Contents

Company Information

Board of Directors
Mr. Muhammad Rasheed (Chief Executive)
Mrs. Tanveer Rasheed (Chairperson)
Mr. Mansoor Rasheed
Mr. Saud Rasheed
Ms. Rizwana Rasheed
Mrs. Ayesha Mansoor
Mrs. Amina Saud

Audit Committee
Mr. Saud Rasheed (Chairman)
Mrs. Ayesha Mansoor
Mrs. Amina Saud

Chief Financial Officer
Mr. Dawood Ahmad

Company Secretary
Mr. Abdul Khabir

Statutory Auditors
Amin, Mudassar & Co.
Chartered Accountants

Legal Advisor
International Legal Services

Bankers
The Bank of Punjab
United Bank Limited
KASB Bank Limited
National Bank of Pakistan
Habib Bank Limited
Saudi Pak Commercial Bank Limited
PICIC Commercial Bank Limited

Registered Office
30-Sher Shah Block, New Garden Town, Lahore
Telephone: 5869827, 5842316, Fax: 5831846

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: 5839182, 5887262 Fax: 5869037

Website
www.dandotcement.com

Notice of Annual General Meeting

NOTICE is hereby given that 27th Annual General Meeting of the Shareholders of Dandot Cement Company Limited for the financial year ended June 30, 2007 will be held on Friday, November 30, 2007 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 Extra Ordinary General Meeting held on August 17, 2007.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007 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:
November 08, 2007

(ABDUL KHABIR)
COMPANY SECRETARY

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from November 20, 2007 to November 30, 2007 (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

Your directors are pleased to present 27th Annual report along with the audited financial statements of the Company for the year ended June 30, 2007. Effective from June 01, 2007, Three Stars Group of Companies has taken over the management and majority shareholding of the Company.

Plant Performance

Operational performance of your Company for the year viz-a-viz preceding year is tabulated below:

			2007	2006
-	Clinker Production	M. Tons	328,259	341,385
-	Capacity Utilization	% age	68.39%	71.12%
-	Cement Production	M. Tons	356,820	376,276
-	Capacity Utilization	% age	70.80%	74.66%
-	Sales	M. Tons	353,688	375,300

Lower production of clinker and cement and under utilization of capacity is attributed towards unplanned plant shut down.

Operating Results

Comparative financial results of the company are summarized below:

	2007	2006
	Rupeess in thousand	
Net Sales	914,555	1,412,957
Gross Profit/(Loss)	(207,432)	220,436
Pre Tax Profit/(Loss)	(438,154)	63,940
After tax Profit/(Loss)	(437,276)	(13,614)

Company's financial performance as enumerated above is mainly attributed to stiff market competition which resulted in steep decline in company's average net sale price.

Dividends

Due to unfavourable operational results, no dividend is recommended for the year.

Industry outlook

The future of the cement industry looks promising .We are confident that the cement industry will prosper on account of the positive enabling factors that inter alia include PSDP, private spending and emerging export market. However, political stability and effective price mechanism will pave way to this prosperity.

Significant Plans & Decisions

Unfortunately, Company's financial health and operational performance is far below mark due to various micro and macro factors. The management is committed to turn around this devastated situation by adopting three steps strategy- operational stabilization, optimization and expansion. In implementing this strategy, subsequent to the balance sheet date, management has announced 40% right issue that, by the grace of Almighty, has been fully underwritten. The amount will be utilized towards paying off long outstanding overdue liabilities and stabilize the plant to achieve its rated capacity.

The management is amid negotiations for setting up a new cement plant to make your company a sizeable cement manufacturer.

Auditors' observation and Going concern

The new management is committed to continue its support towards financial requirements of the company by generating adequate resources and adopting policies that will lead to self sustained growth. Moreover, management has reasonable belief that the Company would be able to generate adequate resources, after following the steps as enumerated above, to continue in operation for the foreseeable future.

The liquidity crunch and unfavorable results have hampered management's efforts to make stipulated pay out on account of Provident Fund Trust. The management, however, is determined to regularize the same in due course.

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 are given below:-

Presentation of Financial Statements - 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;

Books of Account - Proper books of account have been maintained;

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

Compliance with International Accounting Standards (IAS) - International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of the financial statements;

Internal Control System - 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;

Best Practices of Corporate Governance - 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, 2007.

Financial Highlights - Key operating & financial data of last ten years is annexed.

Outstanding Statutory Dues - The outstanding statutory dues on account of taxes, duties, levies and charges are disclosed in notes to the annexed audited accounts.

Statements on value of Staff Retirement Funds - As of 30th June 2007, the value of investments and assets of Gratuity Fund and Provident Fund were Rs. 101.5 million and Rs. 203.1 million respectively (based on un audited accounts).

Board Meetings - During the year, six meetings of the Board of Directors were held. Attendance by each Director at the Board Meeting is as under:-

	No. of Meeting Attended	
Mr. A. Rafique Khan	6	(resigned on June 01, 2007)
Mr. M.Tousif Peracha	6	(resigned on June 01, 2007)
Mr. A. Shoeb Piracha	5	(resigned on June 01, 2007)
Mr. M. Ishaque Khokar	6	(resigned on June 01, 2007)
Mr. Abbas Rashid Siddiqi	6	(resigned on June 01, 2007)
Mr. Ali Rashid Khan	0	(resigned on June 01, 2007)
Mrs Tabassum Tousif Peracha	1	(resigned on June 01, 2007)
Mr. Muhammad Rasheed	1	(appointed on June 01, 2007)
Mrs. Tanveer Rasheed	1	(appointed on June 01, 2007)
Mr. Mansoor Rasheed	1	(appointed on June 01, 2007)
Mr. Saud Rasheed	1	(appointed on June 01, 2007)
Ms. Rizwana Rasheed	0	(appointed on June 01, 2007)
Mrs. Ayesha Mansoor	1	(appointed on June 01, 2007)
Mrs Amina Saud	0	(appointed on June 01, 2007)

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

All the current seven directors have acquired 500 shares each during the year. Whereas, no trading in the shares of the Company was carried out by 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 2007-2008. The Audit Committee has recommended their re-appointment.

