	2011	2010
Related parties	16.2.1	1,727,802	1,846,505
Others	16.2.2	387	519
		1,728,189	1,847,024
Revaluation surplus		3,327,598	2,646,269
		5,055,787	4,493,293

16.2.1 Related parties

	2011	2010
Quoted		
Nishat Mills Limited - associated company		
30,289,501 (2010: 30,289,501) fully paid ordinary shares of Rs 10 each	1,577,174	1,577,174
Market value - Rs 1,524.773 million (2010: Rs 1,306.084 million)		
Less: Impairment Loss	(250,615)	(250,615)
	1,326,559	1,326,559
Nishat (Chunian) Limited - associated company		
4,926,900 (2010: 4,926,900) fully paid ordinary shares of Rs 10 each	45,254	45,254
Market value - Rs 109.821 million (2010: Rs 77.746 million)		
MCB Bank Limited - associated company		
16,007,002 (2010: 14,551,820) fully paid ordinary shares of Rs 10 each	125,834	125,834
Market value - Rs 3,190.195 million (2010: Rs 2,825.817 million)		
Adamjee Insurance Company Limited - associated company		
3,541,391 (2010: 3,541,391) fully paid ordinary shares of Rs 10 each	348,858	348,858
Market value - Rs 230.155 million (2010: Rs 282.886 million)		
Less: Impairment Loss	(118,703)	-
	401,243	519,946
	1,727,802	1,846,505

Nishat Mills Limited, Nishat Chunian 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.

	2011	2010
	----(Rupees in thousand)----	
16.2.2 Others - quoted		
Maple Leaf Cement Factory Limited		
13,747 (2010: 13,747) fully paid ordinary shares of Rs 10 each	282	282
Market value - Rs 0.0283 million (2010: Rs 0.0428 million)		
Less: Impairment loss	(253)	(128)
	29	154
1,999 (2010: 1,999) fully paid preference shares of Rs 10 each	20	20
Market value - Rs 0.0098 million (2010: Rs 0.083 million)		
Less: Impairment loss	(10)	(3)
	10	17
First Capital Mutual Fund		
89,000 (2010: 89,000) certificates of Rs 10 each	890	890
Market value - Rs 0.223 million (2010: Rs 0.205 million)		
Less: Impairment loss	(678)	(678)
	212	212
Habib Bank Limited		
159 (2010: 145) fully paid ordinary shares of Rs 10 each	24	24
Market value - Rs 0.018 million (2010: Rs 0.014 million)		
Less: Impairment loss	(6)	(6)
	18	18
Oil and Gas Development Company Limited		
2,353 (2010: 2,353) fully paid ordinary shares of Rs 10 each	76	76
Market value - Rs 0.360 million (2010: Rs 0.333 million)		
Pakistan Petroleum Limited		
871 (2010: 726) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.180 million (2010: Rs 0.134 million)		
Kot Addu Power Company Limited		
500 (2010: 500) fully paid ordinary shares of Rs 10 each	15	15
Market value - Rs 0.021 million (2010: Rs 0.021 million)		
	387	519

16.3 Investments with a face value of Rs 230.5 million (2010: Rs 230.5 million) are pledged as security against bank facilities. 2,900,277 (2010: 2,396,924) shares of MCB Bank Limited are blocked in CDC account.

	Note	2011	2010
		----(Rupees in thousand)----	

17 Long term loans, advances and deposits

	Note	2011	2010
Loans to employees - considered good			
- Executives	17.1	383	410
- Others		3,550	3,204
		3,933	3,614
Less: Receivable within one year			
- Executives		129	113
- Others		1,242	1,282
		1,371	1,395
		2,562	2,219
Loan to related party - considered good	17.2	103,234	120,440
Less : receivable within one year	22	17,206	17,206
		86,028	103,234
Security deposits		44,629	53,224
		133,219	158,677

17.1 Executives

	2011	2010
Opening balance	410	17
Transfer from Others to Executives	118	505
Interest accrued	17	26
	545	548
Less: Repayment during the year	162	138
	383	410

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 (2010: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 3.933 million (2010: Rs 3.614 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.528 million (2010: Rs 0.298 million).

17.2 This represents un-secured loan of Rs 73.50 million and Rs 29.734 million (2010 : Rs. 85.750 million and Rs. 34.690 million) given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plants at D. G. Khan and Khairpur respectively. Mark-up is charged at rates ranging from 1.5% to 2% per annum (2010: 1.5% to 2% per annum) respectively and is receivable annually. This amount is receivable in 6 annual installments ending 01 January 2017 and 28 March 2018.

18 Stores, spares and loose tools

	2011	2010
	----(Rupees in thousand)----	
Stores [including in transit Rs 32.191 million (2010: Rs 9.556 million)]	1,235,053	870,113
Spares [including in transit Rs 214.699 million (2010: Rs. 306.053 million)]	2,282,786	2,130,891
Loose tools	25,195	16,738
	3,543,034	3,017,742

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

	Note	2011	2010
		----(Rupees in thousand)----	

19 Stock-in-trade

	Note	2011	2010
Raw materials		142,551	127,756
Packing material [including in transit Rs. 6.411 million (2010: Rs Nil)]		255,241	152,216
Work-in-process		169,612	537,539
Finished goods		294,737	219,365
		862,141	1,036,876

20 Trade debts - considered good

	Note	2011	2010
Secured		403,323	252,980
Unsecured			
- Related parties	20.1	1,348	2,776
- Others		54,629	48,193
		459,300	303,949

20.1 Due from related parties

	Note	2011	2010
Nishat (Chunian) Limited		8	1,100
Nishat Power Limited		-	1
Nishat Developers		1,340	1,675
		1,348	2,776

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

21 Investments

Available-for-sale

	Note	2011	2010
Related parties	21.1	479,066	479,066
Add: Revaluation surplus		11,647,283	10,261,906
		12,126,349	10,740,972

21.1 Related parties-Quoted

	2011	2010
Nishat (Chunian) Limited - associated company		
83,159 (2010: 83,159) fully paid ordinary shares of Rs 10 each	832	832
Market value - Rs 1.853 million (2010: Rs 1.312 million)		
MCB Bank Limited - associated company		
60,835,402 (2010: 55,304,911) fully paid ordinary shares of Rs 10 each	478,234	478,234
Market value Rs 12.124 million (2010: Rs 10,739.661 million)		
	479,066	479,066

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

	Note	2011	2010
		----(Rupees in thousand)----	

22 Advances, deposits, prepayments and other receivables

	Note	2011	2010
Loans to employees - considered good	17	1,371	1,395
Advances - considered good			
- to employees	22.1	4,190	2,025
- to trade suppliers	22.2	334,481	430,169
		338,671	432,194
Current portion of long term receivable from related party	17	17,206	17,206
Due from related parties	22.3	15,202	30,828
Mark-up receivable from related party	22.4	51,655	40,834
Derivative financial instruments	22.5	1,303	9,422
Profit receivable on bank deposits		-	981
Letters of credit - margins, deposits, opening charges, etc.		5,329	35,341
Excise duty recoverable		-	3,019
Claims recoverable from government			
Income tax		505,470	381,654
Sales tax	22.6	111,271	51,307
Freight subsidy		27,422	27,422
Excise duty		17,370	17,243
Export rebate		41,915	35,514
		703,448	513,140
Other receivables		2,379	2,801
		1,136,564	1,087,161

22.1 Included in advances to employees are amounts due from executives of Rs 2,396 thousand (2010: Rs 1,009 thousand).

22.2 This includes amount due from Subsidiary company amounting to Rs 310.999 million (2010: Rs 346.414 million) relating to advance for purchase of paper bags carrying interest at average borrowing rate of the company.

22.3 Due from related parties

	Note	2011	2010
		----(Rupees in thousand)----	
Nishat Mills Limited		14,568	30,656
Nishat Spinning Mills Limited		191	-
Lalpir Power Limited		443	-
Nishat Hotels and Properties Limited		-	172
	22.3.1	15,202	30,828

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

22.4 This represents mark-up receivable from Sui Northern Gas Pipelines Limited against the loan as referred to in note 17.2 and from Nishat Paper Products Company Limited against advances as referred to in note 22.2.

22.5 The Company has entered into 9 forward agreements with various banks for a total amount of USD 14.5 million (2010: USD 16.5 million), having 1 to 6 months maturity. Under forward agreement, the Company would sell the contracted quantity of USD to the bank at the Contracted rate. As at 30 June 2011, the unrealized gain on these forward contracts amounts to Rs. 1.303 million (2010 :Rs. 9.422 million).

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

	Note	2011	2010
		----(Rupees in thousand)----	
23 Cash and bank balances			
At banks			
Saving accounts	23.1 & 23.2		
Pak rupee		77,366	93,150
Foreign currency US $ 22.20 (2010: US $ 22.20)		2	2
Current accounts		90,131	136,544
		167,499	229,696
Cash in hand		143	1,096
		167,642	230,792

23.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 5% per annum (2010: 0.1% to 5% per annum).

23.2 Included in balances at banks on saving accounts are Rs 14.480 million (2010: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 11.2.

	Note	2011	2010
		----(Rupees in thousand)----	
24 Sales - net			
Local sales		16,986,833	18,337,945
Export sales	24.1	6,486,701	3,698,676
		23,473,534	22,036,621
Less: Government levies		4,621,995	5,509,345
Commission to stockists and export agents		274,341	251,922
		4,896,336	5,761,267
		18,577,198	16,275,354

24.1 Export sales include rebate on exports amounting to Rs 31.488 million (2010: Rs 23.020 million).

25 Cost of sales

	Note	2011	2010
Raw and packing materials consumed		1,805,898	1,912,808
Salaries, wages and other benefits	25.1	804,957	695,739
Electricity and gas		1,880,289	1,991,243
Furnace oil and coal		6,160,054	6,100,305
Stores and spares consumed		1,338,239	1,096,570
Repair and maintenance		175,077	165,951
Insurance		54,992	52,727
Depreciation on property, plant and equipment	14.2	1,414,968	1,379,750
Royalty		146,625	185,052
Excise duty		13,597	34,839
Vehicle running		25,234	21,041
Postage, telephone and telegram		4,212	4,829
Printing and stationery		7,147	4,821
Legal and professional charges		1,790	2,079
Traveling and conveyance		10,744	8,652
Estate development		15,298	12,514
Rent, rates and taxes		13,675	1,492
Freight charges		11,566	4,924
Other expenses		25,605	19,834
Total manufacturing cost c/f		13,909,967	13,695,170

	2011	2010
	----(Rupees in thousand)----	
Total manufacturing cost b/f	13,909,967	13,695,170
Opening work-in-process	537,539	387,444
Closing work-in-process	(169,612)	(537,539)
	367,927	(150,095)
Cost of goods manufactured	14,277,894	13,545,075
Opening stock of finished goods	219,365	249,916
Closing stock of finished goods	(294,737)	(219,365)
	(75,372)	30,551
Less : own consumption	10,293	5,632
	14,192,229	13,569,994

25.1 Salaries, wages and other benefits include Rs 21.950 million (2010: Rs 19.256 million), Rs 20.399 million (2010: Rs 17.584 million) and Rs 15.907 million (2010: Rs 12.394 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

