



**ANNUAL REPORT**  
**2012**

**DANDOT CEMENT COMPANY LIMITED**

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## Company Information

### Board of Directors

Mr. Muhammad Rasheed	
Mr. Mansoor Rasheed	Chief Executive
Mr. Saud Rasheed	
Mr. Muhammad Imran Iqbal	
Mr. Muhammad Amjad Aziz	Chairman
Syed Ansar Raza Shah	
Mr. Gul Hussain	

### Audit Committee

Mr. Muhammad Rasheed	Member
Syed Ansar Raza Shah	Member / Chairman
Mr. Gul Hussain	Member

### Human Resources & Remuneration

#### Committee

Mr. Mansoor Rasheed	Member
Syed Ansar Raza Shah	Member
Mr. Gul Hussain	Member/Chairman

### Chief Financial Officer

Mr. Muhammad Kamran

### Company Secretary

Mr. Muhammad Kamran

### Statutory Auditors

Amin, Mudassar & Co.  
Chartered Accountants

### Legal Advisor

International Legal Services

### Bankers

The Bank of Punjab  
United Bank Limited  
National Bank of Pakistan  
Habib Bank Limited  
Bank Alfalah Limited  
KASB Bank Limited  
Bank Al-Habib Limited

### Registered Office

30-Sher Shah Block, New Garden Town, Lahore  
Telephone: 35869827, 35842316, Fax: 35831846

### Factory

DANDOT R.S., Distt. Jhelum.  
Telephone: (0544) 211371,211491 Fax: (0544) 211490

### Share Registrar

Corplink (Pvt.) Ltd.  
Wings Arcade 1-K-Commercial, Model Town, Lahore.  
Telephone: 35839182, 35887262 Fax: 35869037

### Website

[www.dandotcement.com](http://www.dandotcement.com)



## Notice of Annual General Meeting

NOTICE is hereby given that 32<sup>nd</sup> Annual General Meeting of the shareholders of Dandot Cement Company Limited for the financial year ended June 30, 2012 will be held on Wednesday, October 31, 2012 at the registered office of the Company, 30 Sher Shah Block, New Garden Town, Lahore at 11:30 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the last Extraordinary General Meeting held on May 11, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2012 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors and to fix their remuneration. The present Auditors, M/s. Amin, Mudassar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

(By Order of the Board)

LAHORE:  
October 06, 2012

**(MUHAMMAD KAMRAN)**  
COMPANY SECRETARY

### NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from October 23, 2012 to October 31, 2012 (both days inclusive) for determining entitlement to attend the Annual General Meeting.
2. A member entitled to attend and vote at the Meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office of the Company not later than 48 hours before the time of the holding of the Meeting.
3. CDC shareholders are requested to bring their National Identity Card, Account and Participant's Numbers and will further have to follow the guidelines as laid down in SECP's Circular No. 1 dated January 26, 2000 while attending the Meeting for identification.
4. Members are requested to notify immediately changes, if any, in their registered addresses.



## Vision

**DANDOT**, strives to continue its path of market growth, consolidation and improvement, spanning the areas of north and central Punjab and Azad Kashmir. Our vision is to establish a strong market presence, focused on customer brand loyalty and satisfaction, on long-term basis.

**DANDOT**, envisions to maintain consistent quality, keep abreast with technology as well as up-date our dynamic managerial and human resource capabilities in a competitive business environment, and to accomplish further improvement in its market share in an aggressive growth scenario.

## Mission

**DANDOT'S**, mission is to perform to the highest levels of professional excellence within the industry and the national economy, while catering to the needs of our ever dedicated workforce, ensuring reasonable return to the stakeholders while delivering our product to the end consumer at competitive prices to accelerate the sustained development of Pakistan.

## Directors' Report to the Shareholders



The Board of Directors presents the 32<sup>nd</sup> annual report along with the audited financial statements of the company for the year ended June 30, 2012.

### Operational Performance

The operational performance of the company for the year under review as compared with the preceding year is as below:

		2012	2011	
-	Clinker production	M. Ton	197,036	184,910
-	Capacity utilization (Clinker)	%age	41.06%	38.53%
-	Cement production	M. Ton	206,825	184,421
-	Capacity utilization (Cement)	%age	41.04%	36.60%
-	Sales	M. Ton	208,733	181,323

During the year under review, the operational performance of the company has slightly improved due to the fact that in year 2011-12, company operated for the entire year as compared with 9 months of operations of last year.

### Operating Results

The comparative financial results of the company are summarized as below:

	2012	2011	
	(Rupees in Thousands)		
-	Net sales	1,103,744	773,176
-	Gross loss	440,399	351,839
-	Loss before taxation	506,774	392,030
-	Net loss	506,774	339,163

In spite of increased sales volume, the company's decreased financial performance is majorly due to increased prices of electricity tariff with addition of fuel price adjustment surcharge and high cost of coal. Dividend has not been recommended by the board of directors for the current year due to the loss suffered by the company.

### Future Prospects

#### Industry:

Reduction in excise duty announced in the budget 2012-13 has a positive impact on the cement demand. A substantial increase in demand of the cement was also seen from the last quarter of the year 2012 which is mainly attributable to upcoming general elections for which Government is spending more on development projects for public interest which would keep the momentum going till the year 2013. Further, construction of Dams is also inevitable in near future to overcome the tremendous electricity crises faced by the country. Decreasing trend of State Bank of Pakistan's discount rate will have definite positive implication on development works in the country.

#### Company:

Energy efficiency, Labour efficiency & productivity and right financial modeling, smooth plant operations are key factors to success of any cement plant. The management is committed for a balanced delivery of long term values to all stake holders including financiers, employees and shareholders.



### ***Future Plans & Decisions***

To overcome the financial crunch and low productivity, the management is working on various options to inject adequate funds and trying its level best to reschedule its statutory & financial obligation to optimize the production capacity of the plant by necessary maintenance.

### ***Auditors' Observations***

On the basis of facts mentioned in note 5.3 & 12.1 of the financial statements, mark-up on the loans from financial institutions have not been accounted for and accordingly current portion has also not been classified under current liabilities. Due to the severe financial crunch, the company was unable to pay some of its overdue obligations, however, maximum efforts are being made to regularize such payments in the subsequent year. Letters for the balance confirmations have been circulated and many of them have been received todate. The directors have reasonable expectations that the company would be able to generate adequate resources in future to continue the operations as a going concern. Further, due to non-availability of reconciliation of amount of default surcharge with the department, such liability has not been accounted for, however, the matter will be addressed subsequently.

### ***Compliance with Code of Corporate Governance***

The management is fully aware of the compliance with Code of Corporate Governance and steps have been taken for its effective implementation since its inception.

Statements as required by the Code of Corporate Governance are given below:

- The financial statements prepared by the management present fairly the company's state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and is being monitored continuously. The review will continue for improvement.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the listing regulations wherever applicable to the company for the year ended June 30, 2012.
- Key operating and financial data of last 10 years in annexed.
- The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in notes to the annexed financial statements.
- As on June 30, 2012, the estimated value of investments and assets of provident fund are Rs. 247 million (based on un-audited accounts).



- During the year, six meetings of the Board of Directors were held. Attendance by each director at the board meeting is as under:

	<b>No. of Meetings Attended</b>
Mr. Muhammad Rasheed	5
Mrs. Tanveer Rasheed (retired in May, 2012)	4
Mr. Mansoor Rasheed	6
Mr. Saud Rasheed	6
Ms. Rizwana Rasheed (retired in May, 2012)	0
Mrs. Aysha Mansoor (retired in May, 2012)	4
Mrs. Amina Saud (retired in May, 2012)	0
Mr. Gul Hussain (appointed in May, 2012)	1
Mr. Muhammad Amjad Aziz (appointed in May, 2012)	1
Mr. Muhammad Imran Iqbal (appointed in May, 2012)	1
Syed Ansar Raza Shah (appointed in May, 2012)	1

**Note:**

The directors who could not attend the board meeting were duly granted leave of absence from the board in accordance with the law.

***Trading in Company's Shares***

During the year under review, no trading in the shares of the company was carried out by the directors, CFO, company, secretary and their spouses and minor children.

***Pattern of Shareholding***

The pattern of shareholding and additional information required in this regard is enclosed.

***External Auditors***

The present auditors, M/s Amin, Mudassar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2012-13. The Audit Committee has recommended their re-appointment.

***Acknowledgement***

The board of directors is thankful to all stakeholders including but not limited to bankers, employees, suppliers, distributors as well as regulators and shareholders for their continued support, cooperation and trust especially in crises tenure faced by the company in the current year.

**Muhammad Amjad Aziz**  
Chairman Board of Directors  
Lahore: October 06, 2012.





## Pattern of Shareholding

As at June 30, 2012

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
168	1	100	5,908
179	101	500	59,243
88	501	1,000	73,940
178	1,001	5,000	468,787
46	5,001	10,000	349,633
20	10,001	15,000	253,891
11	15,001	20,000	194,264
1	20,001	25,000	20,305
2	25,001	30,000	58,399
1	30,001	35,000	31,804
2	40,001	45,000	86,898
2	45,001	50,000	94,118
1	55,001	60,000	57,908
2	60,001	65,000	124,014
2	70,001	75,000	142,293
1	95,001	100,000	95,212
1	100,001	105,000	100,954
1	115,001	120,000	120,000
1	145,001	150,000	149,879
2	155,001	160,000	315,063
1	180,001	185,000	182,625
1	210,001	215,000	211,862
1	295,001	300,000	299,377
1	310,001	315,000	314,800
1	320,001	325,000	323,581
1	385,001	390,000	387,524
1	995,001	1,000,000	1,000,000
1	1,540,001	1,545,000	1,543,839
1	2,040,001	2,045,000	2,043,349
1	2,250,001	2,255,000	2,254,386
1	2,280,001	2,285,000	2,284,457
1	2,395,001	2,400,000	2,400,000
1	2,745,001	2,750,000	2,749,999
1	2,940,001	2,945,000	2,942,500
1	11,150,001	11,155,000	11,150,500
1	14,995,001	15,000,000	14,995,737
1	46,950,001	46,955,000	46,952,931
<b>726</b>			<b>94,839,980</b>

### 5. Categories Of Shareholders

	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	28,405,123	29.9506%
5.2 Associated Companies, undertakings and related parties. (Parent Company)	46,953,431	49.5081%
5.3 NIT and ICP	61,706	0.0651%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	4,122,700	4.3470%
5.5 Insurance Companies	182,625	0.1926%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10% or more	75,354,554	79.4544%
5.8 General Public		
a. Local	2,940,934	3.1009%
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	9,695,705	10.2232%
2- Foreign Companies	333,531	0.3517%
3- Trusts	2,143,225	2.2598%
4- Other Companies	1,000	0.0011%