26 Administrative expenses

	Note	2011	2010
		----(Rupees in thousand)----	
Salaries, wages and other benefits	26.1	117,184	91,633
Electricity, gas and water		5,908	3,868
Repair and maintenance		5,981	6,052
Insurance		1,809	1,596
Depreciation on property, plant and equipment	14.2	12,752	11,538
Vehicle running		5,428	5,252
Postage, telephone and telegram		7,998	9,568
Printing and stationery		9,202	5,716
Legal and professional charges	26.2	8,143	8,478
Traveling and conveyance		5,293	4,983
Rent, rates and taxes		1,197	1,480
Entertainment		1,798	1,492
School expenses		15,083	11,292
Fee and subscription		7,681	4,948
Other expenses		5,905	4,540
		211,362	172,436

26.1 Salaries, wages and other benefits include Rs 4.322 million (2010: Rs 3.176 million), Rs. 7.983 million (2010: Rs. 3.464 million) and Rs 2.305 million (2010: Rs 1.604 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

26.2 Legal and professional charges

	2011	2010
	----(Rupees in thousand)----	
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	1,250	1,100
Half yearly review	270	250
Certification and sundry services	50	50
Out of pocket expenses	70	100
	1,640	1,500

	Note	2011	2010
		----(Rupees in thousand)----	
27 Selling and distribution expenses			
Salaries, wages and other benefits	27.1	63,822	54,149
Electricity, gas and water		1,277	1,100
Repair and maintenance		427	557
Insurance		336	238
Depreciation on property, plant and equipment	14.2	2,690	1,276
Vehicle running		3,075	2,736
Postage, telephone and telegram		2,117	2,400
Printing and stationery		1,344	2,240
Rent, rates and taxes		1,250	3,520
Legal and professional charges		633	16
Traveling and conveyance		2,740	2,079
Entertainment		521	578
Advertisement and sales promotion		3,020	5,271
Freight charges -local		73	70
Freight and handling charges -export		2,386,545	916,975
Other expenses		729	1,213
		2,470,599	994,418

27.1 Salaries, wages and other benefits include Rs 2.588 million (2010: Rs 2.246 million), Rs 2.107 million (2010: Rs 1.975 million) and Rs 1.411 million (2010: Rs 1.042 million) respectively, in respect of provident fund contribution by the Company, provision for gratuity and staff compensated absences.

	Note	2011	2010
		----(Rupees in thousand)----	
28 Other operating expenses			
Workers' Profit Participation Fund		31,642	20,251
Donations	28.1	140	351
Worker Welfare Fund		-	26,353
Exchange loss		6,182	142,060
		37,964	189,015

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

	Note	2011	2010
29 Other operating income			
Income from financial assets			
Income on bank deposits		1,603	2,372
Interest on loans to employees		53	45
Gain on sale of shares		-	79,215
Dividend income from:			
- Related parties	29.1	951,330	765,930
- Others		24	468
		951,354	766,398
		953,010	848,030
Income from non-financial assets			
Rental income		1,473	1,406
Gain on disposal of property, plant and equipment		9,670	6,806
Scrap sales		12,074	13,085
Provision written back - Worker Welfare Fund	29.2	77,320	-
Mark-up on loan/ advances to related parties		52,914	42,273
		153,451	63,570
Others		201	72
		1,106,662	911,672

	2011	2010
	----(Rupees in thousand)----	
29.1 Dividend income from related parties		
Nishat Mills Limited	75,724	41,779
Nishat (Chunian) Limited	7,515	50
MCB Bank Limited	859,238	714,443
Adamjee Insurance Company Limited	8,853	9,658
	951,330	765,930

29.2 The company has written back the provisions created on account of Workers' Welfare Fund relating to years 2007, 2009 and 2010 based on the judgment issued by the honourable Lahore High Court through order 19 August 2011. The Honourable court, through such order, has held the amendments introduced to the Workers Welfare Fund Ordinance, 1971 through Finance Act, 2006 and Finance Act, 2008 as ultra vires the constitution. Accordingly, the company has reverserd the provision made for WWF, based on accounting profit, in respect of above mentioned years.

30 Finance cost

	2011	2010
	----(Rupees in thousand)----	
Interest and mark-up on:		
- Long term loans	778,035	731,659
- Short term borrowings	1,242,246	1,088,143
- Workers' Profit Participation Fund	1,090	2,051
(Gain) / loss on derivative financial instruments	(27,468)	28,470
Guarantee commission	21,242	29,843
Bank charges	36,533	22,594
	2,051,678	1,902,760

During the year borrowing cost amounting to Rs. Nil (2010: Rs 150.084 million) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

31 Provision for taxation

	Note	2011	2010
		----(Rupees in thousand)----	
For the year			
- Current	31.1	(188,305)	(100,998)
- Deferred		(241,926)	(24,383)
		(430,231)	(125,381)

31.1 The provision for current taxation represents minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of 1% (2010: 0.5%) of turnover form local sales. In addition to this, it includes tax on exports and rental income which is full and final discharge of Company's tax liability in respect of income arising from such source.

31.2 For purposes of current taxation, the tax credits available for carry forward as at 30 June 2011 are estimated approximately at Rs 7,976 million (2010: Rs 7,995 million).

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

32 Earnings per share

		2011	2010 Restated
32.1 Earnings per share - Basic			
Profit for the year	Rupees in thousand	170,961	233,022
Weighted average number of ordinary shares	Number	380,437,368	334,266,207
Earnings per share - basic	Rupees	0.45	0.70

32.2 Earnings per share - Diluted

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

	2011	2010
	----(Rupees in thousand)----	

33 Cash flow from operating activities

	2011	2010
Profit before tax	601,192	358,403
Adjustment for :		
- Depreciation on property, plant and equipment	1,430,410	1,392,564
- Gain on disposal of property, plant and equipment	(9,670)	(6,806)
- Gain on disposal of investments	-	(79,215)
- Dividend income	(951,354)	(766,398)
- Impairment loss on investments	118,836	-
- Markup income	(52,914)	(42,273)
- Retirement and other benefits accrued	56,193	38,109
- Exchange loss - net	6,182	142,060
- Finance cost	2,051,678	1,902,760
	2,649,361	2,580,801
Profit before working capital changes	3,250,553	2,939,204
Effect on cash flow due to working capital changes:		
- (Increase) in stores, spares and loose tools	(525,293)	(81,862)
- Decrease / (Increase) in stock-in-trade	174,735	(137,040)
- (Increase) / Decrease in trade debts	(155,351)	210,017
- Decrease in advances, deposits, prepayments and other receivables	86,999	19,926
- (Decrease) / Increase in trade and other payables	(35,705)	244,354
	(454,615)	255,395
Cash generated from operations	2,795,938	3,194,599

34 Cash and cash equivalents

	2011	2010
Short term borrowings - secured	(8,691,982)	(9,585,642)
Cash and bank balances	167,642	230,792
	(8,524,340)	(9,354,850)

35 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	7,496	6,518	11,854	10,310	154,330	121,805
Contributions to provident and gratuity funds	-	-	2,173	1,031	23,467	10,271
Housing	270	270	733	683	49,411	38,874
Utilities	-	-	-	-	10,637	8,289
Leave passage	-	-	984	635	4,711	3,173
Medical expenses	529	1,359	380	109	4,818	2,213
Others	4,547	4,843	919	2,045	35,650	38,849
	12,842	12,990	17,043	14,813	283,024	223,474
Number of persons	1	1	2	2	131	105

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

35.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 5 directors (2010: 5 directors) was Rs Nil (2010: Rs Nil).

36 Transactions with related parties

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

Relationship with the company	Nature of transaction	2011	2010
		----(Rupees in thousand)----	
i. Subsidiary Company	Purchase of goods	1,032,032	1,186,862
	Rental income	796	776
	Interest income	50,819	39,859
ii. Other related parties	Sale of goods	30,882	29,002
	Sale of equipment	23,187	-
	Insurance premium	74,757	75,046
	Purchase of services	632,526	742,971
	Insurance claims received	2,468	202
	Mark-up income on balances with related parties	2,096	2,414
	Dividend income	951,330	765,930

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

37 Plant capacity and actual production

	Capacity		Actual production	
	2011	2010	2011	2010
Clinker (M. Tons)				
Unit 1	810,000	810,000	694,835	951,397
Unit 2	1,200,000	1,200,000	1,325,877	1,328,353
Unit 3	2,010,000	2,010,000	1,717,692	2,404,626

38 Operating segments

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

38.2 Sale from cement and clinker represent 98.40% and 1.60% (2010: 98.57% and 1.43%) of total revenue of the company respectively.

38.3 All non-current assets of the company as at 30 June 2011 are located in Pakistan.

39 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

39.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 19,284 million (2010: Rs. 16,702 million) financial assets which are subject to credit risk amount to Rs. 18,579 million (2010: Rs. 16,701 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:

	2011	2010
	----(Rupees in thousand)----	
Available for sale financial assets		
- Non Current Investments	5,259,416	4,696,922
- Current Investments	12,126,349	10,740,972
Long term loans, advances and deposits	133,219	158,677
Trade debts	459,300	303,949
Advances, deposits, prepayments and other receivables	431,813	561,580
Bank balances	167,499	229,696
Derivative financial instruments	1,303	9,422
	18,578,899	16,701,218

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

	2011	2010
	----(Rupees in thousand)----	
Foreign	**362,893**	216,093
Domestic	**96,407**	87,856
	459,300	303,949

The aging of trade receivables at the reporting date is:

	2011	2010
Past due 1 - 3 Months	**212,692**	139,950
Past due 4 - 6 Months	**171,019**	22,718
Past due 7 - 10 Months	**5,971**	6,979
Past due 11 - 12 Months	**2,385**	4,075
Past due above one year	**67,233**	130,227
	459,300	303,949

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

39.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Carrying amount	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years
	(Rupees in thousand)					
Non derivative financial liabilities						
Long term finances	(6,875,127)	(1,147,728)	(903,070)	(4,761,829)	(62,500)	-
Short term borrowing - secured	(8,691,982)	(8,691,982)	-	-	-	-
Long term deposits	(70,893)	-	-	(70,893)	-	-
Trade and other payables	(1,334,162)	(1,334,162)	-	-	-	-
2010-2011	**(16,972,164)**	**(11,173,872)**	**(903,070)**	**(4,832,722)**	**(62,500)**	**-**

	Carrying amount	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years
	(Rupees in thousand)					
Non derivative financial liabilities						
Long term finances	(7,222,988)	(1,066,740)	(1,066,740)	(4,677,008)	(412,500)	-
Short term borrowing - secured	(9,585,642)	(9,585,642)	-	-	-	-
Long term deposits	(70,893)	-	-	(70,893)	-	-
Trade and other payables	(1,321,128)	(1,321,128)	-	-	-	-
2009-2010	(18,200,651)	(11,973,510)	(1,066,740)	(4,747,901)	(412,500)	-

39.3 Market risk

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

39.3.1 Currency risk

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

	2011	2010
	----(Rupees in thousand)----	
Foreign debtors	362,893	216,093
Foreign currency bank accounts	2	2
Less: Long term loans	(1,393,400)	(2,079,170)
Import finances	(1,157,914)	(1,602,508)
Export refinances	(585,140)	-
Payables	(722)	(4,255)
Derivative financial instruments - asset	1,303	9,422
Gross balance sheet exposure	(2,772,978)	(3,460,415)
Outstanding letter of credits	(717,069)	(539,059)
Net exposure	(3,490,047)	(3,999,474)

The following significant exchange rates have been applied:

	Reporting date rate	
	2011	2010
USD to PKR - Buy	85.85	85.40
USD to PKR - Sell	86.05	85.60

	Average rate	
	2011	2010
USD to PKR - Buy	84.87	83.38
USD to PKR - Sell	86.25	84.26

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.

	2011	2010
	----(Rupees in thousand)----	
Effect on profit and loss	40,653	46,832

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 Company.

39.3.2 Interest rate risk

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

	2011	2010	2011	2010
	Effective rate (in Percentage)		Carrying amount (Rupees in 000)	
Financial liabilities				
Variable rate instruments:				
Long term finances - PKR	**13.59 to 16**	13.08 to 15.11	**4,674,227**	5,143,818
Long term finances - USD	**0.325 to 0.598**	0.314 to 0.664	**1,393,400**	2,079,170
Short term borrowings - PKR	**13.59 to 14.19**	12.24 to 16.66	**7,534,068**	7,983,134
Short term borrowings - USD	**2.197 to 3.850**	3.11 to 3.75	**1,157,914**	1,602,508

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 2010.

	100bps Increase	100bps Decrease
	(Rupees in thousand)	
Effect on profit - 30 June 2011	**(147,596)**	147,596
Effect on profit - 30 June 2010	(150,216)	150,216

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

39.3.3 Fair value hierarchy

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

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

	Total	Level 1	Level 2	Level 3
	(Rupees in thousand)			
Financial assets 30 June 2011				
Available for sale financial assets	17,182,136	17,182,136	-	-
Derivative financial assets	1,303	-	1,303	-
	17,183,439	17,182,136	1,303	-
Financial assets 30 June 2010				
Available for sale financial assets	15,234,265	15,234,265	-	-
Derivative financial assets	9,422	-	9,422	-
	15,243,687	15,234,265	9,422	-

39.3.4 Other price risk

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

Sensitivity analysis:

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

	2011	2010
	----(Rupees in thousand)----	
Effect on equity	-	152,343

39.4 Fair value of financial instruments

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

39.5 Capital management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

The 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 2011 and at 30 June 2010 were as follows:

	2011	2010
	----(Rupees in thousand)----	
Total debt	15,851,620	17,155,055
Total equity and debt	46,068,905	43,674,275
Debt-to-equity ratio	34%	39%

The decrease in the debt-to-equity ratio in 2011 resulted primarily due to net repayment of long term and short term borrowings and right issue during the year.

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

40 Date of authorisation

These financial statements were authorised for issue on 07 September 2011 by the Board of Directors of the Company.

41 General

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

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

Chief Executive

Director

Notes

Consolidated Financial Statements

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is pleased to submit its report along with the consolidated financial statements for the year ended 30 June 2011. Our discussion of affairs of the holding company has been separately presented.

Performance Outlook

Economy

Economic and security profile of Pakistan is declining continuously. With budget targets set for 2011 remaining unachieved; fiscal year 2012 is expected to be even more challenging. The already limping economy of Pakistan is yet to suffer another economic blow by infrastructural and social damages caused by severe floods in lower Punjab and Sindh regions.

Manufacturing industry is degenerating due to severe energy crisis and ever worsening security situation in Pakistan. The investor confidence is fading and the efforts for seeking foreign direct investment are not yielding any tangible results. Overall the economic and political environment remained detrimental to businesses.

Consolidated Financial Performance

Rupees in million *Metric Tons*

	2011 Year ended 30 June	2010 Year ended 30 June	Change Year on Year	%
Net Sales	19,451	16,973	2,478	14
Cost of Sales	-14,798	-13,928	-870	6
Gross Profit	4,653	3,055	1,598	52
Profit from operations	2,844	2,533	311	12
Finance Cost	-2,162	-2,022	-140	7
Profit Before Tax	682	511	171	33
Taxation	-485	-200	-285	142
Profit After Tax	197	311	-114	-36

The consolidated sales and operating income increased to Rs 19.45 billion from Rs 16.97 billion in the previous year yielding a growth of 14%. The consolidated operating profit for the year increased to Rs 2.8 billion as against Rs 2.5 billion in the previous year registering a growth of 12%. The consolidated net profit before tax increased to Rs 682 million from Rs 511 million in the previous year registering a growth of 33%.

The improvement in group financial results is attributable to strong customer base of the group. Despite reclining sales volumes of the paper sack division, the revenues improved slightly as compared to last year due to better product prices. The rising energy and transportation costs weighed on profit margins of paper sack division which declined to 16.65% in the case.

Due to dependence of the paper sack division on cement industry, the expected increase in cement demand is likely to have a positive impact on the net revenues of the division. The hovering risk of increase in cost of imported raw material, however, might take its share of the net margins.

Staff and Customers

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

For and on behalf of the Board

Mian Raza Mansha
Chief Executive Officer
Lahore: 07 September 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of **D.G. Khan Cement Company Limited (the holding company)** and its subsidiary company Nishat Paper Products Company Limited comprising consolidated balance sheet as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of D.G. Khan Cement Company Limited. The financial statements of the subsidiary company Nishat Paper Products Company Limited was audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor.

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

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

In our opinion the consolidated financial statements present fairly the consolidated financial position of D. G. Khan Cement Company Limited and its subsidiary company, Nishat Paper Products Company Limited, as at 30 June 2011 and the consolidated results of its operations, its consolidated statement of comprehensive income, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore
September 07, 2011

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

CONSOLIDATED BALANCE SHEET

	Note	2011	2010
		----(Rupees in thousand)----	
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorised capital			
950,000,000 (2010: 950,000,000) ordinary shares of Rs 10 each		9,500,000	9,500,000
50,000,000 (2010: 50,000,000) preference shares of Rs 10 each		500,000	500,000
		10,000,000	10,000,000
Issued, subscribed and paid up capital	3	4,381,192	3,650,993
Reserves	4	24,996,406	22,199,501
Accumulated profit		939,916	755,856
		30,317,514	26,606,350
Non-controlling interest		341,409	328,308
		30,658,923	26,934,658
NON-CURRENT LIABILITIES			
Long term finances	5	4,960,579	5,229,507
Liabilities against assets subject to finance lease	6	-	-
Long term deposits	7	70,893	81,138
Retirement and other benefits	8	139,213	104,029
Deferred taxation	9	1,730,886	1,451,960
		6,901,571	6,866,634
CURRENT LIABILITIES			
Trade and other payables	10	1,847,505	1,830,315
Accrued markup	11	304,800	376,277
Short term borrowing - secured	12	9,362,051	10,080,232
Current portion of non-current liabilities	13	2,131,566	2,369,438
Provision for taxation		35,090	35,090
		13,681,012	14,691,352
CONTINGENCIES AND COMMITMENTS	14		
		51,241,506	48,492,644

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

Chief Executive

AS AT JUNE 30, 2011

	Note	2011	2010
		----(Rupees in thousand)----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	25,707,179	26,446,199
Assets subject to finance lease	16	-	675
Capital work in progress	17	1,373,820	465,650
Investments	18	5,055,787	4,493,293
Long term loans, advances and deposits	19	134,125	159,583
		32,270,911	31,565,400
CURRENT ASSETS			
Stores, spares and loose tools	20	3,604,954	3,049,409
Stock-in-trade	21	1,513,014	1,636,829
Trade debts	22	650,283	462,367
Investments	23	12,126,367	10,740,986
Advances, deposits, prepayments and other receivables	24	866,678	774,711
Cash and bank balances	25	209,299	262,942
		18,970,595	16,927,244
		51,241,506	48,492,644

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----(Rupees in thousand)----	
Sales - net	26	19,451,360	16,973,236
Cost of sales	27	(14,797,866)	(13,928,614)
Gross profit		4,653,494	3,044,622
Administrative expenses	28	(216,927)	(176,497)
Selling and distribution expenses	29	(2,484,622)	(1,005,271)
Other operating expenses	30	(50,303)	(204,791)
Other operating income	31	1,061,199	875,085
Impairment on investment		(118,836)	-
Profit from operations		2,844,005	2,533,148
Finance cost	32	(2,162,145)	(2,022,399)
Profit before tax		681,860	510,749
Taxation	33	(484,698)	(199,973)
Profit for the year		197,161	310,776
Attributable to :			
Equity holders of the parent		184,060	271,902
Non-Controlling interest		13,101	38,874
		197,161	310,776
			Restated
Combined earnings per share - basic and diluted	34	0.43	0.71

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

Chief Executive

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----(Rupees in thousand)----	
Profit after taxation	**197,161**	310,776
Other comprehensive income :		
Available for sale financial assets		
- Change in fair value	**2,185,542**	4,209,530
- Realized gain through profit and loss account	**-**	(58,772)
- Impairment loss through profit and loss account	**(118,836)**	-
Other comprehensive income for the year - net of taxes	**2,066,706**	4,150,758
Total comprehensive income for the year	**2,263,867**	4,461,534
Equity holders of the parent	**2,250,766**	4,422,660
Non-Controlling interest	**13,101**	38,874
	2,263,867	4,461,534

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

Chief Executive **Director**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		----(Rupees in thousand)----	
Cash flows from operating activities			
Cash generated from operations	35	2,994,125	3,335,369
Finance cost paid		(2,233,622)	(2,215,424)
Retirement and other benefits paid		(19,793)	(11,368)
Taxes paid		(351,688)	(301,273)
Long term deposits - net		(10,245)	7,373
Net cash generated from operating activities		378,777	814,677
Cash flows from investing activities			
Capital expenditure including purchase of property, plant and equipment		(1,674,080)	(1,082,904)
Proceeds from sale of property, plant and equipment		41,037	38,961
Investments - net		-	(249,445)
Long term loans, advances and deposits - net		23,693	8,602
Dividend received		951,355	766,399
Interest received		2,287	1,779
Net cash used in investing activities		(655,708)	(516,608)
Cash flows from financing activities			
Proceeds from issuance of share capital		1,460,398	1,216,998
Proceeds from long term finances		1,850,000	3,050,000
Repayment of long term finances		(2,368,773)	(5,196,224)
Repayment of liabilities against assets subject to finance lease		(155)	(266)
Dividend paid		(1)	(25)
Net cash generated from / (used in) financing activities		941,469	(929,517)
Net increase/ (decrease) in cash and cash equivalents		664,538	(631,448)
Cash and cash equivalents at the beginning of year		(9,817,290)	(9,185,842)
Cash and cash equivalents at the end of year	36	(9,152,752)	(9,817,290)

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

Chief Executive **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Share Premium	Fair Value Reserve	Capital Redemption Reserve Fund	General Reserve	Accumulated Profit	Total equity attributable to share holders of parent company	Non-Controlling Interest	Total Share-holders equity
	Rupees in thousand								
Balance as at 30 June 2009	3,042,494	3,218,466	8,757,417	353,510	5,110,851	483,954	20,966,692	289,434	21,256,126
Capital transactions with owners									
- Right issue	608,499	608,499	-	-	-	-	1,216,998	-	1,216,998
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	271,902	271,902	38,874	310,776
- Other comprehensive loss for the year	-	-	4,150,758	-	-	-	4,150,758	-	4,150,758
Balance as at 30 June 2010	3,650,993	3,826,965	12,908,175	353,510	5,110,851	755,856	26,606,350	328,308	26,934,658
Capital transactions with owners									
- Right issue	730,199	730,199	-	-	-	-	1,460,398	-	1,460,398
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	184,060	184,060	13,101	197,161
- Other comprehensive income for the year	-	-	2,066,706	-	-	-	2,066,706	-	2,066,706
Balance as at 30 June 2011	4,381,192	4,557,164	14,974,881	353,510	5,110,851	939,916	30,317,514	341,409	30,658,923

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

Chief Executive

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 Legal status and nature of business

The Group comprises of

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

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

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

2 Summary of significant accounting policies

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

2.1 Statement of compliance

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

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of D. G. Khan Cement Company Limited and its subsidiary Nishat Paper Products Company Limited with 50% holding (2010: 50%) ("the Group Companies").