**Catagories of Shareholding required under Code of Coprorate Governance (CCG)  
As on June 30, 2012**



Sr. No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>			
1	THREE STARS CEMENT (PVT) LTD (CDC)	46,953,431	49.5081
<b>Mutual Funds (Name Wise Detail)</b>			
		-	0.0000
<b>Directors and their Spouse and Minor Chidren (Name Wise Detail):</b>			
1	MR. MUHAMMAD RASHEED (CDC)	500	0.0005
2	MR. MANSOOR RASHEED (CDC)	14,996,237	15.8121
3	MR. SAUD RASHEED (CDC)	13,404,886	14.1342
4	MR. MUHAMMAD IMRAN IQBAL	500	0.0005
5	MR. AMJAD AZIZ (CDC)	500	0.0005
6	MR. ANSAR RAZA (CDC)	500	0.0005
7	MR. GUL HUSSAIN (CDC)	500	0.0005
8	MRS. RIZWANA RASHEED D/O MUHAMAMD RASHEED (CDC)	500	0.0005
9	MRS. AYESHA MANSOOR W/O MANSOOR RASHEED (CDC)	500	0.0005
10	MRS. AMINA SAUD W/O SAUD RASHEED (CDC)	500	0.0005
<b>Executives:</b>			
		-	0.0000
<b>Public Sector Companies &amp; Corporations:</b>			
		-	0.0000
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>			
		4,305,325	0.4537
<b>Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)</b>			
1	MR. MANSOOR RASHEED (CDC)	14,996,237	15.8121
2	MR. SAUD RASHEED (CDC)	13,404,886	14.1342
3	THREE STARS CEMENT (PVT) LTD (CDC)	46,953,431	49.5081

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

S.No	NAME	SALE	PURCHASE
1	MR. MUHAMMAD IMRAN IQBAL	0	500
2	MR. AMJAD AZIZ (CDC)	0	500
3	MR. ANSAR RAZA (CDC)	0	500
4	MR. GUL HUSSAIN (CDC)	0	500

**Muhammad Amjad Aziz**  
Chairman  
Lahore: October 06, 2012.



## Statement of Compliance with the Code of Corporate Governance (Clause (xi))

This statement of Dandot Cement Company Limited being presented to comply with the Code of Corporate Governance (CCG) contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange Ltd, Lahore Stock Exchange Ltd and Islamabad Stock Exchange Ltd for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner.

- 1- The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Syed Ansar Raza Shah
Executive Directors	Mr. Mansoor Rasheed Mr. Amjad Aziz Mr. Muhammad Imran Iqbal
Non Executive Directors	Mr. Muhammad Rsheed Mr. Saud Rasheed Syed Ansar Raza Shah Mr. Gul Hussain

The requirement of Executive Directors and Independent Director in composition of Board under CCG will be meet at the time of next election of directors.

- 2- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 3- All the resident director 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 and NBF1 or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
- 4- The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with the supporting policies and procedures.
- 5- 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.
- 6- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
- 7- 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 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.
- 8- All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.



- 9- No new appointment of CFO, Company Secretary and Head of Internal Audit has been approved by the board. The remuneration of CFO, Head of Internal Audit and Company Secretary was not revised during the year.
- 10- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 11- The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
- 12- 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.
- 13- The company has complied with all the corporate and financial reporting requirements of the CCG.
- 14- The board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
- 15- The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 16- The board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is executive director and two are non-executive directors. The chairman of the committee is a non-executive director.
- 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.
- 18- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 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 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
- 21- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 22- We confirm that all other material principles enshrined in the CCG have been complied .

**Muhammad Amjad Aziz**  
Chairman  
Lahore: October 06, 2012.



## **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 (the statement) contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2012, prepared by the Board of Directors of **Dandot Cement Company Limited** ("The Company") to comply with the Listing Regulation No.35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Ltd., Listing Regulation No.35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Ltd. where the Company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Regulation 35 (X) of the Listing Regulations require 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 undertaken at arm's length price or not.

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 of the Company for the year ended June 30, 2012.

AMIN, MUDASSAR & CO.  
CHARTERED ACCOUNTANTS  
Engagement Partner; GHULAM MUDASSAR  
Faisalabad: October 06, 2012



## Auditors' Report to the Members

We have audited the annexed balance sheet of the **Dandot Cement Company Limited** as at June 30, 2012 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 purpose of our audit.

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

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

- i) As referred in note no.5 to the financial statements current portion and overdue installments of Rs.562.5 million and short term loan of Rs.270 million obtained from the Bank of Punjab have not been classified under current liabilities.
- ii) We have not received reply of direct balance confirmation circulated in respect of loan from KASB Bank Limited, loan from Bank of Punjab, loan from Economic Affairs Division (EAD), ex-sponsors loan, trade and other payables, ex-associate, short term loans and advances, and accrued interest from ex-associate as referred to note nos. 12.1, 12.2, 6.1, 6.2, 10.4, 22, 22.1, and 24 to the financial statements.
- iii) These financial statements have been prepared on going concern basis despite the fact that the company has accumulated losses of Rs.3,346.259 million. Its current liabilities exceed the current assets by Rs.2,039 million resulting in inability of the Company to pay its overdue statutory and contractual obligations including old and current dues of provident fund as explained in note no. 6.4 to the financial statements. Further, note no.1.2 to the financial statements lacks proper cognizance of these factors.
- iv) The company has not provided markup in the financial statements on loan obtained from Bank of Punjab and KASB Bank as referred to note nos. 5, 12.1, 12.2, and 12.3 aggregate Rs.476.94 million including Rs. 229.81 million for the year. Further, surcharge on outstanding amount of sales tax and federal excise duty amounting Rs.171.46 million for the year has also not been provided. Had there been provision made for markup and surcharge in the financial statements the loss for the year would have been higher by the aforesaid amount. Except for the contents of the preceding paragraphs (i) to (v) and the extent to which these affect the annexed financial statements, we report that:

Except for the contents of the preceding paragraphs (i) to (v) and the extent to which these affect the annexed financial statements, 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 June 30, 2012 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



## Balance Sheet

	Note	2012 Rupees	2011 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 100,000,000 (2011:100,000,000) ordinary shares of Rs.10/- each			
		<b>1,000,000,000</b>	1,000,000,000
Issued, subscribed and paid up capital	3	<b>948,399,800</b>	948,399,800
Share premium reserve		<b>31,800,740</b>	31,800,740
Accumulated loss		<b>(3,346,259,712)</b>	(2,876,726,135)
		<b>(2,366,059,172)</b>	(1,896,525,595)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	4	<b>1,101,477,782</b>	1,138,718,009
		<b>(1,264,581,390)</b>	(757,807,586)
<b>LOAN FROM BANKING COMPANIES</b>			
	5	<b>1,020,000,000</b>	1,020,000,000
<b>OTHER LOANS</b>			
	6	<b>299,965,765</b>	365,994,978
<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
	7	-	-
<b>DEFERRED LIABILITIES</b>			
	8	-	-
<b>LONG TERM ADVANCES AND DEPOSITS</b>			
	9	<b>1,708,402</b>	1,983,242
		<b>1,321,674,167</b>	1,387,978,220
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	<b>1,417,184,823</b>	1,050,947,662
Mark up accrued	11	<b>693,998,380</b>	677,881,511
Short term borrowings	12	<b>526,645,864</b>	488,367,263
Current portion of long term loans and liabilities	13	<b>64,876,468</b>	62,343,130
		<b>2,702,705,535</b>	2,279,539,566
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	-	-
		<b>2,759,798,312</b>	2,909,710,200

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD IMRAN IQBAL**  
Director

Statement u/s 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

## As at June 30, 2012



	Note	2012 Rupees	2011 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	15	2,085,626,356	2,155,353,839
Capital work in progress	16	-	-
		<b>2,085,626,356</b>	<b>2,155,353,839</b>
<b>LONG TERM LOANS</b>	17	<b>19,603</b>	<b>55,521</b>
<b>LONG TERM SECURITY DEPOSITS</b>	18	<b>10,434,715</b>	<b>20,434,715</b>
		<b>2,096,080,674</b>	<b>2,175,844,075</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	19	162,506,676	139,953,345
Stock in trade	20	104,948,507	92,445,057
Trade debts	21	9,899,364	17,971,314
Loans and advances	22	317,207,802	427,684,172
Balance with statutory authorities	23	55,688,320	42,439,406
Interest accrued	24	9,388,556	9,388,555
Other receivables	25	531,415	261,157
Cash and bank balances	26	3,546,998	3,723,119
		<b>663,717,638</b>	<b>733,866,125</b>
		<b>2,759,798,312</b>	<b>2,909,710,200</b>

**MUHAMMAD AMJAD AZIZ**  
Director





## Profit and Loss Account

For the Year Ended June 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales (Net)			
Local sales		1,409,257,596	1,073,876,351
Less: Excise duty		104,366,500	126,926,450
Sales tax		194,380,903	154,174,661
Special excise duty		-	12,791,608
Commission/discount		6,765,960	6,807,320
		305,513,363	300,700,039
		1,103,744,233	773,176,312
Cost of sales	27	1,544,143,067	1,125,015,743
<b>Gross loss</b>		<b>(440,398,834)</b>	<b>(351,839,431)</b>
Distribution cost	28	3,334,223	2,952,784
Administrative expenses	29	46,196,158	29,727,459
		49,530,381	32,680,243
		(489,929,215)	(384,519,674)
Other operating income	30	560,033	9,191,422
Other operating expenses	31	-	1,257,215
		(489,369,182)	(376,585,467)
Finance cost	32	17,404,622	15,444,432
<b>Loss before taxation</b>		<b>(506,773,804)</b>	<b>(392,029,899)</b>
<b>Taxation:</b>	33		
Current			
For the year		-	-
Prior years		-	7,356,921
Deferred	8	-	(60,223,927)
		-	(52,867,006)
<b>Loss after taxation</b>		<b>(506,773,804)</b>	<b>(339,162,893)</b>
<b>Loss per share- Basic and Diluted- Rupees</b>	34	<b>(5.34)</b>	<b>(3.58)</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD IMRAN IQBAL**  
Director

**MUHAMMAD AMJAD AZIZ**  
Director

# Statement of Comprehensive Income

For the Year Ended June 30, 2012



	2012 Rupees	2011 Rupees
Loss after taxation	(506,773,804)	(339,162,893)
Other comprehensive income-net of taxation	-	-
<b>Total comprehensive loss for the year-net of tax</b>	<b>(506,773,804)</b>	<b>(339,162,893)</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD IMRAN IQBAL**  
Director

**MUHAMMAD AMJAD AZIZ**  
Director

Statement u/s 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.