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

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

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

2.3 Basis of measurement

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision 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:

- Provision for taxation	note	2.6
- Retirement and other benefits	note	2.7
- Residual values and useful lives of depreciable assets	note	2.9
- Interest rate and cross currency swaps	note	2.18
- Provisions and contingencies	note	2.20

2.4 Borrowings

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

2.5 Leases

Finance leases

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

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

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

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

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

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

Operating leases

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

2.6 Taxation

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

Current

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

Deferred

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

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

2.7 Retirement and other benefits

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

D. G. Khan Cement Company Limited

Defined benefit plan

The Parent Company operates an approved funded defined benefit gratuity plan for all employees having a service period of more than five years for management staff and one year for workers. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at 30 June 2011 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 2011 as adjusted for unrecognised actuarial gains and losses.

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

Defined contribution plan

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

Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences based on actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as at 30 June 2011 using the "Projected Unit Credit Method".

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

2.8 Trade and other payables

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

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

2.9 Property, plant and equipment

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

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

Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end.

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

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

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

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

2.10 Capital work-in-progress

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

2.11 Investments

Investments in equity instruments of associated companies

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

2.12 Stores and spares

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

2.13 Stock-in-trade

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

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

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

2.14 Financial assets and liabilities

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

2.15 Offsetting of financial assets and financial liabilities

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

2.16 Trade debts

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

2.17 Cash and cash equivalents

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

2.18 Derivative financial instruments and hedging activities

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

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

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

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

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

2.19 Foreign currencies

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

2.20 Provisions

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

2.21 Borrowing costs

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

2.22 Revenue recognition

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

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

2.23 Dividend

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

2.24 Related party transactions

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

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

The following new standards and amendments to standards are not effective for the year ended 30 June 2011, and have not been applied in preparing these consolidated financial statements.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011) . The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- IAS 24 Related Party Disclosures: (revised 2009) (effective for annual periods beginning on or after 1 January 2011) The revised IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Group's financial statements.

3 Issued, subscribed and paid up capital

3.1 Issued, subscribed and paid up capital

2011	2010		2011	2010
(Number of shares)			----(Rupees in thousand)----	
343,512,030	270,492,177	Ordinary shares of Rs. 10 each fully paid in cash	**3,435,121**	2,704,922
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
438,119,119	365,099,266		**4,381,192**	3,650,993

137,574,201 (2010: 114,645,168) ordinary shares of the Parent Company are held by Nishat Mills Limited, an associated concern as at 30 June 2011. In addition 1,407,944 (2010: 1,407,944) ordinary shares are held by the Adamjee Insurance Company Limited, a related party as at 30 June 2011.

	2011	2010
	----(Number of shares)----	
3.2 Reconciliation of number of shares		
Number of shares as at 01 July	365,099,266	304,249,388
Issued during the year in cash	73,019,853	60,849,878
Number of shares as at 30 June	438,119,119	365,099,266

	Note	2011	2010
		----(Rupees in thousand)----	
4 Reserves			
Movement in and composition of reserves is as follows:			
Capital Reserves			
Share premium	4.1		
At the beginning of the year		3,826,965	3,218,466
Additions during the year		730,199	608,499
At the end of the year		4,557,164	3,826,965
Fair value reserves	4.2		
At the beginning of the year		12,908,175	8,757,417
Fair value adjustments during the year		2,066,706	4,150,758
At the end of the year		14,974,881	12,908,175
Capital redemption reserve fund	4.3	353,510	353,510
		19,885,555	17,088,650
Revenue reserves			
General reserves			
At the beginning of the year		5,110,851	5,110,851
Transfer from profit and loss account		-	-
At the end of the year		5,110,851	5,110,851
		24,996,406	22,199,501

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

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

4.3 This represents fund created for redemption of preference shares. In accordance with the terms of issue of preference share, to ensure timely payments, the 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	2011	2010
		----(Rupees in thousand)----	
5 Long term finances			
These are composed of:			
- Long term loans	5.1 & 5.2	6,277,627	7,592,988
- Loan under musharika arrangement	5.3	807,500	-
		7,085,127	7,592,988
Less: Current portion shown under current liabilities	12	2,124,548	2,363,481
		4,960,579	5,229,507

5.1 Long term loans

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

Loan	Lender	2011	2010	Rate of interest per annum	Outstanding installments	Interest payable
		(Rupees in thousand)				
1	Allied Bank Limited	-	260,000	* Base rate + 0.65%	The loan has been fully repaid during the year	Semi annual
2	Habib Bank Limited	**90,909**	272,727	* Base rate + 1.1%	1 installment ending 29 September 2011	Quarterly
3	National Bank of Pakistan	**100,000**	300,000	* Base rate + 0.65%	1 installment ending 16 November 2011	Semi annual
4	Habib Bank Limited	**100,000**	300,000	* Base rate + 1.25%	1 semi-annual installment ending 30 December 2011	Quarterly
5	United Bank Limited	**300,000**	500,000	* Base rate + 1.10%	3 equal semi-annual installment ending 30 September 2012	Semi annual
6	Bank Alfalah Limited	**345,818**	461,091	* Base rate + 1.00%	6 equal semi-annual installment ending 16 March 2014	Quarterly
7	Standard Chartered bank	**800,000**	1,000,000	* Base rate + 1.5%	4 unequal quarterly installment ending 30 June 2012	Quarterly
8	Bank of Punjab	**250,000**	300,000	* Base rate + 1.5%	15 equal quarterly installments ending 31 March 2015	Quarterly
9	Allied Bank Limited	**750,000**	750,000	* Base rate + 1.5%	20 step-up quarterly installments ending 30 June 2016	Quarterly
10	Allied Bank Limited	**950,000**	1,000,000	* Base rate + 1.5%	18 step-up quarterly installments ending 30 November 2015	Quarterly
11	Habib Bank Limited	**50,000**	150,000	* Base rate + 1.15%	1 semi annual installments ending 14 July 2011	Quarterly
12	Habib Bank Limited	**100,000**	140,000	* Base rate + 1.65%	5 equal semi annual installments ending 2 June 2014	Qurarterly
13	Habib Bank Limited	**60,000**	80,000	* Base rate + 1.65%	6 equal semi annual installments ending 10 July 2015	Quarterly
14	Askari Bank Limited	**487,500**	-	* Base rate + 1.3%	19 step-up quarterly installments ending June 2016	Qurarterly
15	Faysal Bank Limited	**500,000**	-	* Base rate + 1.3%	8 semi annual unequal installments ending 31 December 2016	Quarterly
16	**Foreign currency-unsecured** European Investment Bank US$ 16.193 million (2010 : US$ 24.289 million)	**1,393,400**	2,079,170	** Base rate + 0.063%	4 equal semi-annual installments ending 29 March 2013	Quarterly
		6,277,627	7,592,988			

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

5.2 These loans are secured by a registered first pari passu charge on all present and future fixed assets of the Group upto Rs. 13,530 million (2010: Rs. 16,547 million). These loans are also secured by first exclusive charge of Rs. 960 million (2010: Rs. 960 million) over leasehold right of land together with building, structure, fixture, plant and machinery and personal guarantees of the CEO of the Group.

5.3 This finance facility is obtained from Meezan Bank Limited under Musharika arrangement. The aggregate sanction limit is Rs. 850 million which is repayable in 20 unequal quarterly installments starting from 30 March 2011. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Parent Company in favour of the Bank.

		2011	2010
		----(Rupees in thousand)----	
6	**Liabilities against assets subject to finance lease**		
	Present value of minimum lease payments	-	155
	Less: Current portion shown under current liabilities	-	155
		-	-

The minimum lease payments have been discounted at an implicit interest rate of Nil (2010: 9.48%) per annum to arrive at their present value. Rentals are paid in monthly installments. Lessee has the option to purchase the assets after expiry of the lease term.

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

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

	Minimum lease payments	Future finance cost	Present value of lease liability 2011	2010
	----(Rupees in thousand)----			
Years				
Not later than one year	-	-	-	155
	-	-	-	155

		2011	2010
		----(Rupees in thousand)----	
7	**Long term deposits**		
	Customers	33,252	32,167
	Others	37,641	48,971
		70,893	81,138

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.

		Note	2011	2010
			----(Rupees in thousand)----	
8	**Retirement and other benefits**			
	Staff gratuity	8.1	87,673	60,678
	Leave encashment	8.2	51,540	43,351
			139,213	104,029

8.1 Staff gratuity - net

The amounts recognised in the balance sheet are as follows :

	2011	2010
Present value of defined benefit obligation	127,910	75,264
Fair value of plan assets	(332)	(394)
Benefits payable	25	323
Unrecognised actuarial losses	(39,930)	(14,515)
Liability as at 30 June	87,673	60,678

8.1.1 Change in present value of defined benefit obligation

	2011	2010
Liability as at 01 July	60,678	40,537
Charge for the year including capitalized during the year	30,727	23,086
Contributions plus benefit payments made directly by the Parent Company during the year	(3,732)	(2,945)
Liability as at 30 June	87,673	60,678

	2011	2010
	----(Rupees in thousand)----	

8.1.2 Movement in liability for defined benefit obligation

	2011	2010
Present value of defined benefit obligation as at 01 July	75,264	56,040
Current service cost	21,409	15,583
Interest cost	8,784	6,725
Benefits due but not paid	(25)	(323)
Benefits paid during the year	(3,476)	(2,715)
Actuarial (gain)/loss on present value of defined benefit obligation	25,954	(46)
Present value of defined benefit obligation as at 30 June	127,910	75,264

8.1.3 Movement in fair value of plan assets

	2011	2010
Fair value of plan assets as at 01 July	394	274
Expected return on plan assets	4	33
Contributions during the year	3,732	2,945
Benefits paid during the year	(3,799)	(2,830)
Actuarial (loss) on plan assets	1	(28)
Fair value of plan assets as at 30 June	332	394

8.1.4 Actual return on plan assets

	2011	2010
Expected return on plan assets	4	33
Actuarial (loss) on plan assets	1	(28)
	5	5

8.1.5 Plan assets consist of the following :

	2011	2010
Cash and other deposits	332	394

8.1.6 Movement in unrecognised actuarial losses

	2011	2010
Un recognised actuarial losses as at 01 July	(14,515)	(15,344)
Actuarial gains / (losses) arising during the year	(25,954)	18
Actuarial losses charged to profit during the year	538	811
Un recognised actuarial losses as at 30 June	(39,931)	(14,515)

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

	2011	2010
Current service cost	21,409	15,583
Interest cost	8,784	6,725
Expected return on plan assets	(4)	(33)
Actuarial losses charged to profit during the year	538	811
	30,727	23,086