# Cash Flow Statement

## For the Year Ended June 30, 2012

	2012 Rupees	2011 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(506,773,804)	(392,029,899)
<b>Adjustments of items not involving movement of cash:</b>		
Depreciation	72,163,711	75,476,909
Gain on disposal of Fixed Assets	(358,728)	-
Gratuity	25,269,287	66,682,522
Profit on deposit and PLS accounts	(201,305)	(241,422)
Finance cost	17,404,622	15,444,432
	<u>114,277,587</u>	<u>157,362,441</u>
Operating cash flows before working capital changes	(392,496,217)	(234,667,458)
 (Increase)/Decrease in operating assets:		
Stores, spares and loose tools	(22,553,331)	1,322,318
Stock in trade	(12,503,450)	(50,585,439)
Trade debts	8,071,950	(17,971,314)
Loans and advances	110,476,370	30,756,834
Other receivables	(270,258)	307,653
Increase in trade and other payables	341,515,889	183,095,059
	<u>424,737,170</u>	<u>146,925,111</u>
	32,240,953	(87,742,347)
 Long term security deposits	10,000,000	(10,109,760)
Gratuity paid	(1,106,440)	(151,000)
Finance cost paid	(729,328)	(1,676,051)
Interest received	201,304	260,906
Income tax paid	(13,248,914)	(11,616,402)
<b>Net Cash Flows From Operating Activities</b>	<u>27,357,575</u>	<u>(111,034,654)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,502,500)	(181,319)
Capital work in progress	-	80,275,000
Sale proceeds of fixed assets	425,000	-
Lease liabilities	(15,417)	-
Long term loans	35,918	146,389
<b>Net Cash Flows From Investing Activities</b>	<u>(2,056,999)</u>	<u>80,240,070</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans	(63,480,458)	(6,197,945)
Sponsors loans	-	35,968,434
Long term advances and deposits	(274,840)	(5,374,443)
Short term borrowings	38,278,601	6,332,546
<b>Net Cash Flows From Financing Activities</b>	<u>(25,476,697)</u>	<u>30,728,592</u>
<b>Net (decrease) in Cash and Cash Equivalents</b>	<u>(176,121)</u>	<u>(65,992)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>3,723,119</u>	<u>3,789,111</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u>3,546,998</u>	<u>3,723,119</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD IMRAN IQBAL**  
Director

**MUHAMMAD AMJAD AZIZ**  
Director

Statement u/s 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.

**Statement of Changes in Equity  
For the Year Ended June 30, 2012**



	Share Capital	Share premium reserve	Accumulated loss	Total share capital & reserves	Surplus on revaluation of fixed assets	Total
(R U P E E S)						
<b>Balance as at June 30, 2010</b>	948,399,800	31,800,740	(2,576,474,408)	(1,596,273,868)	1,177,629,175	(418,644,693)
Total comprehensive loss for the year	-	-	(339,162,893)	(339,162,893)	-	(339,162,893)
Transferred from surplus on revaluation account:						
- Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	38,911,166	38,911,166	(38,911,166)	-
<b>Balance as at June 30, 2011</b>	948,399,800	31,800,740	(2,876,726,135)	(1,896,525,595)	1,138,718,009	(757,807,586)
Total comprehensive loss for the year	-	-	(506,773,804)	(506,773,804)	-	(506,773,804)
Transferred from surplus on revaluation account:						
- Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	37,240,227	37,240,227	(37,240,227)	-
<b>Balance as at June 30, 2012</b>	<b>948,399,800</b>	<b>31,800,740</b>	<b>(3,346,259,712)</b>	<b>(2,366,059,172)</b>	<b>1,101,477,782</b>	<b>(1,264,581,390)</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.

**MUHAMMAD IMRAN IQBAL**  
Director

**MUHAMMAD AMJAD AZIZ**  
Director

Statement u/s 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.



# Notes to the Financial Statements

## For the Year Ended June 30, 2012

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 The Company is a public limited Company incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. The Company started its production on March 01, 1983 and has been engaged in production and marketing of cement. The company is a subsidiary of Three Stars Cement (Pvt) Ltd. The registered office of the company is situated at 30-Sher Shah Block, New Garden Town, Lahore.
- 1.2 The company has accumulated loss of Rs. 3,346.259 million and its current liabilities exceed its current assets by Rs. 2,039 million as at June 30, 2012. In spite of the adverse current ratio and large accumulated loss, the company has continued financial support from its sponsoring directors. In the absence of non availability of any financial support from financial institutions, working capital requirement of the company was adverse resulting low production of the cement and suffered a loss of Rs. 506.773 million during the year ended June 30, 2012. However, to make the production consistent, the management is working on various options to inject adequate funds for the necessary maintenance of the plant to make the operations smooth and profitable. On the basis of these facts, the management of the company is fully confident that the company will continue its operations as going concern and they are fully committed to promote the company's objectives in the long run.

Accordingly, these financial statement have been prepared on going concern basis and do not include any adjustments relating to the recoverability and classification of the recorded assets and liabilities that may be necessary should the company not be able to continue as going concern.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 (a) Accounting Convention

These financial statements have been prepared under historical cost convention except for freehold land, buildings, plant and machinery and vehicles which are stated at revalued amounts, employees retirement benefit at present value and certain financial assets at fair value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) staff retirement benefits;
- b) taxation; and
- c) useful life of depreciable assets and provision for impairment there against.

#### (b) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards to the extent applicable in Pakistan with reference to the financial year covered by the financial statements and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities & Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## Notes.....



### 2.1.1 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

### 2.1.2 Amendments to Published Standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning on or after April 01, 2011 that are either not relevant to the company's current operations (although they may affect the accounting for future transactions and events) or do not have a significant impact on the company's financial statements other than certain additional disclosures, are as follows:

- IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

- IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has preferred to present this analysis in the statement of changes in equity.

- IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009, it supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

- IAS 32 (Amendment), 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

- IFRIC 14 (Amendment); 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as a difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

### 2.1.3 Standards, Amendments and Interpretations to Existing Standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after April 01, 2012 or later periods, and the company has not early adopted them, however, these are not expected to have any material impact on the company's financial statements:

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued on October 08, 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures



## Notes.....

relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. These amendments are effective for the financial reporting periods commencing on April 01, 2012.

- IFRS 9, 'Financial instrument', addresses the classification, measurement, and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This the first part of new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories; amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- IFRS 10, 'Consolidate Financial Statements', applicable from January 01, 2013 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, 'Joint Arrangements'. Applicable from January 01, 2012, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.

- IFRS 12, 'Disclosures of interest in other entities'. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.

- IFRS 13, 'Fair value measurement'. This standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or USGAAP. The standard is not applicable until April 01, 2013 but is available for early adoption.

- IAS 1, 'Financial presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The company will apply these amendments from April 01, 2013.

- IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', current requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 221, 'Income taxes - recovery of revalued

## Notes.....



non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The company will apply these amendments from April 01, 2012.

- IAS 19, 'Employee Benefits' (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until April 01, 2013 but is available for early adoption.

There are no other IFRSs or IFRICs interpretations that are not yet effective that would be expected to have a material impact on the company.

### 2.2 Employees Retirement Benefits

(a) The company operates funded gratuity scheme for its all permanent employees. Such gratuity is payable on cessation of employment subject to a minimum qualifying period of five years service with the Company. Provision for gratuity is made in the financial statements to cover full obligation under the scheme.

The Company uses projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost and where applicable, past service cost.

Actuarial valuation was conducted on June 30, 2012 on the projected unit credit method using the following significant assumptions.

Discount rate p.a	13.00%
Expected p.a. rate of salary increase in future year	12.00%
Average expected remaining working lifetime of employees	9 years
Expected rate of return on plan assets p.a	14.00%

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19.

(b) The Company operates a funded contributory provident fund scheme for all eligible employees and contribution is based on the salaries of the employees and the liability is recognized in accounts on monthly basis.

### 2.3 Taxation

#### Current

Current taxation other than export is based on taxable income at the current rates of taxation after taking into account tax credits, brought forward losses, accelerated depreciation allowances and any minimum limits imposed by the taxation laws. Company's export sales, if any, fall under presumptive tax regime under Section 154 of the Income Tax Ordinance, 2001.

#### Deferred

The Company accounts for deferred taxation using the liability method on all temporary differences between the amounts for financial reporting purpose and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.





## Notes.....

### 2.4 Property, Plant and Equipment

Operating fixed assets are stated at cost or revalued amount less accumulated depreciation except for freehold land which is stated at revalued amount

Depreciation charge is based on reducing balance method at the rates specified in note 15. Leasehold land for quarries are amortised over a period of 15-20 years.

Depreciation on additions to property, plant and equipment is charged for the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which asset is disposed off. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets, if any, are included in profit and loss account.

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

### 2.5 Assets Subject to Finance Lease

These are recorded at the inception of lease at the value representing the lower of present value of minimum lease payments under the lease agreements or the fair value of the assets. The related obligation of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of financial cost on the remaining balance of principal liability for each period. Financial charges and depreciation on leased assets are charged to income currently.

### 2.6 Capital Work in Progress

Capital work in progress is stated at cost and represents expenditure incurred on fixed assets during their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

### 2.7 Stores, Spares and Loose Tools

These are valued at moving average cost except items in transit which are valued at cost accumulated upto the Balance Sheet date.

### 2.8 Stock in Trade

These are valued at lower of cost and net realisable value applying the following method:

Raw Materials	at weighted average cost.
Work in process and finished goods	at average cost covering direct material, labour and manufacturing overheads.

### 2.9 Deferred Cost

This is amortised over a maximum period of five years.

### 2.10 Foreign Currency Translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rate prevailing at the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the Balance Sheet date.



The company charges all exchange differences to profit and loss account.

## **2.11 Financial Instruments**

All financial assets and financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Gain or loss on derecognition of financial assets/liabilities is taken to Profit and Loss Account.

## **2.12 Offsetting of Financial Assets and Financial Liabilities**

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

## **2.13 Trade Debts**

Known bad debts are written off and provision is made for debts considered doubtful.

## **2.14 Revenue Recognition**

- Sales are recorded on dispatch of goods to customers.
- Interest income is accounted for on 'accrual basis'.

## **2.15 Related Party Transactions**

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

## **2.16 Dividend**

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

## **2.17 Cash and Cash Equivalents**

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 know amount of cash and which are subject to an insignificant risk of change in value.

## **2.18 Loans, Advances and Deposits**

These are stated at cost less estimates made for doubtful receivables based on review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

## **2.19 Trade and Other Payables**

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the company.

## **2.20 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.



## 2.21 Corresponding Figures

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison and for better presentation. However, there is no material rearrangement to report.

## 2.22 Functional and Presentation Currency

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

## 2.23 General

Figures in these financial statements have been rounded off to the nearest rupee.

	Note	2012 Rupees	2011 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
86,089,980 (2010: 86,089,980) ordinary shares of Rs.10 each fully paid in cash		860,899,800	860,899,800
8,750,000 (2010: 8,750,000) ordinary shares of Rs.10 each issued as fully paid bonus shares		87,500,000	87,500,000
		<b>948,399,800</b>	<b>948,399,800</b>
<b>4. SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Opening balance as at July 01,		1,138,718,009	1,177,629,175
Less:			
- Incremental depreciation due to revaluation of fixed assets (Net off deferred tax of Rs. 20,052,428 (2011: Rs. 20,952,167))		(37,240,227)	(38,911,166)
- Realised on disposal of assets-net off deferred tax		-	-
Balance as at June 30,		<b>1,101,477,782</b>	<b>1,138,718,009</b>

Revaluation of freehold land, buildings, plant & machinery and vehicles was done in year 2002 and 2007, referred to in note 15.2 to the financial statements produced a surplus of Rs.1,843.8 Million and 685.61 Million respectively. These amounts were credited to surplus on revaluation of fixed assets account to comply with the requirements of Section 235 of the Companies Ordinance, 1984.