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
8.1.8 Historical Information					
Present value of defined benefit obligation	**127,910**	75,264	56,040	33,122	22,741
Present value of plan assets	**(332)**	(394)	(274)	(1)	(36)
Deficit in the plan	**127,578**	74,870	55,766	33,121	22,705
Experience adjustment arising on plan liabilities	**25,954**	(46)	8,850	1,414	2,859
Experience adjustment arising on plan assets	**1**	(28)	-	(39)	(2)

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

		2011	2010
Discount rate	*Per annum*	14%	12%
Expected rate of increase in salary	*Per annum*	14%	11%
Expected rate of return on plan assets	*Per annum*	1%	12%
Average expected remaining working life time of employee	*Number of years*	13	12

8.1.10 The parent company expects to pay Rs. 38.21 million in contributions to defined benefits plan in 2012.

	2011	2010
	(Rupees in thousand)	
8.2 Leave encashment		
Opening balance	**43,351**	38,085
Expenses recognized	**25,466**	15,023
Payments made	**(10,259)**	(3,955)
	58,558	49,153
Payable within one year	**(7,018)**	(5,802)
Closing balance	**51,540**	43,351
8.2.1 Movement in liability for defined benefit obligation		
Present value of defined benefit obligation as at 01 July	**43,351**	38,085
Current service cost	**12,764**	9,866
Interest cost	**4,587**	4,570
Benefits paid during the year	**(10,259)**	(3,955)
Actuarial loss on present value of defined benefit obligation	**8,115**	587
Payable within one year	**(7,018)**	(5,802)
Present value of defined benefit obligation as at 30 June	**51,540**	43,351
8.2.2 Charge for the year (including capitalized during the year)		
Current service cost	**12,764**	9,866
Interest cost	**4,587**	4,570
Actuarial losses charged to profit during the year	**8,115**	587
	25,466	15,023

	2011	2010	2009	2008	2007
	(Rupees in thousand)				
8.2.3 Historical Information					
Present value of defined benefit obligation	51,540	49,153	42,553	31,062	25,839
Experience adjustment arising on plan liabilities	8,115	587	5,969	3,010	2,168

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

		2011	2010
Discount rate	*Per annum*	14%	12%
Expected rate of increase in salary	*Per annum*	14%	11%
Average expected remaining working life time of employees	*Number of years*	13	12
Expected withdrawal and early retirement rate		Based on experience	

	Officers		Workers	
	2011 (days)	2010 (days)	2011 (days)	2010 (days)
Average number of leaves				
- Utilized per annum	16.00	14.00	18.00	19.00
- Encashed per annum	6.00	6.00	6.00	6.00
- Utilized per annum in excess of accrued leave of 30 days	1.00	1.00	2.00	2.00
- Encashed per annum in excess of accrued leave of 30 days	0.25	0.25	1.00	1.00

9 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2011	2010
	(Rupees in thousand)	
Deferred tax liability		
Accelerated tax depreciation	4,748,662	4,501,130
Deferred tax assets		
Provision for retirement and other benefits	(36,200)	(23,640)
Unabsorbed tax credits	(2,981,576)	(3,025,530)
	1,730,886	1,451,960

	Note	2011	2010
		----(Rupees in thousand)----	
10 Trade and other payables			
Trade creditors		286,704	449,619
Customers' balances		686,990	552,463
Due to related parties		1,778	1,778
Accrued liabilities		370,460	308,603
Workers' Profit Participation Fund	10.1	45,262	30,350
Workers Welfare Fund	31.2	2,095	81,156
Sales Tax payable		15,722	32,850
Federal Excise Duty payable		169,864	221,636
Special Excise Duty payable		18,541	959
Custom Duty payable		57,453	58,033
Withholding tax payable		5,851	6,564
Retention money		12,790	20,508
Unclaimed dividend		4,870	4,869
Advances against sale of scrap		936	1,030
Advances against sale of fixed asset		63,110	-
Redeemable preference shares (non-voting) - unsecured		125	127
Other payables		104,954	59,770
		1,847,505	1,830,315

10.1 Workers' Profit Participation Fund

	Note	2011	2010
Balance as at 01 July		30,350	41,724
Provision for the year	30	37,155	30,350
Interest for the year	32	1,090	2,051
		68,595	74,125
Less: Payments made during the year		23,333	43,775
Balance as at 30 June		45,262	30,350

11 Accrued markup

	Note	2011	2010
Long term finances		162,903	198,006
Short term borrowing - secured		141,813	178,187
Preferred dividend on redeemable preference shares		84	84
		304,800	376,277

12 Short term borrowing - secured

	Note	2011	2010
Short term running finances	12.1	4,182,210	8,336,046
Import finances	12.2	1,635,201	1,744,186
Export refinance	12.3	3,487,140	-
Morabaha finance	12.4	57,500	-
		9,362,051	10,080,232

12.1 Short term running finances

Short term running finances available from a consortium of commercial banks under mark up arrangements amount to Rs. 10,282 million (2010: Rs. 10,270 million). The rates of mark up range from 12.24% to 13.79% (2010: 12.24% to 16.26.%) or part thereof on the balance outstanding. These are secured by first registered charge on all present and future current assets of the Group wherever situated including stores and spares, stock in trade, book debts, investments, receivables and pledge of 10.75 million (2010: 10.75 million) shares of MCB Bank Limited, 10 million (2010: 10 million) shares of Nishat Mills Limited and 2.3 million (2010 : 2.3 million) shares of Adamjee Insurance Company Limited.

12.2 Import finances

The Group has obtained import finance facilities aggregating to Rs. 4,903 million (2010: Rs. 4,187 million) from commercial banks. The rates of mark-up range from 2.26% to 15% (2010: 3.11% to 15.98%). 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. 9,030 million (2010: Rs. 7,377 million) for opening letters of credit and Rs. 1,610 million (2010: Rs. 1,601 million) for guarantees, the amount utilized as at 30 June 2011 was Rs. 1,498 million (2010: Rs. 1,653 million) and Rs. 1,112 million (2010: Rs. 990 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. 14 million (2010: Rs. 43 million) is secured by a lien over bank deposits as referred to in note 25.2.

12.3 Export refinance

This represents ERF loans obtained from various commercial banks, which carry mark-up at 9.5% to 11% per annum (2010: 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.

12.4 Murabahah finance

This represents Murabahah finance facility obtained amounting to Rs 57.5 million (2010: Nil). The rates of mark-up range from 13.15% to 13.88% (2010: Nil). The murabahah finance facility is secured by first pari-passu hypothecation charge with 25% margin amounting to Rs 77 million on all present and future current assets of the Group.

	Note	2011	2010
		----(Rupees in thousand)----	
13 Current portion of non-current liabilities			
Long term finances	5	**2,124,548**	2,363,481
Liabilities against assets subject to finance lease	6	**-**	155
Retirement and other benefits	8.2	**7,018**	5,802
		2,131,566	2,369,438

14 Contingencies and commitments

14.1 Contingencies

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

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

Collector of Customs and Central Excise, Multan has passed an order dated November 26, 1999, against the

Parent Company on the grounds that the said machinery was being manufactured locally during the time when it was imported. The total demand as raised against the Parent Company amounts to Rs. 715.372 out of which Rs 200.645 million has been paid.

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

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

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

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

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

14.1.5 The Parent Company, consequent to the order passed by the Supreme Court of Pakistan against the decision of the Sindh High Court in the matter of infrastructure cess, filed a petition before the Sindh High Court, challenging the levy of fifth version of the law enforcing infrastructure cess. Earlier, the Sindh High Court, in August 2008, ruled out that only levies computed against consignments made on or after 28 December 2006 shall be payable by the petitioners. Although the parties have reached an interim arrangement, through an order of Sindh High Court dated 31 May 2011, for release of 50% of the guarantees (refer 14.1.6), the final order from Sindh High Court is still pending. According to the legal counsel of the Parent Company, chances of favorable outcome of the appeal are fair, however, as an abundant caution, provision for 50% of the amount of infrastructure cess payable has been incorporated in these financial statements amounting to Rs. 89.164 million.

14.1.6 The Group 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 (2010: Rs. 20.460 million)

- Director, Excise Collection Office, Sindh Development and Maintenance against recovery of infrastructure fee amounting to Rs. 340.9 million (2010: Rs. 240.9 million).

- Director General, Mines and Minerals, Punjab against installation of cement factory near Khairpur, District Chakwal amounting to Rs. 3 million (2010: Rs. 3 million).

- Director General, Mines and Minerals, Quetta against Limestone, shale amounting to Rs. 3 million (2010: Rs. 3 million).

- The President of the Islamic Republic of Pakistan against the performance of a contract to Frontier Works Organization amounting to Rs 3 Million (2010: Rs. 3 million).

- Managing Director, Pakistan Railways against the performance of a contract amounting to Rs. 3.852 million (2010: Rs. 1.835 million).

- Sui Northern Gas Pipelines Limited against 6 MMCFD and 14 MMCFD Gas for captive power and Industrial use for Khairpur Project and for D.G. Khan Project amounting to Rs. 715.455 million (2010: Rs. 715.455 million).

- Professional Tax imposed by Administration Zila Council (The District Coordination Officer, DG Khan) amounting to Rs. 10.050 million (2010: Rs. 0.050 million).

- Bank guarantee in respect of Alternative Energy Development Board (AEDB) amounting to Rs. 2.151 million (2010: Rs. 2.140 million).

- The Managing Director, Lahore Waste Management Company (LWMC) against the performance of a contract amounting to Rs. 10 million (2010: Nil).

- The Director Excise and Taxation Government of Sindh against levy of infrastructure cess amounting to Rs. Nil (2010: Rs. 28.2 million).

14.2 Commitments

(i) Contracts for capital expenditure Rs 113.639 million (2010: Rs 115.335 million).

(ii) Letters of credit for capital expenditure Rs 1,364.57 million (2010: Rs 41.891 million).

(iii) Letters of credit other than capital expenditure Rs 1,233.42 million (2010: Rs 1,547.811 million).

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

	2011	2010
	----(Rupees in thousand)----	
Not later than one year	331	331
Later than one year and not later than five years	1,488	1,488
Later than five years	6,501	6,833
	8,320	8,652

15. Property, plant and equipment

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

	Annual rate of depreciation %	Cost as at July 01, 2009	Additions/ (Deletions)	Transfer in/(out)	Cost as at June 30, 2010	Accumulated Depreciation as at July 01, 2009	Depreciation charge/ (deletions) for the year	Transfer in/(out)	Accumulated Depreciation as at June 30, 2010	Book value as at June 30, 2010
		(Rupees in thousand)				(Rupees in thousand)				
Freehold land	-	352,892	(12,000)	-	340,892	-	-	-	-	340,892
Leasehold land	3	63,000	-	-	63,000	3,150	2,100	-	5,250	57,750
Building on freehold land										
- Factory building	10	5,003,401	126,775	-	5,130,176	1,454,162	341,822	-	1,795,984	3,334,192
- Office building and housing colony	5	652,497	42,031	-	681,049	174,071	24,013	-	194,738	486,311
			(13,479)				(3,346)			
Roads	10	426,852	18,279	-	445,131	138,276	29,009	-	167,285	277,846
Plant and machinery	4.76 - 4.98	24,965,303	2,102,688	(212)	27,067,779	5,618,250	826,599	(212)	6,444,637	20,623,142
Quarry equipment	20	1,497,966	-	-	1,497,966	611,200	149,131	-	760,331	737,635
Furniture, fixture and office equipment	10	275,407	15,364	212	290,583	87,783	19,348	212	107,222	183,361
			(400)				(121)			
Vehicles	20	155,053	15,023	-	151,284	69,770	14,961	-	75,639	75,645
			(18,792)				(9,092)			
Aircraft	30	38,185	-	-	38,185	34,645	1,062	-	35,707	2,478
Power and water supply lines	10	429,575	47,302	-	476,877	118,371	31,559	-	149,930	326,947
2010		33,860,131	2,367,462	-	36,182,922	8,309,678	1,439,604	-	9,736,723	26,446,199
			(44,671)				(12,559)			

15.1 Freehold land and building include book values of Rs 12 million (2010: Rs 12 million) and Rs 7.475 million (2010: Rs 7.868 million) respectively which are held in the name of Chief Executive of the Group. This property is located in Defense Housing Authority, where the bye-laws restrict transfer of title of the residential property in the name of the Group.