## 5. LOAN FROM BANKING COMPANIES- Secured

	Sanctioned Limit			
The Bank of Punjab Limited				
Demand finance facility	750 Million	5.1	750,000,000	750,000,000
Bridge finance facility	270 Million	5.2	270,000,000	270,000,000
			<b>1,020,000,000</b>	<b>1,020,000,000</b>

5.1 Principal was repayable in 28 equal quarterly installments of Rs.26.786 Million each with one year grace period from the date of disbursement. Mark up is chargeable @ 3 month KIBOR + 400 BPS per annum (2011: 3 months KIBOR + 400 BPS per annum) with no floor and no cap, payable quarterly in arrears. The rate was set at the end of quarter by adopting KIBOR of last working day of each quarter. The facility is secured by 1st pari pasu charge over fixed assets for Rs.1,443.75 Million and joint collateral guarantee of its holding company and directors.

## Notes.....



- 5.2 Mark up is chargeable @ 3 month KIBOR + 300 BPS per annum (2011: 3 month KIBOR + 300 BPS per annum) with no floor and no cap, payable quarterly in arrears. The rate shall set at the end of quarter by adopting KIBOR of last working day of each quarter. The facility is secured by 1st pari pasu charge over fixed assets for Rs.1,443.75 Million and joint collateral guarantee of its holding company and directors.
- 5.3 The company has filed a suit in the Lahore High Court, Lahore against BOP for declaration, permanent injunction, discharge, cancellation of documents, redemption of property and damages to the tune of Rs. 1,926 Million on account of various breaches of its obligation committed by BOP. BOP has also filed its PLA in the same and the matter is pending adjudication before the honorable court. BOP has instituted a suit against the company for recovery of Rs.1,626.625 Million along with markup / Cost of funds in the Lahore High Court, Lahore. PLA on behalf of the company has been filed against the same and the matter is pending adjudication.

	Note	2012 Rupees	2011 Rupees
<b>6. OTHER LOANS - Unsecured</b>			
Economic Affairs Division, Government of Pakistan (EAD)	6.1	35,232,000	35,232,000
Ex-Sponsors' Loan	6.2	250,000,000	250,000,000
Holding Company	6.3	-	53,674,731
Provident Fund Trust	6.4	59,251,530	60,251,530
Peace agreement arrears	6.5	20,358,703	29,164,430
		<b>364,842,233</b>	<b>428,322,691</b>
Less current portion:			
Payable within next 12 months		12,364,882	12,364,980
Overdue		52,511,586	49,962,733
	13	64,876,468	62,327,713
		<b>299,965,765</b>	<b>365,994,978</b>

- 6.1 (a) This represents the balance of Pak rupee loan of Rs.340.841 million originally advanced in 1984 in Japanese Yen to the State Cement Corporation of Pakistan (Private) Limited (SCCP). The loan was taken over by the Company under the clause 14 of the Sale Agreement dated May 23, 1992 as payable in local currency to the EAD. The company provided Bank Guarantee from Habib Bank Limited (HBL) to cover the outstanding liability at the time of sale. The company has requested EAD for grant of further time for payment of overdue installments.

The amount of the original loan was Japanese Yen 5,199,457,960 carrying interest @ 8.5% p.a. and was payable in 37 bi-annual installments on March 20 and September 20 with effect from March 10, 1984. Effective April 21, 1987 the yen loan was converted into Pak rupee loan at exchange rate of 1 Yens=0.122111 Pak Rupee carrying interest @ 11% and exchange risk fee @ 3% per annum payable to the EAD in 30 equal half yearly installments commencing from September 10, 1987, to be settled by March 20, 2002.

- (b) After taking over the control and management, the new management at that time arranged payment of Rs.133.908 million to the EAD, through Habib Bank Ltd for payment of outstanding balance and requested for restructuring of this loan. The competent authority has accorded its approval for restructuring of the loan amounting to Rs.132.44 million and balance have been waived. The Principal alongwith mark up @ 14% p.a. (11% mark up and 3% exchange risk fee) is to be repaid in ten equal half yearly installments effective July 2004. The rescheduled amount is to be secured by bank guarantee in favour of EAD.
- 6.2 This represents loan received from Ex-management Mr. A. Rafique Khan and Mr. Tausif Peracha as subordinated to Bank of Punjab loan facility. It is interest free, unsecured and is repayable after repayment of loan of Bank of Punjab.



## Notes.....

- 6.3** This represents interest free and unsecured loan from holding company, Three Stars Cement (Pvt) Ltd. The loan is transferred to current liabilities as terms and conditions of repayment have not yet been finalized.
- 6.4** The Securities & Exchange Commission of Pakistan (SECP) had passed an order on August 13, 2009 that the company should provide mark-up on old dues till June 30, 2008 and an overdue current provident fund contributions till September 30, 2009 and repay all the principal portion of old dues and overdue current provident fund contributions along with mark-up there on in installments of Rs. 0.5 million per month from October 2009. The markup has been accounted for in the books of account and these financial statements in accordance with the SECP order. During the current year, company has paid two instalments of Rs. 1.00 Million each from the old provident fund liability, to comply with the SECP order. While from the portion of current dues only Rs. 12,482 has been paid and the remaining amount is unpaid due to severe financial crunch faced by the company.
- 6.5** This represents arrears payable to workers on account of increments on salaries for the financial years ended on June 30, 2007, June 30, 2008 and June 30, 2009. As per peace agreement with CBA union dated May 09, 2009 the arrears are payable in 72 equal monthly installments of Rs. 530,407 payable along with the monthly salary payments. It is interest free and unsecured.

	Note	2012 Rupees	2011 Rupees
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Opening balance		15,417	15,417
Less:			
Payments during the year / adjustment		15,417	-
Present value of minimum lease payments		-	15,417
Less: Overdue installment shown under current liabilities	13	-	15,417
		-	-
<b>8. DEFERRED LIABILITIES</b>			
Deferred taxation	8.1		
<b>8.1 Deferred taxation</b>			
<b>This is composed of the following:</b>			
<b>Deferred tax liability on taxable temporary differences arising in respect of:</b>			
Accelerated tax depreciation		669,849,707	689,566,321
Liabilities against assets subject to finance lease		-	-
		669,849,707	689,566,321
<b>Deferred tax asset on deductible temporary differences arising in respect of:</b>			
Liabilities against assets subject to finance lease		-	-
Unused tax losses carried forward		(668,703,102)	(5,396)
Provision for doubtful balances		(1,146,605)	(688,452,075)
		(669,849,707)	(1,108,850)
		-	689,566,321
Opening balance		-	-
Charged/(Reversal) to profit and loss account		-	60,223,927
Deferred tax liability as at June 30,		-	(60,223,927)

Deferred tax amounting to 2012: Rs.251.067 million (2011:Rs.73.82) million on unused tax losses, has not been recognized in these financial statements being prudent. Management is of the view that recognition of deferred tax asset shall be re-assessed as at June 30, 2013.



## Notes.....

	Note	2012 Rupees	2011 Rupees
<b>9. LONG TERM ADVANCES AND DEPOSITS</b>			
<b>Un-secured - Interest free</b>			
Security deposits	9.1	1,662,334	1,939,334
Retention money		46,068	43,908
		<u>1,708,402</u>	<u>1,983,242</u>

9.1 These represent securities from distributors and contractors. These are being utilised by the company as authorised by the agreement with parties or deposited with separate bank account in compliance with section 226 of the Companies Ordinance, 1984.

## 10. TRADE AND OTHER PAYABLES

Trade creditors		201,083,321	125,215,818
Accrued expenses		390,470,468	340,060,366
Due to Gratuity Fund Trust	10.1	173,286,315	149,123,468
Due to Provident Fund Trust		35,675,211	22,414,988
Past Dues - CBA	10.2	1,543,158	5,042,738
Excise duty		272,333,615	221,553,537
Royalty		10,170,280	9,215,485
Sales tax		171,244,995	103,414,370
Workers' profit participation fund	10.3	29,862,261	29,303,837
Unclaimed dividend		1,081,940	1,081,940
Income tax withheld		23,688,266	10,522,990
Advances from customers		84,822,650	18,760,960
Others		21,922,343	15,237,165
		<u>1,417,184,823</u>	<u>1,050,947,662</u>

### 10.1 Gratuity

Net liability as on July 01	149,123,468	82,591,946
Charge to profit and loss account	25,269,287	66,682,522
Payment to fund during the year	(1,106,440)	(151,000)
Net liability as on June 30,	<u>173,286,315</u>	<u>149,123,468</u>

#### The amount recognized in the balance sheet is as follows

Fair value of plan assets	(216,742)	(208,329)
Present value of defined benefit obligation	139,839,578	137,364,954
Deficit	139,622,836	137,156,625
Payable at the end of the year	10,158,681	16,721,366
Payable to ex- employees	23,504,798	-
Unrecognized Actuarial gain / (loss)	-	(4,754,523)
Net liability as on June 30,	<u>173,286,315</u>	<u>149,123,468</u>

#### The amount recognized in profit and loss account is as follows

Current service cost	6,067,359	20,221,937
Interest cost	19,231,094	47,338,715
Expected return on plan assets	(29,166)	(71,055)
Actuarial (gain)/loss recognised	-	(807,075)
Total amount chargeable to profit and loss account	<u>25,269,287</u>	<u>66,682,522</u>



	2012 Rupees	2011 Rupees
<b>The movement in the present value of defined benefit obligation is as follows:</b>		
Present value of defined benefit obligation	137,364,954	130,771,246
Current Service cost	6,067,359	6,322,245
Interest cost	19,231,094	15,692,550
Benefits paid	-	(151,000)
Benefits due but not paid	(7,889,872)	(16,721,366)
Actuarial (gain)/loss	(14,933,957)	1,451,279
Present value of defined benefit obligations as on June 30,	<u>139,839,578</u>	<u>137,364,954</u>
<b>The movement in the fair value of plan assets is as follows</b>		
Fair value of plan assets as on July 01,	208,329	201,427
Expected return on plan assets	29,166	24,171
Contributions	-	151,000
Benefits paid	-	(151,000)
Actuarial (loss)/gain	(20,753)	(17,269)
Fair value of plan assets as on June 30,	<u>216,742</u>	<u>208,329</u>

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for the current year and last four years is as follows:

	Present value of defined Benefit	Fair value of plan assets	Surplus / (Deficit)
	-----R u p e e s-----		
Year ended June 30, 2012	(139,839,578)	(216,742)	(140,056,320)
Year ended June 30, 2011	(137,364,954)	208,329	(137,156,625)
Year ended June 30, 2010	(130,771,246)	201,427	(130,569,819)
Year ended June 30, 2009	(126,088,761)	136,423	(125,952,338)
Year ended June 30, 2008	(74,493,956)	136,423	(74,357,533)

**10.2** This represents the amounts payable for the closure period of the factory on account of accumulated salaries and benefits, one day deduction and legal expenses payable to the employees and CBA for which a mutual agreement had been executed between the management and the CBA at the time of take over of the factory in 2000 by the then management.

**10.3** Workers' profit participation fund

Balance as at July 01,	3,780,109	3,780,109
Less: payments during the year	-	-
	<u>3,780,109</u>	<u>3,780,109</u>
Interest on unpaid contribution	26,082,152	25,523,728
	<u>29,862,261</u>	<u>29,303,837</u>

**10.4** During the audit, balance confirmation requests were circulated to various parties for direct balance confirmation aggregating Rs.347.444 million (2011:Rs.451.37 million). Upto the date of issuance of these financial statements, replies against balances of only Rs. 41.134 million (2011: Rs.38.83 million) have been received.

## Notes.....



	Note	2012 Rupees	2011 Rupees
<b>11. MARK UP ACCRUED</b>			
Mark up accrued on:			
Secured loan		614,844,349	614,844,348
Unsecured loan		79,154,031	63,037,163
		<u>693,998,380</u>	<u>677,881,511</u>
<b>12. SHORT TERM BORROWINGS</b>			
<b>Running finances - secured</b>			
KASB Bank Limited	12.1	290,000,000	290,000,000
<b>Others - Secured</b>			
The Bank of Punjab	12.2	57,256,073	57,256,073
The Bank of Punjab	12.3	83,600,000	83,600,000
		<u>140,856,073</u>	<u>140,856,073</u>
Bank Overdraft - unsecured	12.4	620,038	2,062,864
Loan from Related Parties - unsecured			
Holding Company	12.5	37,804,256	-
Director-interest free	12.6	37,065,450	37,065,450
Others-interest free	12.7	20,300,047	18,382,876
		<u>95,169,753</u>	<u>55,448,326</u>
		<u>526,645,864</u>	<u>488,367,263</u>
<b>12.1</b>	This represents finance facility against the limit of Rs.290 million (2011: Rs.290 million). It carries mark up @ six months KIBOR plus 5% per annum (2011: 6 months KIBOR + 5% per annum) payable on quarterly basis with no floor and cap. The facility is to be repaid in bullet repayment on September 30, 2007. The facility is secured by 1st pari passu charge on plant and machinery of the company amounting Rs.400 million and lien over deposit of Rs.176.5 million in saving account of Mr. Tauseef Peracha and Mr. A. Rafique Khan (Ex-Management).		
	KASB has instituted a suit against the company for recovery of Rs.351,732,335.61 along with markup / cost of funds in the Lahore High Court, Lahore. PLA on behalf of the company has been filed against the same and the matter is pending adjudication.		
<b>12.2</b>	This represents payments against over due documentary credits. It carries markup @ KIBOR + 400 BPS (2011: KIBOR + 400 BPS) per annum. These are secured by 1st pari passu charge on present and future current assets of the company amounting Rs. 134 million and a joint collateral of cross corporate guarantee of Three Star Hosiery Mills (Pvt) Limited and personal guarantee of all the Directors of Dandot Cement Company Limited.		
	The company is in litigation with the bank as explained in note no.5.3 to the financial statements.		
<b>12.3</b>	This represent forced finance created by the bank on account of Guarantee encashed by the SNGPL. It carries markup @KIBOR+ 4% (2011: @KIBOR+ 4%). It is secured by 1st pari passu charge on present and future current assets of the company amounting Rs. 134 million and a joint collateral of cross corporate guarantee of Three Star Hosiery Mills (Pvt) Limited and personal guarantee of all the Directors of Dandot Cement Company Limited.		
	The company is in litigation with the bank as explained in note no.5.3 to the financial statements.		
<b>12.4</b>	This represents temporary bank overdraft due to issuance of cheques near to the balance sheet date, however bank statements show the favourable balances.		
<b>12.5</b>	As referred to note no. 6.3 to the financial statements.		
<b>12.6</b>	This includes Rs.35.97 million injected by the director, Mr. Mansoor Rasheed to meet the working capital requirements of the company in the year 2010 and 2011.		
<b>12.7</b>	This represents loan from Three Star Hosiery (Private) Limited and Active Apparel International (Private) Limited amounting of Rs.8,505,004 and Rs.11,795,043 (2011:5,917,333 and Rs.12,465,543) respectively.		
<b>13. CURRENT PORTION OF LONG TERM LOANS AND LIABILITIES</b>			
Other loans	6	64,876,468	62,327,713
Liabilities against assets subject to finance lease	7	-	15,417
		<u>64,876,468</u>	<u>62,343,130</u>





## Notes.....

### 14. CONTINGENCIES AND COMMITMENTS

#### Contingencies

- a) Company is in litigation with some suppliers and the matter is pending for decision in Court. Company's exposure in respect of these cases could be Rs.17,504,456 (2011: Rs.17,504,456).
- b) Sui Northern Gas Pipelines Ltd., (SNGPL) has charged the excess gas bill amounting to Rs.37.90 million in 2006. On complaint lodged with the Oil & Gas Regulatory Authority (OGRA) against excessive billing by SNGPL, the matter was decided in favour of the company. SNGPL has filed an appeal against the said decision of OGRA. The appeal has also been adjudicated by OGRA in favour of the company. However, the SNGPL has recovered the aforesaid amount as stated in para (d) of this note.
- c) SNGPL has charged mark up on late payment of the gas bills in the past at the rate which was in excess of the rate agreed in the Gas Sale Agreement (GSA). The company filed a complaint with the OGRA, who decided the matter and directed SNGPL to recompute mark up on late payment as per original GSA. SNGPL recomputed mark up amounting to Rs.10.312 million, as against Rs.2.729 million computed by the company. The matter has again been referred to OGRA for their decision. However, company has accounted for Rs.2.729 million as liability. However, the SNGPL has recovered the aforesaid amount as stated in para (d) of this note.
- d) In June 2008 Sui Northern Gas Pipelines Ltd., (SNGPL) has charged the excess gas bill amounting to Rs.18.536 million. Company has lodged complaint with the review committee of Sui Northern Gas Pipelines Ltd., (SNGPL) which gave its decision that the disputed bill is correct.

On January 23, 2009 the SNGPL encashed bank guarantee of Rs.88 million against arrears of gas bills including as mentioned in 14(b),14(c) in previous paragraphs. Till June 30, 2009 total arrears amounting Rs.35.380 million are outstanding against the company which have not been accounted for in the financial statements due to dispute with the SNGPL. The company is in process of filing appeal against SNGPL against the decision in court.

- e) During the year ended June 30, 2008 Pakistan Standards and Quality Control Authority (PSQCA) refused to renew the CM License of the company and raised a demand of Rs. 1.94 million on account of marking fee for the period from June 1992 to June 2007. The company paid Rs.851,708 towards the demand raised by PSQCA during June 30, 2008. The company filed an appeal before the Additional District Judge, Lahore against PSQCA. The court decided the matter that renewed license should be issued and claim for recovery of outstanding balance shall be dealt with separately.
- f) Competition Commission of Pakistan (the Commission), vide order dated August 27, 2009, has imposed penalty on 20 cement factories of Pakistan at the rate of 7.5% of the turnover value as disclosed in the last annual financial statements. The Commission has imposed penalty amounting Rs.41.71 million on the company for alleged violation of section 4(1) of the Competition Commission Ordinance, 2007. The Lahore High Court, Lahore has restrained the Commission from taking adverse action pursuant to this order till the next date of hearing.
- g) The company has not accounted for Rs.261,725,000 (2011:Rs.206,625,000) additional profit/liquidated damages on the loan payable to KASB Bank Limited as the matter is subjudice with the honorable Lahore High Court referred to note no.12 in the financial statements.

	Note	2012 Rupees	2011 Rupees
<b>Commitments</b>			
Atlas Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited.	14.1	1,500,000	1,500,000
United Bank Limited has issued Bank Guarantee in favour of Department of Mines & Minerals Government of Punjab.	14.2	139,165	139,165

**14.1** This guarantee was secured by lien in favour of Atlas Bank Ltd on PLS TDR amounting Rs.1,500,000 (2011 Rs.1,500,000).

**14.2** This guarantee was secured by lien in favour of United Bank Ltd on PLS TDR amounting Rs.140,000 (2011 Rs.140,000).

# Notes.....



## 15. OPERATING FIXED ASSETS

PARTICULARS	C O S T / R E V A L U A T I O N				Rate %	D E P R E C I A T I O N					Book Value as at June 30, 2012
	As at July 01, 2011	Additions	Deletions	Adjustment		As at June 30, 2012	As at July 01, 2011	For the year	On disposals	Adjustment	
<b>OWNED</b>											
Free hold land											
Cost	52,591,805	-	-	-	52,591,805	-	-	-	-	-	52,591,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	20,389,552
	72,981,357	-	-	-	72,981,357	-	-	-	-	-	72,981,357
Quarry on lease hold land	1,330,978	-	-	-	1,330,978	20 Yrs.	967,913	66,549	-	1,034,462	296,516
Building on free hold land											
Factory :											
Cost	188,292,137	-	-	-	188,292,137	10	163,361,801	2,493,034	-	165,854,835	22,437,302
Revaluation (2002)	86,898,282	-	-	-	86,898,282	10	54,073,762	3,282,452	-	57,356,214	29,542,068
Revaluation (2007)	6,903,666	-	-	-	6,903,666	10	2,374,171	452,950	-	2,827,121	4,076,545
	282,094,085	-	-	-	282,094,085	30	219,809,734	6,228,436	-	226,038,170	56,055,915
Office :											
Cost	17,527,908	-	-	-	17,527,908	5	13,312,635	210,764	-	13,523,399	4,004,509
Revaluation (2002)	13,645,216	-	-	-	13,645,216	5	5,152,825	424,620	-	5,577,445	8,067,771
Revaluation (2007)	1,248,858	-	-	-	1,248,858	5	231,656	50,860	-	282,516	966,342
	32,421,982	-	-	-	32,421,982	15	18,697,116	686,244	-	19,383,360	13,038,622
Residential :											
Cost	38,550,278	-	-	-	38,550,278	10	35,551,652	299,863	-	35,851,515	2,698,763
Revaluation (2002)	27,545,216	-	-	-	27,545,216	10	17,140,425	1,040,479	-	18,180,904	9,364,312
Revaluation (2007)	19,571,075	-	-	-	19,571,075	10	6,730,493	1,284,058	-	8,014,551	11,556,524
	85,666,569	-	-	-	85,666,569	30	59,422,570	2,624,400	-	62,046,970	23,619,599
Machinery											
Cost	1,190,383,914	-	-	-	1,190,383,914	3	893,610,334	8,903,207	-	902,513,541	287,870,373
Transfer From Lease assets	60,441,960	-	-	-	60,441,960	3	43,201,435	517,216	-	43,718,651	16,723,309
Revaluation (2002)	1,656,058,629	-	-	-	1,656,058,629	3	586,136,131	32,097,675	-	618,233,806	1,037,824,823
Revaluation (2007)	648,188,836	-	-	-	648,188,836	3	74,351,920	17,215,107	-	91,567,027	556,621,809
	3,555,073,339	-	-	-	3,555,073,339	12	1,597,299,820	58,733,205	-	1,656,033,025	1,899,040,314
Office Equipment	9,198,800	172,500	-	-	9,371,300	10	5,576,251	371,981	-	5,948,232	3,423,068
Furniture & Fixture	7,261,334	-	-	-	7,261,334	10	6,202,478	105,886	-	6,308,364	952,970
Heavy Vehicles											
Cost	94,912,875	-	-	-	94,912,875	20	93,292,426	324,090	-	93,616,516	1,296,359
Revaluation (2002)	24,418,997	-	-	-	24,418,997	20	21,305,407	622,718	-	21,928,125	2,490,872
Revaluation (2007)	8,407,158	-	-	-	8,407,158	20	4,937,137	694,004	-	5,631,141	2,776,017
	127,739,030	-	-	-	127,739,030	60	119,534,970	1,640,812	-	121,175,782	6,563,248
Light Vehicles											
Cost	28,018,312	2,330,000	521,965	-	29,826,347	20	23,230,120	1,231,914	455,693	24,006,341	5,820,006
Revaluation (2002)	4,571,974	-	-	-	4,571,974	20	3,989,016	116,592	-	4,105,608	466,366
Transfer from leased assets*	649,000	-	-	-	649,000	20	593,302	11,140	-	604,442	44,558
	33,239,286	2,330,000	521,965	-	35,047,321	60	27,812,438	1,359,646	455,693	28,716,391	6,330,930
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,316,867	20,485	-	1,337,352	389,222
Electric Installation	38,956,612	-	-	-	38,956,612	10	35,708,646	324,797	-	36,033,443	2,923,169
Weighing Scales	80,958	-	-	-	80,958	10	74,377	658	-	75,035	5,923
Library Books	72,403	-	-	-	72,403	10	66,288	612	-	66,900	5,503
	4,247,843,307	2,502,500	521,965	-	4,249,823,842	-	2,092,489,468	72,163,711	455,693	2,164,197,486	2,085,626,356