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

	Note	2011	2010
		----(Rupees in thousand)----	
Cost of sales	27	1,458,716	1,426,325
Administrative expenses	28	13,094	11,906
Selling and distribution expenses	29	2,729	1,373
		1,474,539	1,439,604

15.3 Disposal of property, plant and equiment

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

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain/(Loss) on disposal	Mode of Disposal
		(Rupees in thousand)					
Equipment							
	M/s Nishat Mills Ltd. (related party)	28,380	5,299	23,081	23,081	-	Negotiation
	Shahbaz Brothers	90	28	62	10	(52)	-do-
Vehicles							
	Shahzad Ahmed	1,460	741	719	1,400	681	Auction
	Nadeem Mahmood	1,460	760	700	1,380	680	Auction
	Jalal Mirza	1,217	891	326	952	626	Auction
	Umer Zameer	1,196	876	320	863	543	Auction
	Nadeem Ahmed	1,119	761	358	801	443	Auction
	Engr. Rehmat Ali	1,105	809	296	800	504	Auction
	Engr. Rehmat Ali	998	730	268	780	512	Auction
	Kh. Fakhar-ul-Islam	965	700	265	955	690	Auction
	Atiq-ur-Rehman	939	627	312	1,003	691	Auction
	Kashif Manzoor	790	527	263	777	514	Auction
	Mr. Irfan Khan	749	469	280	561	281	Auction
	Atiq-ur-Rehman	571	257	314	623	309	Auction
	Mr. Umer Zameer	566	428	138	391	253	Auction
	Ch. Ahtesham-ul-Haq	560	376	184	525	341	Auction
	Security General Insurance (related party)	560	374	186	350	164	Insurance claim
	Qadeer Ahmed	560	381	179	497	318	Auction
	Pervaiz Akhtar	555	320	235	500	265	Auction
	Security General Insurance (related party)	483	169	314	550	236	Insurance claim
	Ahmad Subhani	274	99	175	462	287	Auction
	Zahid Ali Khan	275	99	176	511	335	Auction
	Nabeel Riaz	272	106	166	528	362	Auction
	Zeeshan Ali Shah	272	106	166	507	341	Auction
	Nisar Ahmed Qureshi	272	109	163	567	404	Auction
	Muhammad Nadeem	59	43	16	30	14	Auction
	Umer Zaheer	826	154	672	866	194	Auction
	Naveed Rathore	672	50	622	785	163	Auction
Others							
	Asset with book value less than Rs. 50,000	161	54	107	35	(72)	Auction
	2011	**47,406**	**16,343**	**31,063**	**41,090**	**10,027**	
	2010	44,671	12,559	32,112	38,961	6,849	

16 Assets subject to finance lease

		Annual rate of depreciation %	Cost as at 30 June 2010	Additions/ (deletions)	Transfer in/ (out)	Cost as at 30 June 2011	Accumulated depreciation as at 30 June 2010	Depreciation charge/ (deletions) for the year	Depreciation written off during the year	Accumulated depreciation as at 30 June 2011	Book value as at 30 June 2011
			(Rupees in thousand)								
Vehicles	2011	20	1,125	-	(1,125)	-	450	4	(454)	-	-
Vehicles	2010	20	1,125	-	-	1,125	394	56	-	450	675

	Note	2011	2010
		----(Rupees in thousand)----	
16.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	27	4	56

17 Capital work in progress

	2011	2010
Civil works	206,776	84,874
Plant and machinery	925,123	226,353
Advances	74,190	28,988
Others	115,030	78,491
Expansion project:		
- Civil works	18,992	18,992
- Others	33,709	27,952
	52,701	46,944
	1,373,820	465,650

18 Investments - Available for sale

	Note	2011	2010
Related parties	18.1	1,727,802	1,846,505
Others	18.2	387	519
		1,728,189	1,847,024
Revaluation surplus		3,327,598	2,646,269
		5,055,787	4,493,293

	2011	2010
	----(Rupees in thousand)----	
18.1 Related parties		
Quoted		
Nishat Mills Limited - associated company		
30,289,501 (2010: 30,289,501) fully paid ordinary shares of Rs. 10 each	1,577,174	1,577,174
Market value - Rs 1,524.773 million (2010: Rs 1,306.084 million)		
Less: Impairment Loss	(250,615)	(250,615)
	1,326,559	1,326,559
Nishat (Chunian) Limited		
4,926,900 (2010: 4,926,900) fully paid ordinary shares of Rs 10 each	45,254	45,254
Market value - Rs 109.821 million (2010: Rs 77.746 million)		
MCB Bank Limited		
16,007,002 (2010: 14,551,820) fully paid ordinary shares of Rs 10 each	125,834	125,834
Market value - Rs 3,190.195 million (2010: Rs 2,825.817 million)		
Adamjee Insurance Company Limited - associated company		
3,541,391 (2010: 3,541,391) fully paid ordinary shares of Rs 10 each	348,858	348,858
Market value - Rs 230.155 million (2010: Rs 282.886 million)		
Less: Impairment loss	(118,703)	-
	401,243	519,946
	1,727,802	1,846,505

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

	2011	2010
	----(Rupees in thousand)----	
18.2 Others - quoted		
Maple Leaf Cement Factory Limited		
13,747 (2010: 13,747) fully paid ordinary shares of Rs 10 each	282	282
Market value - Rs 0.0283 million (2010: Rs 0.0428 million)		
Less: Impairment loss	(253)	(128)
	29	154
1,999 (2010: 1,999) fully paid preference shares of Rs 10 each	20	20
Market value - Rs 0.0098 million (2010: Rs 0.083 million)		
Less: Impairment loss	(10)	(3)
	10	17
First Capital Mutual Fund		
89,000 (2010: 89,000) certificates of Rs 10 each	890	890
Market value - Rs 0.223 million (2010: Rs 0.205 million)		
Less: Impairment loss	(678)	(678)
	212	212
Habib Bank Limited		
159 (2010: 145) fully paid ordinary shares of Rs 10 each	24	24
Market value - Rs 0.018 million (2010: Rs 0.014 million)		
Less: Impairment loss	(6)	(6)
	18	18

	2011	2010
	----(Rupees in thousand)----	
Oil and Gas Development Company Limited		
2,353 (2010: 2,353) fully paid ordinary shares of Rs 10 each	76	76
Market value - Rs 0.360 million (2010: Rs 0.333 million)		
Pakistan Petroleum Limited		
871 (2010: 726) fully paid ordinary shares of Rs 10 each	27	27
Market value - Rs 0.180 million (2010: Rs 0.134 million)		
Kot Addu Power Company Limited		
500 (2010: 500) fully paid ordinary shares of Rs 10 each	15	15
Market value - Rs 0.021 million (2010: Rs 0.021 million)	387	519

18.3 Investments with a face value of Rs 230.5 million (2010: Rs 230.5 million) are pledged as security against bank facilities. 2,900,277 (2010: 2,396,924) shares of MCB Bank Limited are blocked in CDC account.

19 Long term loans, advances and deposits

	Note	2011	2010
		----(Rupees in thousand)----	
Loans to employees - considered good			
- Executives	19.1	383	410
- Others		3,550	3,204
		3,933	3,614
Less: Receivable within one year			
- Executives		129	113
- Others		1,242	1,282
		1,371	1,395
		2,562	2,219
Loan to related party - considered good	19.2	103,234	120,440
Less : receivable within one year	24	17,206	17,206
		86,028	103,234
Security deposits		45,535	54,130
		134,125	159,583

19.1 Executives

	2011	2010
Opening balance	410	17
Transfer from Others to Executives	118	505
Interest accrued	17	26
	545	548
Less: Repayments made during the year	162	138
	383	410

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 (2010: 10% per annum) except for loans given to workers which are interest free.

The loans of Rs 3.933 million (2010: Rs 3.614 million) are secured against the employees' respective retirement benefits.

The maximum aggregate amount due from executives at any time during the year was Rs 0.528 million (2010: Rs 0.298 million).

19.2 This represents un-secured loan of Rs 73.50 million and Rs 29.734 million (2010 : Rs. 85.750 million and Rs. 34.690 million) given to Sui Northern Gas Pipelines Limited for the development of infrastructure for supply of natural gas to the plants at D. G. Khan and Khairpur respectively. Mark-up is charged at rates ranging from 1.5% to 2% per annum (2010: 1.5% to 2% per annum) respectively and is receivable annually. This amount is receivable in 6 annual installments ending 01 January 2017 and 28 March 2018.

	Note	2011	2010
		----(Rupees in thousand)----	
20 Stores, spares and loose tools			
Stores [including in transit Rs 32.191 million (2010: Rs 9.556 million)]		**1,236,893**	878,326
Spares [including in transit Rs 214.699 million (2010: Rs. 306.053 million)]		**2,342,734**	2,154,245
Loose tools		**25,327**	16,838
		3,604,954	3,049,409

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

	Note	2011	2010
21 Stock-in-trade			
Raw materials		**800,082**	717,898
Packing material [including in transit Rs. 6.411 million (2010: Rs Nil)]		**255,241**	131,652
Work-in-process		**169,612**	537,539
Finished goods		**288,079**	249,740
		1,513,014	1,636,829
22 Trade debts - considered good			
Secured		**594,306**	411,398
Unsecured		**54,629**	-
- Related parties	22.1	**1,348**	2,776
- Others		**-**	48,193
		650,283	462,367
22.1 Due from related parties			
Nishat (Chunian) Limited		**8**	1,100
Nishat Power Limited		**-**	1
Nishat Developers		**1,340**	1,675
		1,348	2,776

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

	Note	2011	2010
23 Investments			
Available-for-sale			
Related parties	23.1	**479,066**	479,066
Add: Revaluation surplus		**11,647,283**	10,261,906
		12,126,349	10,740,972
At fair value through profit and loss	23.2	**18**	14
		12,126,367	10,740,986

	2011	2010
	----(Rupees in thousand)----	
23.1 Related parties-Quoted		
Nishat (Chunian) Limited		
83,159 (2010: 83,159) fully paid ordinary shares of Rs 10 each	832	832
Market value - Rs 1.853 million (2010: Rs 1.312 million)		
	832	832
MCB Bank Limited		
60,835,402 (2010: 55,304,911) fully paid ordinary shares of Rs 10 each	478,234	478,234
Market value Rs 12.124 million (2010: Rs 10,739.661 million)	479,066	479,066