Vehicles include a Shehzor Mazda of amounting Rs. 649,000 is not in the name of the company due to that bank is unable to trace the relevant record of aforesaid vehicle. Consequently bank did not issue no objection certificate (N.O.C) for transfer of vehicle in the name of company.

	Note	2012 Rupees	2011 Rupees
<b>15.1 Depreciation for the year has been allocated as under:</b>			
Cost of sales	27	68,543,249	71,523,971
Distribution cost	28	116,058	123,610
Administrative expenses	29	3,504,404	3,829,328
		<u>72,163,711</u>	<u>75,476,909</u>

**15.2** Land, Buildings, Plant & Machinery, and Vehicles of the Company were first revalued on April 01, 2002, resulting in surplus of Rs. 1,843.8 million. The second revaluation was carried out on June 30, 2007, by M/s Surval, recognised valuation consultant and its report was verified by M/s Ilyas Saeed & Co., Chartered Accountants. Valuation of building, plant and machinery and heavy vehicles was carried out on the basis of Depreciated Replacement Value. This revaluation has created a surplus of Rs.685.61 million.



## Notes.....

- 15.3 Had there been no revaluation the related figures of Buildings, Plant & Machinery and Vehicles at June 30, 2012 would have been as follows :

Particulars	Cost as at June 30, 2012	Accumulated Depreciation upto June 30, 2012	Net Book Value as on June 30, 2012
	-----R u p e e s-----		
Buildings			
Factory	188,292,137	165,854,835	22,437,302
Office	17,527,908	13,523,399	4,004,509
Residential	38,550,278	35,851,515	2,698,763
Plant and Machinery	1,190,383,914	902,513,541	287,870,373
Heavy Vehicles	94,912,875	93,616,516	1,296,359
Light Vehicles	29,826,347	24,006,341	5,820,006
	<b>1,559,493,459</b>	<b>1,235,366,147</b>	<b>324,127,312</b>
<b>2011 Rupees</b>	<b>1,557,685,424</b>	<b>1,222,358,968</b>	<b>335,326,456</b>

### 15.4 OPERATING FIXED ASSETS

PARTICULARS	C O S T / R E V A L U A T I O N					D E P R E C I A T I O N					Book Value	
	As at July 01, 2010	Additions	Deletions	Adjustment	As at June 30, 2011	Rate %	As at July 01, 2010	For the year	On disposals	Adjustment	As at June 30, 2011	as at June 30, 2011
<b>OWNED</b>												
Free hold land												
Cost	52,591,805	-	-	-	52,591,805	-	-	-	-	-	-	52,591,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	-	20,389,552
	72,981,357	-	-	-	72,981,357	-	-	-	-	-	-	72,981,357
Quarry on lease hold land	1,330,978	-	-	-	1,330,978	20 Yrs.	901,364	66,549	-	-	967,913	363,065
Building on free hold land												
Factory :												
Cost	188,292,137	-	-	-	188,292,137	10	160,591,764	2,770,037	-	-	163,361,801	24,930,336
Revaluation (2002)	86,898,282	-	-	-	86,898,282	10	50,426,593	3,647,169	-	-	54,073,762	32,824,520
Revaluation (2007)	6,903,666	-	-	-	6,903,666	10	1,870,894	503,277	-	-	2,374,171	4,529,495
	282,094,085	-	-	-	282,094,085	-	212,889,251	6,920,483	-	-	219,809,734	62,284,351
Office :												
Cost	17,527,908	-	-	-	17,527,908	5	13,090,779	221,856	-	-	13,312,635	4,215,273
Revaluation (2002)	13,645,216	-	-	-	13,645,216	5	4,705,857	446,968	-	-	5,152,825	8,492,391
Revaluation (2007)	1,248,858	-	-	-	1,248,858	5	178,119	53,537	-	-	231,656	1,017,202
	32,421,982	-	-	-	32,421,982	-	17,974,755	722,361	-	-	18,697,116	13,724,866
Residential :												
Cost	38,550,278	-	-	-	38,550,278	10	35,218,471	333,181	-	-	35,551,652	2,998,626
Revaluation (2002)	27,545,216	-	-	-	27,545,216	10	15,984,337	1,156,088	-	-	17,140,425	10,404,791
Revaluation (2007)	19,571,075	-	-	-	19,571,075	10	5,303,762	1,426,731	-	-	6,730,493	12,840,582
	85,666,569	-	-	-	85,666,569	-	56,506,570	2,916,000	-	-	59,422,570	26,243,999
Machinery												
Cost	1,190,383,914	-	-	-	1,190,383,914	3	884,431,770	9,178,564	-	-	893,610,334	296,773,580
Transfer From Lease assets	60,441,960	-	-	-	60,441,960	3	42,668,223	533,212	-	-	43,201,435	17,240,525
Revaluation (2002)	1,656,058,629	-	-	-	1,656,058,629	3	553,045,744	33,090,387	-	-	586,136,131	1,069,922,498
Revaluation (2007)	648,188,836	-	-	-	648,188,836	3	56,604,386	17,747,534	-	-	74,351,920	573,836,916
	3,555,073,339	-	-	-	3,555,073,339	-	1,536,750,123	60,549,697	-	-	1,597,299,820	1,957,773,519
Office Equipment	9,017,481	181,319	-	-	9,198,800	10	5,183,670	392,581	-	-	5,576,251	3,622,549
Furniture & Fixture	7,261,334	-	-	-	7,261,334	10	6,084,827	117,651	-	-	6,202,478	1,058,856
Heavy Vehicles												
Cost	94,912,875	-	-	-	94,912,875	20	92,887,314	405,112	-	-	93,292,426	1,620,449
Revaluation (2002)	24,418,997	-	-	-	24,418,997	20	20,527,010	778,397	-	-	21,305,407	3,113,590
Revaluation (2007)	8,407,158	-	-	-	8,407,158	20	4,069,632	867,505	-	-	4,937,137	3,470,021
	127,739,030	-	-	-	127,739,030	-	117,483,956	2,051,014	-	-	119,534,970	8,204,060
Light Vehicles												
Cost	28,018,312	-	-	-	28,018,312	20	22,033,072	1,197,048	-	-	23,230,120	4,788,192
Revaluation (2002)	4,571,974	-	-	-	4,571,974	20	3,843,276	145,740	-	-	3,989,016	582,958
Transfer from leased assets*	-	-	-	649,000	649,000	-	-	-	-	593,302	593,302	55,698
	32,590,286	-	-	649,000	33,239,286	-	25,876,348	1,342,788	-	593,302	27,812,438	5,428,848
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,295,303	21,564	-	-	1,316,867	409,707
Electric Installation	38,956,612	-	-	-	38,956,612	10	35,347,761	360,885	-	-	35,708,646	3,247,966
Weighing Scales	80,958	-	-	-	80,958	10	73,646	731	-	-	74,377	6,581
Library Books	72,403	-	-	-	72,403	10	65,608	680	-	-	66,288	6,115
	4,247,012,988	181,319	-	649,000	4,247,843,307	-	2,016,433,182	75,462,984	-	593,302	2,092,489,468	2,155,353,839
<b>LEASED</b>												
Light Vehicles	649,000	-	-	(649,000)	-	20	579,377	13,925	-	(593,302)	-	-
<b>Rupees</b>	<b>4,247,661,988</b>	<b>181,319</b>	<b>-</b>	<b>-</b>	<b>4,247,843,307</b>	<b>-</b>	<b>2,017,012,559</b>	<b>75,476,909</b>	<b>-</b>	<b>-</b>	<b>2,092,489,468</b>	<b>2,155,353,839</b>

## Notes.....



	Note	2012 Rupees	2011 Rupees
<b>16. CAPITAL WORK IN PROGRESS</b>			
Advance for land			
Opening balance		110,406,083	190,681,083
Payment received back/ adjustment		(110,406,083)	(80,275,000)
		-	110,406,083
Less: Recoverable within next twelve months	22	-	(110,406,083)
		-	-
<b>16.1</b> In 2008, the company had entered into an agreement for purchase of land amounting Rs.250 million which was payable up to January 2009. Due to severe financial crunch, company was unable to pay the full amount within the due date. During the year 2010-11, the agreement had been revoked with the consent of both the parties subject to liquidated compensation of Rs.1.00 million to the seller. During the current year the company has settled the whole amount of the aforesaid advance.			
<b>17. LONG TERM LOANS - Considered good</b>			
<b>Officers</b>			
Special loans		-	32,000
<b>Other Employees</b>			
House building		21,555	41,349
Special loans		17,200	26,500
		38,755	67,849
		38,755	99,849
Less: Current portion recoverable within one year	22	19,152	44,328
		19,603	55,521
<b>Terms of repayment for Staff Loans</b>			
These are equal monthly instalments, secured & interest free			
<b>18. LONG TERM SECURITY DEPOSITS</b>			
Islamabad Electric Supply Company		9,486,000	19,486,000
Others		948,715	948,715
		10,434,715	20,434,715
<b>19. STORES, SPARES AND LOOSE TOOLS</b>			
General stores		75,041,163	50,688,223
Spare parts		84,780,290	86,579,300
Loose tools		2,685,223	2,685,822
		162,506,676	139,953,345