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

	Note	2011	2010
		----(Rupees in thousand)----	
23.2 At fair value through profit and loss			
Habib Bank Limited			
159 (2010: 145) fully paid ordinary shares of Rs. 10 each			
Market value - Rs. 0.018 million (2010: Rs. 0.014 million)			
		18	14

24 Advances, deposits, prepayments and other receivables

	Note	2011	2010
Loans to employees - considered good	19	3,160	1,395
Advances - considered good			
- to employees	24.1	4,834	2,621
- to trade suppliers		23,759	85,186
		28,593	87,807
Current portion of long term receivable from related party	19	17,206	17,206
Due from related parties	24.2	15,202	30,828
Mark-up receivable from related party	24.3	836	975
Derivative financial instruments	24.4	1,303	9,422
Profit receivable on bank deposits		-	981
Prepayments		147	147
Letters of credit - margins, deposits, opening charges, etc.		5,329	35,341
Excise duty recoverable		-	3,019
Claims recoverable from government			
Income tax		593,042	447,128
Sales tax	24.5	111,271	55,160
Freight subsidy		27,422	27,422
Excise duty		17,370	17,243
Export rebate		41,915	35,775
		791,020	582,728
Other receivables		3,882	4,862
		866,678	774,711

24.1 Included in advances to employees are amounts due from executives of Rs 2.396 million (2010: Rs 1.009 million).

	Note	2011	2010
		----(Rupees in thousand)----	
24.2 Due from related parties			
Nishat Mills Limited	24.2.1	14,568	30,656
Nishat Spinning Mills Limited		191	-
Lalpir Power Limited		443	-
Nishat Hotels and Properties Ltd.	24.2.1	-	172
		15,202	30,828

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

24.3 This includes mark-up receivable from Sui Northern Gas Pipelines Limited against the loan.

24.4 The Parent Company has entered into 9 forward agreements with various banks for a total amount of USD 14.5 million (2010: USD 16.5), having 1 to 6 months maturity. Under forward agreement, the Parent Company would sell the contracted quantity of USD to the bank at the Contracted rate. As at 30 June 2011, the unrealized gain on these forward contracts amounts to Rs. 1.303 million (2010 :Rs. 9.422 million).

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

25 Cash and bank balances

	2011	2010
	----(Rupees in thousand)-----	
At banks		
Saving accounts		
Pak rupee	117,404	89,904
Foreign currency US $ 22.20 (2009: US $ 22.22)	2	2
Current accounts	91,750	171,940
	209,156	261,846
Cash in hand	143	1,096
	209,299	262,942

25.1 The balances in saving accounts bear mark-up which ranges from 0.1% to 10.4% per annum (2010: 0.1% to 10% per annum).

25.2 Included in balances at banks on saving accounts are Rs 14.480 million (2010: Rs 14.480 million) which are under lien to secure bank guarantees referred to in note 12.2.

26 Sales - net

	Note	2011	2010
		----(Rupees in thousand)----	
Local sales		18,023,235	19,326,906
Export sales	26.1	6,486,701	3,698,676
		24,509,936	23,025,582
Less: Government levies		4,784,236	5,800,424
Commission to stockists and export agents		274,340	251,922
		5,058,576	6,052,346
		19,451,360	16,973,236

26.1 Export sales include rebate on exports amounting to Rs 31.488 million (2010: Rs 23.020 million).

27 Cost of sales

	Note	2011	2010
		----(Rupees in thousand)----	
Raw and packing materials consumed		2,281,094	2,206,589
Salaries, wages and other benefits	27.1	824,785	712,470
Electricity and gas		1,880,289	2,009,152
Furnace oil and coal		6,171,495	6,090,197
Stores and spares consumed		1,345,248	1,106,859
Repair and maintenance		177,505	167,244
Insurance		60,229	57,836
Depreciation on property, plant and equipment	15.2	1,458,716	1,426,325
Depreciation on assets subject to finance lease	16.1	4	56
Royalty		146,625	185,052
Excise duty		13,597	34,839
Vehicle running		26,694	23,181
Postage, telephone and telegram		4,228	4,848
Printing and stationery		7,338	4,886
Legal and professional charges		1,915	2,181
Travelling and conveyance		11,270	9,071
Estate development		15,298	12,514
Rent, rates and taxes		14,748	2,324
Freight charges		11,593	4,952
Other expenses		25,900	20,376
		14,478,571	14,080,952
Opening work-in-process		537,539	387,444
Closing work-in-process		(169,612)	(537,539)
		367,927	(150,095)
Cost of goods manufactured		14,846,498	13,930,857
Opening stock of finished goods		249,740	253,129
Closing stock of finished goods		(288,079)	(249,740)
		(38,339)	3,389
Less : own consumption		10,293	5,632
		14,797,866	13,928,614

27.1 Salaries, wages and other benefits include Rs 22.483 million (2010: Rs 19.292 million), Rs 20.399 million (2010: Rs 17.584 million) and Rs 15.907 million (2010: Rs 12.394 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	Note	2011	2010
		----(Rupees in thousand)----	
28 Administrative expenses			
Salaries, wages and other benefits	28.1	120,637	94,248
Electricity, gas and water		5,908	3,868
Repair and maintenance		5,995	6,079
Insurance		1,869	1,627
Depreciation on property, plant and equipment	15.2	13,094	11,906
Vehicle running		5,442	5,258
Postage, telephone and telegram		8,042	9,605
Printing and stationery		9,228	5,740
Legal and professional charges	28.2	9,225	8,951
Travelling and conveyance		5,735	6,073
Rent, rates and taxes		459	75
Entertainment		1,839	1,543
School expenses		15,083	11,292
Fee and subscription		7,681	4,948
Advances written off		782	43
Other expenses		5,908	4,565
		216,927	176,497

28.1 Salaries, wages and other benefits include Rs 4.377 million (2010: Rs 3.214 million), Rs. 7.983 million (2010: Rs. 3.464 million) and Rs 2.305 million (2010: Rs 1.604 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	Note	2011	2010
		----(Rupees in thousand)----	
28.2 Legal and professional charges			
Legal and professional charges include the following in respect of auditors' services for:			
KPMG Taseer Hadi & Co.			
Statutory audit		1,250	1,100
Half yearly review		270	250
Certification and sundry services		50	50
Out of pocket expenses		70	100
A. F. Ferguson & Co.			
Statutory audit - Subsidiary		400	275
Out of pocket expenses		25	22
		2,065	1,797

	Note	2011	2010
29 Selling and distribution expenses			
Salaries, wages and other benefits	29.1	64,225	54,507
Electricity, gas and water		1,277	1,100
Repair and maintenance		427	557
Insurance		1,494	808
Depreciation on property, plant and equipment	15.2	2,729	1,373
Vehicle running		3,134	2,908
Postage, telephone and telegram		2,153	2,417
Printing and stationery		1,346	2,240
Rent, rates and taxes		1,250	3,520
Legal and professional charges		633	16
Travelling and conveyance		3,796	2,085
Entertainment		529	585
Advertisement and sales promotion		3,056	5,309
Freight charges -local		11,148	9,656
Freight and handling charges -export		2,386,545	916,975
Other expenses		880	1,215
		2,484,622	1,005,271

29.1 Salaries, wages and other benefits include Rs 2.610 million (2010: Rs 2.264 million), Rs 2.107 million (2010: Rs 1.975 million) and Rs 1.411 million (2010: Rs 1.042 million) respectively, in respect of provident fund contribution by the Group, provision for gratuity and staff compensated absences.

	Note	2011	2010
		-----(Rupees in thousand)----	
30 Other operating expenses			
Workers' Profit Participation Fund		37,155	30,350
Donations	30.1	140	351
Worker Welfare Fund		2,095	30,189
Fair value loss on investment		-	-
Exchange loss		10,913	143,901
		50,303	204,791

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

31 Other operating income

	Note	2011	2010
Income from financial assets			
Income on bank deposits		5,053	4,664
Fair value gain on investment		4	3
Interest on loans to employees		53	45
Gain on sale of shares		-	79,215
Dividend income from:			
- Related parties	31.1	951,330	765,930
- Others		25	469
		951,355	766,399
		956,465	850,326
Income from non-financial assets			
Rental income		677	1,886
Gain on disposal of property, plant and equipment		10,027	6,849
Scrap sales		13,226	14,188
Mark-up on loan/advances to related parties		2,096	1,638
Provisions and unclaimed balances written back		78,507	126
		104,533	24,687
Others		201	72
		1,061,199	875,085

31.1 Dividend income from related parties

	2011	2010
Nishat Mills Limited	75,724	41,779
Nishat (Chunian) Limited	7,515	50
MCB Bank Limited	859,238	714,443
Adamjee Insurance Company Limited	8,853	9,658
	951,330	765,930

31.2 The Parent Company has written back the provisions created on account of Workers' Welfare Fund relating to years 2007, 2009 and 2010 based on the judgment issued by the honourable Lahore High Court through order 19 August 2011. The Honourable court, through such order, has held the amendments introduced to the Workers Welfare Fund Ordinance, 1971 through Finance Act, 2006 and Finance Act, 2008 as ultra vires the constitution. Accordingly, the Parent Company has reverserd the provision made for WWF, based on accounting profit, in respect of above mentioned years.

32 Finance cost

	2011	2010
	----(Rupees in thousand)----	
Interest and mark-up on:		
- Long term loans	815,554	788,898
- Short term borrowings	1,314,444	1,149,693
- Finance lease	2	27
- Workers' Profit Participation Fund	1,090	2,051
(Gain) / loss on derivative financial instruments	(27,468)	28,470
Guarantee commission	21,242	29,843
Bank charges	37,281	23,417
	2,162,145	2,022,399

32.1 During the year borrowing cost amounting to Rs. Nil (2010: Rs 150.084 million) has been capitalized in the property, plant and equipment pertaining to the new expansion project.

33 Provision for taxation

	Note	2011	2010
		----(Rupees in thousand)----	
For the year			
- Current	33.1	(205,769)	(109,591)
- Deferred		(277,427)	(90,383)
		(483,196)	(199,974)
Prior year			
- Current		(2)	1
- Deferred		(1,500)	-
		(1,502)	1
		(484,698)	(199,973)

33.1 Provision for taxation

33.1.1 The Parent Company

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

33.1.2 The Subsidiary Company

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

33.2 For purposes of current taxation, the tax credits available for carry forward as at 30 June 2011 are estimated approximately at Rs. 8,518.789 million (2010: Rs. 8,643.859 million).