## Notes.....

	Note	2012 Rupees	2011 Rupees
<b>20. STOCK IN TRADE</b>			
Raw material		2,243,620	704,703
Work in process		81,513,302	62,128,789
Finished goods		21,191,585	29,611,565
		<u>104,948,507</u>	<u>92,445,057</u>
<b>21. TRADE DEBTS</b>		<u>9,899,364</u>	<u>17,971,314</u>
These are unsecured but considered good by the management.			
<b>22. LOANS AND ADVANCES</b>			
<b>Loans</b>			
<b>Considered good:</b>			
Current portion of long term loans to employees	17	19,152	44,328
Advance against purchase of land	16	-	110,406,083
To past associated company - Gharibwal Cement Limited (GCL)		250,000,000	250,000,000
Loan to employees		20,268,708	17,977,324
		<u>270,287,860</u>	<u>378,427,735</u>
<b>Considered doubtful:</b>			
Loan to employees		1,612,993	1,505,121
		<u>271,900,853</u>	<u>379,932,856</u>
<b>Advances</b>			
<b>Considered good:</b>			
To employees		1,441,303	1,418,291
To suppliers / contractors		45,478,639	35,267,671
To related party - The Forwarder (Pvt) Limited		-	12,570,475
		<u>46,919,942</u>	<u>49,256,437</u>
<b>Considered doubtful:</b>			
To employees		1,470,239	1,470,239
To suppliers / contractors		136,938	136,938
		<u>1,607,177</u>	<u>1,607,177</u>
		<u>48,527,119</u>	<u>50,863,614</u>
		<u>320,427,972</u>	<u>430,796,470</u>
Less: Provision for doubtful loans and advances	22.2	3,220,170	3,112,298
		<u>317,207,802</u>	<u>427,684,172</u>
<b>22.1</b>	During the audit, balance confirmation requests were circulated to various parties for direct balance confirmation aggregating Rs.82.325 million (2011: Rs.50.34 million). Upto the date of issuance of these financial statements, replies against balance of only Rs.6.530 million (2011: Rs.3.46 million) have been received.		
<b>22.2</b>	<b>Provision for doubtful loans and advances</b>		
Balance as at July 01		3,112,298	16,299,766
Provision for the year		107,872	-
		<u>3,220,170</u>	<u>16,299,766</u>
Loans and advances written off against provision		-	(13,187,468)
		<u>3,220,170</u>	<u>3,112,298</u>

## Notes.....



	Note	2012 Rupees	2011 Rupees
<b>23. BALANCES WITH STATUTORY AUTHORITIES</b>			
Excise duty		369,752	369,752
Income tax deducted at source		43,102,404	29,853,490
Income tax refundable		12,216,164	12,216,164
		<b>55,688,320</b>	<b>42,439,406</b>
<b>24. INTEREST ACCRUED</b>			
Interest accrued on loan to GCL		9,388,556	9,388,555
Interest accrued on PLS deposits		-	-
		<b>9,388,556</b>	<b>9,388,555</b>
<b>25. OTHER RECEIVABLES</b>			
Other receivables:			
Considered good		531,415	261,157
Considered doubtful		55,844	55,844
		<b>587,259</b>	<b>317,001</b>
Provision for doubtful receivables	25.1	55,844	55,844
		<b>531,415</b>	<b>261,157</b>
<b>25.1 Provision for doubtful receivables</b>			
Balance as at July 01		55,844	168,184
Provision for the year		-	-
		<b>55,844</b>	<b>168,184</b>
Other receivables written off against provision		-	(112,340)
		<b>55,844</b>	<b>55,844</b>
<b>26. CASH AND BANK BALANCES</b>			
Cash in hand		278	1,544
Cash at banks in:			
Current accounts		1,466,274	1,538,160
Deposit accounts	26.1	2,080,446	2,183,415
		<b>3,546,720</b>	<b>3,721,575</b>
		<b>3,546,998</b>	<b>3,723,119</b>

**26.1** It includes a separate bank account amounting Rs. 1.5 Million ( 2011: Rs. 1.5 Million), in compliance with requirements of Section 226 of the Companies Ordinance, 1984.

**26.2** Profit and loss sharing accounts bear mark up at the rates ranging from 7% to 10% (2011: 7% to 10%) per annum.



## Notes.....

	Note	2012 Rupees	2011 Rupees
<b>27. COST OF SALES</b>			
Raw materials consumed	27.1	94,066,837	81,018,990
Salaries, wages and benefits	27.2	218,072,612	212,823,117
Fuel, gas and electricity		996,884,833	684,892,494
Stores and spares		45,862,154	29,714,971
Rent, rates and taxes		331,130	66,100
Vehicle running and maintenance		13,738,811	10,621,121
Packing material		79,123,239	67,961,555
Depreciation	15.1	68,543,249	71,523,971
Others		38,484,735	20,532,431
		<b>1,555,107,600</b>	<b>1,179,154,750</b>
Work in process			
Opening		62,128,789	26,132,792
Closing		(81,513,302)	(62,128,789)
		<b>(19,384,513)</b>	<b>(35,995,997)</b>
Cost of goods manufactured		<b>1,535,723,087</b>	<b>1,143,158,753</b>
Finished goods			
Opening		29,611,565	11,468,555
Closing		(21,191,585)	(29,611,565)
		<b>8,419,980</b>	<b>(18,143,010)</b>
		<b>1,544,143,067</b>	<b>1,125,015,743</b>
<b>27.1 RAW MATERIALS CONSUMED</b>			
Opening balance		704,703	4,258,271
Purchase of raw material		36,729,057	23,341,118
Salaries, wages and benefits	27.1.1	34,344,698	37,173,403
Gypsum		801,599	794,094
Electricity		9,088,036	5,321,175
Royalty and excise duty		10,589,113	8,843,549
Stores and spares		3,770,989	1,719,328
Rent, rates and taxes		120,000	120,000
Breaking of Gypsum		162,262	152,755
		<b>96,310,457</b>	<b>81,723,693</b>
Closing balance		(2,243,620)	(704,703)
		<b>94,066,837</b>	<b>81,018,990</b>

**27.1.1** Salaries, wages and other benefits include Rs.1.15 million (2011:Rs.1.17 million) in respect of Provident Fund contribution by the company.

**27.1.2** Salaries, wages and other benefits include Rs.4.07 million (2011:Rs.11.42) in respect of Gratuity Fund contribution by the company.

**27.2** Salaries, wages and other benefits include Rs. 5.49 million (2011:Rs.5.59 million) in respect of Provident Fund contribution by the company.

**27.2.1** Salaries, wages and other benefits include Rs.21.20 million (2011:Rs.55.26) in respect of Gratuity Fund contribution by the company.

## Notes.....



	Note	2012 Rupees	2011 Rupees
<b>28. DISTRIBUTION COST</b>			
Salaries, wages and benefits		3,113,804	2,455,500
Travelling and daily allowances		-	332,709
Vehicles running and maintenance		65,268	35,965
Printing and stationery		39,093	-
Depreciation	15.1	116,058	123,610
Others		-	5,000
		<b>3,334,223</b>	<b>2,952,784</b>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits	29.1	10,942,228	9,305,993
Rent, rates and taxes		6,083,335	2,226,111
Travelling and daily allowances		4,458,526	2,035,736
Repairs and maintenance		1,254,411	1,104,627
Vehicle running and maintenance		1,480,837	1,232,781
Legal and professional		9,045,037	4,541,529
Auditors' remuneration	29.2	770,000	527,000
Postage, telephone and telegrams		1,491,430	854,637
Printing and stationery		333,491	508,858
Advertisement		84,900	71,500
Entertainment		1,276,981	731,152
Fee and subscriptions		488,388	854,735
Security services		226,310	-
Depreciation	15.1	3,504,404	3,829,328
Others	29.3	4,755,880	1,903,472
		<b>46,196,158</b>	<b>29,727,459</b>

29.1 Salaries, wages and other benefits include Rs.nil (2011: Rs.nil) in respect of Provident Fund contribution by the company.

### 29.2 Auditors' remuneration

#### Amin, Mudassar & Co. Chartered Accountants

Audit fee	500,000	300,000
Tax advisory services	100,000	60,000
Certification services	-	7,000
Half year review fee	85,000	75,000
Code of Corporate Governance review report fee	85,000	85,000
	<b>770,000.00</b>	<b>527,000</b>

29.3 These include donations of Rs.384,000 (2011: Rs.150,000) to Bakhtawar Amin Memorial Trust, Multan. Mr. Muhammad Rasheed (Director), Mr. Mansoor Rasheed (Director) and Mr. Saud Rasheed (Director) are interested in donee to the extent that they are members in the Board of trustee of the Trust.

### 30. OTHER OPERATING INCOME

#### Income from financial assets

Profit on deposit and PLS accounts	201,305	241,422
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#### Income from non financial assets

Tenderable gain	30.1	-	8,950,000
Gain on disposal of fixed assets		358,728	-
		<b>358,728</b>	<b>8,950,000</b>
		<b>560,033</b>	<b>9,191,422</b>

30.1 This was surrendered by the two director of the company under section 224 of the Company Ordinance, 1984.





## Notes.....

	Note	2012 Rupees	2011 Rupees
<b>31. OTHER OPERATING EXPENSES</b>			
Balances written off -net	31.1	-	1,257,215
<p>31.1 This include loans, advances and other receivables amounting Rs. Nil (2011: Rs.215,060, 746,143 and 569,653 respectively) .</p>			
<b>32. FINANCE COST</b>			
Interest / mark up on:			
Long term / Short term loans from financial institutions	32.1	-	-
Other loans- long term		4,932,479	4,932,479
Provident fund		11,184,388	8,835,903
Workers Profit Participation Fund (WPPF)		558,425	600,999
Bank charges		729,330	1,075,051
		<u>17,404,622</u>	<u>15,444,432</u>

32.1 The company has not made accrual of markup aggregating Rs.229.807 million due to litigations as referred in notes nos. 5.3, 12.1, 12.2 and 12.3.

### 33. TAXATION

#### Current

Provision for the current year Rs Nil ( 2011:Nil) . Minimum tax u/s 113 of the Income Tax Ordinance 2001 has not been made as the company suffered gross loss before depreciation charge. The assessed tax losses available for carry forward is Rs.2,648,125,297 (2011: Rs.2,177,925,750) upto the tax year 2012. Since the company is not liable to any tax under the Normal Tax Regime therefore no numerical tax reconciliation has been given.

#### Deferred

Deferred tax liability on all temporary differences as at June 30, 2011 has been duly provided and disclosed in note 8.

### 34. LOSS PER SHARE - BASIC AND DILUTED

Loss for the year	(506,773,804)	(339,162,893)
Weighted average ordinary shares during the year-numbers	94,839,980	94,839,980
Loss per share (Rupees)	(5.34)	(3.58)



## Notes.....

	2012 Rupees	2011 Rupees
<b>35. TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Three Stars Hosiery Mills (Pvt) Ltd.</b> (Associated company due to common directorship)		
Funds paid back	1,481,329	1,975,855
Fund received	4,069,000	2,363,188
Waste purchased	-	30,000
<b>Active Apparel International (Pvt) Ltd</b> (Associated company due to common directorship)		
Fund received	550,000	5,073,500
Funds paid back	1,220,500	764,957
<b>Forwarder (Pvt) Ltd</b> (Associated company due to common directorship)		
Fund received back	12,570,475	-
<b>Director</b>		
Fund obtained	-	48,006,000
Fund repaid	-	12,037,566

## 36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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.

Here are presented the 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 the market conditions and the Company's activities.

The company's exposure to financial risks, the way these risks affect revenues, expenses, assets, liabilities and forecast transactions of the company and the manner in which each of these risks are managed is as follows:



## Notes.....

### 36.1 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 trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2012 Rupees	2011 Rupees
Long term security deposits	10,434,715	20,434,715
Trade debts	9,899,364	17,971,314
Interest accrued	9,388,556	9,388,555
Other receivables	531,415	261,157
Cash and bank balances	3,546,998	3,723,119
	<u>33,801,048</u>	<u>51,778,860</u>

Geographically there is no concentration of credit risk.

#### Credit Quality of Financial Assets

The company has placed funds in financial institutions keeping in view credit ratings. The company assesses the credit quality of the counter parties as satisfactory. The company does not hold any collateral as security against any of its financial assets.

#### Cash at banks

A-1+	1,587,107	1,831,787
A 1+	96,902	163,510
A 2	1,862,711	1,719,606
A-1	-	6,499
A-3	-	173
	<u>3,546,720</u>	<u>3,721,575</u>

#### Credit Risk Management

Due to the company long standing business relationship with counter parties and after giving due consideration to their strong financial standings , management does not expect non-performance by the counter parties on their obligation to the company. Accordingly the credit risk is minimal.



## Notes.....

### 36.2 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, without incurring unacceptable losses or risking damage to the company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2012			2011		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
( R u p e e s )						
<b>Financial Assets</b>						
Long term loans	19,152	19,603	38,755	44,328	55,521	99,849
Loans and advances	317,188,650	-	317,188,650	427,639,844	-	427,639,844
Other receivables	531,415	-	531,415	261,157	-	261,157
Accrued interest	9,388,556	-	9,388,556	9,388,555	-	9,388,555
Cash and bank	3,546,720	-	3,546,720	3,721,575	-	3,721,575
	<u>330,674,493</u>	<u>19,603</u>	<u>330,694,096</u>	<u>441,055,459</u>	<u>55,521</u>	<u>441,110,980</u>
<b>Financial liabilities</b>						
Long term loans and liabilities	64,876,468	1,319,965,765	1,384,842,233	62,327,713	1,385,994,978	1,448,322,691
Liabilities against assets subject to finance lease	-	-	-	15,417	-	15,417
Long term advances and deposits	-	46,068	46,068	-	43,908	43,908
Trade and other payables	1,243,898,508	-	1,243,898,508	901,824,194	-	901,824,194
Mark up accrued	693,998,380	-	693,998,380	677,881,511	-	677,881,511
Short term borrowings	526,645,864	-	526,645,864	488,367,263	-	488,367,263
Gratuity payable to trustees	173,286,315	-	173,286,315	149,123,468	-	149,123,468
	<u>2,702,705,535</u>	<u>1,320,011,833</u>	<u>4,022,717,368</u>	<u>2,279,539,566</u>	<u>1,386,038,886</u>	<u>3,665,578,452</u>
Net liquidity	<u>(2,372,031,042)</u>	<u>(1,319,992,230)</u>	<u>(3,692,023,272)</u>	<u>(1,838,484,107)</u>	<u>(1,385,983,365)</u>	<u>(3,224,467,472)</u>

#### Liquidity Risk Management

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, without incurring unacceptable losses or risking damage to the company's reputation.

The company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the company ensures that it has sufficient cash on demand to meet expected operational cash flows, including serving of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. Further, the company has the support of its sponsors in respect of any liquidity shortfalls.

### 36.3 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 net profit or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

#### 36.3.1 Currency Risk

The company is exposed to currency risk in respect of export sales, imports and resulting balances that are denominated in a currency other than functional currency. The company's exposure to currency risk as at the reporting date is Rs.Nil (2011:Rs.Nil):



## Notes.....

### Foreign Currency Risk Management

Foreign currency risk arises mainly due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the company in currencies other than rupees. The company's export sales is immaterial during the year.

### 36.3.2 Interest Rate Risk

The interest rate profile the company's interest bearing financial instruments as at the reporting date is as follows:

	2012 Rupees	2011 Rupees
<b>Variable rate instruments</b>		
Financial assets	2,080,446	2,183,415
Financial liabilities	1,486,088,073	1,486,103,490

The company is exposed to interest rate risk in respect of its variable rate instruments. A 100 basis points change in variable interest rates would have increased loss by Rs. 14.51 million (2011: Rs. 14.51 million) if fully charged to profit and loss account. This sensitivity analysis is based on assumption that all variables, with the exception of interest rates, remain unchanged.

The effective interest / mark-up rates in respect of financial instruments are mentioned in respective notes to the financial statements.

### 36.4 Capital risk management

The primary objective of the company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

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

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During 2011, the company's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2012 and 2011 were as follows:

Long term loans	1,319,965,765	1,385,994,978
Trade and other payable	1,417,184,823	1,050,947,662
Accrued interest	693,998,380	677,881,511
Current portion of long term finance	64,876,468	62,343,130
Short term borrowings	526,645,864	488,367,263
<b>Total debt</b>	<b>4,022,671,300</b>	<b>3,665,534,544</b>
Cash and bank balances	3,546,998	3,723,119
<b>Net debt</b>	<b>4,019,124,302</b>	<b>3,661,811,425</b>
Share capital	948,399,800	948,399,800
Share premier reserve	31,800,740	31,800,740
Surplus on revaluation of fixed assets	1,101,477,782	1,138,718,009
Accumulated loss	(3,346,259,712)	(2,876,726,135)
Equity	(1,264,581,390)	(757,807,586)
	<b>(5,283,705,692)</b>	<b>(4,419,619,011)</b>
<b>Gearing ratio (Net debt / Equity)</b>	<b>(3.18)</b>	<b>(4.83)</b>

## Notes.....



### 36.5 Fair Value of Financial Assets and Liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value.

### 36.6 Default and breaches of loans payable

	Carrying value		Nature of default
	Principal amount	Mark up due	
---- R u p e e s ----			
The Bank of Punjab			
Long term demand finance	750,000,000	595,775,202	Company failed to pay quarterly installments alongwith markup due thereon
Short term finance facility	270,000,000	201,602,782	The company has not renewed the short term bridge finance facility
Finance against PADs	57,256,073	41,443,215	Company could not pay the amount on due date
Finance against Guarantee	83,600,000	47,958,499	The bank paid this amount against the Guarantee to SNGPL and the company could not pay the amount to the bank.
Economic Affairs Division	35,232,000	22,874,255	Company failed to pay the half yearly installments alongwith markup due thereon.
KASB Bank Ltd	290,000,000	209,253,412	The company has not renewed the short term running finance facility

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
( R u p e e s )						
Managerial remuneration	-	-	648,000	-	-	560,000
House rent	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	648,000	-	-	560,000
Number of persons	-	-	1	1	-	1

The Chief Executive, Director and executive is entitled to free use of cars according to company policy.

### 38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012 M. Tons	2011 M. Tons
Ordinary Portland cement		
Plant capacity (Cement)	504,000	504,000
Actual production	206,825	184,421
%age of capacity utilised	41	37

38.1 Shortfall in 2012 in production is mainly due to plant stoppages for repair and market constraints.

### 39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 06, 2012 by the Board of Directors of the company.

**MUHAMMAD IMRAN IQBAL**  
Director

**MUHAMMAD AMJAD AZIZ**  
Director

Statement u/s 241(2) of the Companies Ordinance, 1984

These financial statements have been signed by two Directors instead of Chief Executive and one Director as the Chief Executive is not in Pakistan for the time being.



### Summary of Last Ten Years' Financial Result

Description	Rupees in Thousands									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Trading Results:</b>										
Turnover	1,103,744	773,176	233,286	1,146,063	556,149	914,555	1,412,957	1,087,164	812,211	590,353
Gross Profit/(Loss)	(440,399)	(351,839)	(263,754)	(84,882)	(236,620)	(207,432)	220,436	66,682	(6,951)	(186,519)
Operating Profit/(Loss)	(489,929)	(384,520)	(295,450)	(192,595)	(328,986)	(284,902)	150,667	3,784	(41,819)	(203,834)
Profit/(Loss) Before Taxation	(506,774)	(392,030)	(556,982)	(457,657)	(556,402)	(438,154)	63,940	(61,759)	(123,128)	(331,883)
Profit/(loss) After Taxation	(506,774)	(339,163)	(436,126)	(310,177)	(419,168)	(437,276)	13,614	56,826	(112,828)	47,134
<b>Balance Sheet:</b>										
Shareholders Equity	(2,366,059)	(1,896,526)	(1,596,274)	(1,202,189)	(934,958)	(830,956)	(424,736)	(447,750)	(577,147)	(1,080,888)
Operating Fixed Assets	2,085,626	2,155,354	2,230,649	2,313,958	2,382,119	2,456,936	1,796,726	1,812,714	1,911,135	2,022,856
Net Current Liabilities	(2,038,988)	(1,545,673)	(1,384,555)	(834,944)	(384,722)	(328,284)	(88,013)	(251,999)	(292,712)	(550,929)
Long term Liabilities	1,321,662	1,387,978	1,405,724	1,411,684	1,465,374	1,194,013	1,056,014	1,072,416	1,104,762	1,147,859
<b>Significant Ratios</b>										
Gross Profit Ratio %	(39.90)	(45.50)	(113.06)	(7.41)	(42.55)	(22.68)	15.60	6.13	(0.86)	(31.59)
Net Profit Ratio %	(45.91)	(43.87)	(186.95)	(27.06)	(75.37)	(47.81)	0.96	5.23	(13.89)	7.98
Fixed Assets Turnover Ratio	0.53	0.36	0.10	0.50	0.23	0.37	0.79	0.60	0.42	0.29
Current Ratio	0.25	0.32	0.30	0.41	0.58	0.60	0.80	0.49	0.42	0.25

# Form of Proxy

The Secretary  
Dandot Cement Company Limited  
LAHORE.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of **Dandot Cement Company Limited** and holder of \_\_\_\_\_ Ordinary Shares as per Shares  
Register Folio No. \_\_\_\_\_ hereby appoint Mr. \_\_\_\_\_ of \_\_\_\_\_  
Folio No. \_\_\_\_\_ who is also a member of **Dandot Cement Company Limited** as my/our proxy to attend  
and vote for and on my / our behalf at the 32nd Annual General Meeting of the Company to be held on **Wednesday, October  
31, 2012 at 11:30 a.m.** and at any adjournment thereof.

As witnessed given under my / our hand (s) \_\_\_\_\_ day of October 2012.

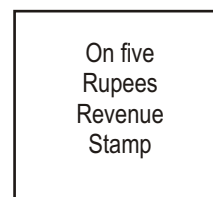
**Witness:**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature



**Note:**

1. The Proxy in order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall be act as proxy unless he is a member of the Company.
3. Signature should agree with the specimen signature registered with the Company.



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AFFIX  
CORRECT  
POSTAGE

The Company Secretary,

**Dandot Cement Company Limited,**  
30-Sher Shah Block, New Garden Town,  
Lahore - Pakistan.  
Ph: +92-42-35911485

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