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

34 Earnings per share

34.1 Earnings per share-Basic

		2011	2010 Restated
Profit for the year - attributable to equity holders of the Parent Company	Rupees in thousand	184,060	271,902
Weighted average number of ordinary share	Number	426,974,164	380,803,003
Earnings per share - basic	Rupees	0.43	0.71

34.2 Earnings per share - Diluted

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

35 Cash flow from operating activities

	2011	2010
	----(Rupees in thousand)----	
Profit before tax	681,860	510,749
Adjustment for :		
- Depreciation on property, plant and equipment	1,474,539	1,439,604
- Depreciation on assets subject to finance lease	4	56
- Profit on disposal of property, plant and equipment	(10,027)	(6,849)
- Gain on disposal on investments	-	(79,215)
- Dividend income	(951,355)	(766,399)
- Impairment loss on available for sale investments	118,836	-
- Markup income	(2,096)	(1,638)
- Fair value gain on revaluation of investment	(4)	(3)
- Retirement and other benefits accrued	56,193	38,109
- Exchange loss - net	10,913	143,901
- Finance cost	2,162,145	2,022,399
	2,859,148	2,789,965
Profit before working capital changes	3,541,008	3,300,714
Effect on cash flow due to working capital changes:		
- Increase in stores, spares and loose tools	(555,545)	(84,569)
- (Increase)/ decrease in stock-in-trade	123,815	(613,599)
- Decrease/ (increase) in trade debts	(187,916)	194,619
- Decrease/ (increase) in advances, deposits, prepayments and other receivables	55,573	154,099
- Increase/ (decrease) in trade and other payables	17,190	384,105
	(546,883)	34,655
Cash generated from operations	2,994,125	3,335,369

36 Cash and cash equivalents

	2011	2010
Short term borrowings - secured	(9,362,051)	(10,080,232)
Cash and bank balances	209,299	262,942
	(9,152,752)	(9,817,290)

37 Remuneration of Chief Executive, Directors and Executives

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

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Managerial remuneration	7,496	6,518	12,630	10,857	155,652	123,127
Contributions to provident and gratuity funds	-	-	2,173	1,031	23,467	10,290
Housing	270	270	1,082	939	50,006	39,469
Utilities	-	-	-	-	10,637	8,289
Leave passage	-	-	984	635	4,711	3,173
Medical expenses	529	1,359	380	109	4,818	2,213
Others	4,547	4,843	1,087	2,163	35,918	39,117
	12,842	12,990	18,336	15,734	285,209	225,678
Number of persons	2	1	3	3	133	107

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

37.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2010: 7 directors) was Rs Nil (2010: Rs Nil).

38 Transactions with related parties

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

Relationship with the Group	Nature of transaction	2011	2010
		----(Rupees in thousand)----	
i. Related parties	Sale of goods	30,882	29,002
	Sale of assets	23,187	-
	Insurance premium	74,757	75,046
	Purchase of services	632,526	742,971
	Insurance claims received	2,468	202
	Mark-up income on balances with related parties	2,096	2,414
	Dividend income	951,330	765,930
ii. Key management personnel	Salaries and other employment benefits	31,178	28,724
iii. Post employment benefit plans	Expense charged in respect of staff retirement benefit plans	56,193	38,109

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

39 Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

39.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans to/due from related parties. Out of the total financial assets of Rs. 19,043 million (2010: Rs. 16,894 million) financial assets which are subject to credit risk amount to Rs. 18,251 million (2009: Rs. 16,307 million).

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

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

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

	2011	2010
	----(Rupees in thousand)----	
Available for sale financial assets		
- Non Current Investments	5,055,787	4,493,293
- Current Investments	12,126,367	10,740,986
Long term loans, advances and deposits	134,125	159,583
Trade debts	650,283	462,367
Advances, deposits and other receivables	74,208	179,395
Bank balances	209,156	261,846
Derivative financial instruments	1,303	9,422
	18,251,229	16,306,892

	2011	2010
	----(Rupees in thousand)----	
The trade debts as at the balance sheet date are classified as follows:		
Foreign	362,893	216,093
Domestic	287,390	246,274
	650,283	462,367
The aging of trade receivables at the reporting date is:		
Past due 1 - 3 Months	399,660	230,788
Past due 4 - 6 Months	173,816	37,118
Past due 7 - 10 Months	6,170	36,552
Past due 11 - 12 Months	2,385	15,290
Past due above one year	68,252	142,619
	650,283	462,367

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

39.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 6 to 10 years	Over 10 years	Total
	--------------------(R u p e e s i n t h o u s a n d)--------------------					
Non derivative financial liabilities						
Long term finances	(1,247,728)	(933,070)	(4,841,829)	(62,500)	-	(7,085,127)
Liabilities against assets subject to finance lease	-	-	-	-	-	-
Long term deposits	-	-	(70,893)	-	-	(70,893)
Trade and other payables	(1,806,379)	-	-	-	-	(1,806,379)
2010-2011	(3,054,107)	(933,070)	(4,912,722)	(62,500)	-	(8,962,399)

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

39.3 Market risk

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

39.3.1 Currency risk

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

	2011	2010
	----(Rupees in thousand)----	
Foreign debtors	362,893	216,093
Foreign currency bank accounts	2	2
Less: Long Term Loans	(1,393,400)	(2,079,170)
Import Finances	(1,160,344)	(1,602,507)
Export Refinances	(585,140)	-
Payables	(722)	(5,061)
Derivative financial instruments - asset	1,303	9,422
Gross balance sheet exposure	(2,775,408)	(3,461,221)
Outstanding letter of credits	(1,077,129)	(711,699)
Net exposure	(3,852,537)	(4,172,920)

The following significant exchange rates have been applied:

	Reporting date rate	
	2011	2010
USD to PKR - Buy	85.85	85.40
USD to PKR - Sell	86.05	85.60

	Average rate	
	2011	2010
USD to PKR - Buy	84.87	83.38
USD to PKR - Sell	86.25	84.26

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..

	2011	2010
	----(Rupees in thousand)----	
Effect on profit and loss	44,875	48,863

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.

39.3.2 Interest rate risk

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

	2011	2010	2011	2010
	Effective rate (in Percentage)		Carrying amount (Rupees in 000)	
Financial liabilities				
Variable rate instruments:				
Long term finances - PKR	**13.59 to 16**	13.08 to 15.11	**4,884,227**	5,513,818
Long term finances - USD	**0.352 to 0.598**	0.314 to 0.664	**1,393,400**	2,079,170
Liabilities against assets subject to finance lease	**-**	9.48	**-**	155
Short term borrowings - PKR	**13.59 to 14.19**	12.24 to 16.66	**8,201,707**	8,477,724
Short term borrowings - USD	**2.197 to 3.850**	3.11 to 3.75	**1,160,344**	1,602,508

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 2010.

	100 bps Increase	100 bps Decrease
	Rupees	
Effect on profit - 30 June 2011	(146,274)	146,274
Effect on profit - 30 June 2010	(156,860)	156,860

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

39.3.3 Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1 : quoted market prices
Level 2 : valuation techniques (market observable)
Level 3 : valuation techniques (non-market observable)

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

	Total	Level 1	Level 2	Level 3
	(Rupees in thousand)			
Financial assets 30 June 2011				
Available for sale financial assets	17,182,136	17,182,136	-	-
Financial assets designated at fair value through profit or loss	18	18	-	-
Derivative financial assets	1,303	-	1,303	-
	17,183,457	17,182,154	1,303	-
Financial assets 30 June 2010				
Available for sale financial assets	15,234,265	15,234,265	-	-
Financial assets designated at fair value through profit or loss	14	14	-	-
Derivative financial assets	9,422	-	9,422	-
	15,243,701	15,234,279	9,422	-

39.3.4 Other price risk

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

Sensitivity analysis:

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

	2011	**2010**
	----(Rupees in thousand)----	
Eeffect on profit or loss	**2**	1
Effect on equity	**171,821**	152,343
Effect on investments	**171,823**	152,344

39.4 Fair value of financial instruments

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

39.5 Capital management

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

The Group's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

The debt-to-equity ratios as at 30 June 2011 and at 30 June 2010 were as follows:

	2011	2010
	----(Rupees in thousand)----	
Total debt	16,751,978	18,049,652
Total equity and debt	47,069,492	44,656,002
Debt-to-equity ratio	36%	40%

The decrease in the debt-to-equity ratio in 2011 resulted primarily due to net repayment of long term and short term borrowings and right issue during the year.

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

40 Operating Segments

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

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

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

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

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

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

40.1 Segment analysis and reconciliation

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

	Cement		paper		Elimination - net		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees in thousands							
Revenue from								
- External customers	18,577,198	16,275,354	874,162	697,882	-	-	19,451,360	16,973,236
- Inter group	-	-	871,097	1,014,347	(871,097)	(1,014,347)	-	-
	18,577,198	16,275,354	1,745,259	1,712,229	(871,097)	(1,014,347)	19,451,360	16,973,236
Segment gross profit	4,384,969	2,705,360	290,551	374,971	(22,026)	(35,709)	4,653,494	3,044,622
Segment expenses	(2,719,925)	(1,355,869)	(27,992)	(29,626)	(3,935)	(1,064)	(2,751,852)	(1,386,559)
Impairment on investments	(118,836)	-	-	-	-	-	(118,836)	-
Other income	1,106,662	911,672	6,152	4,049	(51,615)	(40,636)	1,061,199	875,085
Financial charges	(2,051,678)	(1,902,760)	(166,017)	(161,339)	55,550	41,700	(2,162,145)	(2,022,399)
Taxation	(430,231)	(125,381)	(54,467)	(74,592)	-	-	(484,698)	(199,973)
Profit after taxation	170,961	233,022	48,227	113,463	(22,026)	(35,709)	197,161	310,776
Segment net assets	30,217,285	47,046,043	416,588	1,790,148	25,050	(343,547)	30,658,923	48,492,644
Segment liabilities	19,455,765	20,526,823	146,936	1,421,788	979,882	(390,625)	20,582,583	21,557,986
Depreciation	1,430,410	1,392,564	34,058	47,040	(10,075)	-	1,474,543	1,439,604
Cash generated from operating activities	340,188	842,005	(9,883)	(30,341)	48,472	3,013	378,777	814,677
Capital expenditure	1,672,612	1,079,494	1,468	3,410	-	-	1,674,080	1,082,904
Net cash used in investing activities	(616,033)	(534,712)	(4,065)	19,241	(35,610)	(1,137)	(655,708)	(516,608)

40.2 Geographical segments

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

41. Plant capacity and actual production

	Capacity		Actual production	
	2011	2010	2011	2010
Clinker (M. Tons)				
Unit 1	810,000	810,000	694,835	951,397
Unit 2	1,200,000	1,200,000	1,325,877	1,328,353
Unit 3	2,010,000	2,010,000	1,717,692	2,404,629
Cement Bags (number of bags)	120,000,000	120,000,000	92,090,336	109,514,109

42. General

42.1 These consolidated financial statements were authorised for issue on 7 September 2011 by the Board of Directors of the Parent Company.

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

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

Chief Executive **Director**

PROXY FORM

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

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

Shares Held ______________________

I/We ____

of ____

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

____

(NAME)

of ____

or falling him/her ____

(NAME)

____

of ____

who is also a member of the Company, vide Registered Folio No./CDC A/C Sub A/C No.__________________as my/our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 31st October 2011 at 3:30 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 ______________2011

Witness

Signature ______________________________

Name ______________________________

Dated ______________________________

Place ______________________________

CNIC ______________________________

Signature on
Five Rupees
Revenue Stamp

Note: Proxies , in order to be effective, must be received at the Company's Registered Office not less than forty eight hours before the time for holding the meeting and must be stamped, signed and witnessed. Proxies of the members through CDC shall be accompanied with attested copies of 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.

D.G. Khan Cement Company Limited

Annual Report & Accounts 2011

www.dgcement.com

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COMPANY LIMITED

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