Acknowledgement

The Board of Directors appreciates the efforts and devotion of the employees, the executives and the entire team of management and anticipates that they will contribute towards the enhancement of the productivity and well being of the Company in future with greater zeal & spirit. The Board extends its gratitude to the financial institutions for their valued support and co-operation for the Company's prosperity.

MUHAMMAD RASHEED
Chief Executive

LAHORE: November 08, 2007

Pattern of Shareholding

As at June 30, 2007

Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
98	1	100	5,071
201	101	500	71,763
110	501	1,000	98,747
157	1,001	5,000	448,673
29	5,001	10,000	218,072
11	10,001	15,000	143,420
6	15,001	20,000	112,257
4	20,001	25,000	91,000
3	40,001	45,000	122,425
2	45,001	50,000	92,582
1	50,001	55,000	52,825
3	55,001	60,000	176,900
2	70,001	75,000	142,693
1	80,001	85,000	81,500
1	85,001	90,000	90,000
1	125,001	130,000	129,500
1	140,001	145,000	144,212
1	155,001	160,000	160,000
1	160,001	165,000	164,814
1	180,001	185,000	182,625
1	210,001	215,000	211,862
1	310,001	315,000	314,800
1	340,001	345,000	343,501
1	425,001	430,000	428,173
1	835,001	840,000	836,880
1	860,001	865,000	863,000
1	1,115,001	1,120,000	1,119,176
1	1,620,001	1,625,000	1,621,955
1	1,720,001	1,725,000	1,721,500
1	4,995,001	5,000,000	5,000,000
1	5,650,001	5,655,000	5,650,054
1	22,995,001	23,000,000	23,000,000
1	23,995,001	24,000,000	24,000,000
647			67,839,980

Categories of shareholders	**Shares held**	**Percentage**
Directors, Chief Executive Officer, and their Spouse and Minor Children	3,500	0.01%
Associated Companies, Undertakings and Related Parties	53,158,369	78.36%
NIT and ICP	61,706	0.09%
Banks, Development Financial Institutions, Non Banking Financial Institutions	5,180,200	7.64%
Insurance Companies	182,625	0.27%
Modarabas and Mutual Funds	-	0.00%
Share holders holding 10% and above or more voting interests	47,508,315	70.03%
General Public:		
a. Local	1,637,861	2.41%
b. Foreign	-	0.00%
Others (to be specified):		
Joint Stock Companies	5,329,884	7.86%
Foreign Companies	452,018	0.67%
Trusts	1,833,817	2.70%

Pattern of Shareholding

As at June 30, 2007

Additional Information as Required by the Code of Corporate Governance

		Categories of Shareholders	Number of Shareholders	Number of Shares Held
I	**ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES**		**2**	**53,158,369**
	i.	Three Stars Cement (Pvt) Limited	1	47,508,315
	ii.	Three Stars Hosiery Mills (Pvt) Limited	1	5,650,054
II	**NIT AND ICP**		**2**	**61,706**
	i.	National Investment Trust	1	60,606
	ii.	Investment Corporation of Pakistan	1	1,100
III	**DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN**		**7**	**3,500**
	Directors		**7**	**3,500**
	i.	Mr. Muhammad Rasheed	1	500
	ii.	Mrs. Tanveer Rasheed	1	500
	iii	Mr. Mansoor Rasheed	1	500
	iv	Mr. Saud Rasheed	1	500
	v.	Ms. Rizwan Rasheed	1	500
	vi.	Mrs. Ayesha Mansoor	1	500
	vii.	Mrs. Amina Saud	1	500
IV	**EXECUTIVES**		**NIL**	**NIL**
V	**PUBLIC SECTOR COMPANIES AND CORPORATIONS**		**1**	**182,625**
	i.	State Life Insurance Corporation of Pakistan	1	182,625
VI	**BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARBAS AND MUTUAL FUNDS**		**5**	**5,180,200**
VII	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTERESTS**		**1**	**47,508,315**
	i.	Three Stars Cement (Pvt) Limited	1	47,508,315

MUHAMMAD RASHEED
Chief Executive

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

I. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four non-executive directors.

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

3. To the best of our knowledge all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the director is a member of a stock exchange.

4. Casual vacancies occurred in the Board during the year were dully filled up by the directors within time.

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

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

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

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

9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year.

11. The directors’ report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed. The value of investments and assets of Provident Fund and Gratuity Fund as disclosed in the Director’s report were based on un audited accounts.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.

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

17. The Board has outsourced the internal audit function to M/s. Aftab Nabi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representatives) are involved in the internal audit function.

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

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

20. The management of the company is committed to good corporate governance, and appropriate steps are being taken to comply with the best practices.

MUHAMMAD RASHEED
Chief Executive

LAHORE: November 08, 2007

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dandot Cement Company Limited to comply with listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, and Regulation No. XIII of the Lahore Stock Exchange (Guarantee) Limited 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 provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to the inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, except for para (11) of Company's Statement of Compliance with the Code of Corporate Governance annexed to this report, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the company for the year ended June 30, 2007.

AMIN, MUDASSAR & CO.
Chartered Accountants
LAHORE: November 08, 2007

Auditors' Report to the Members

We have audited the annexed balance sheet of **DANDOT CEMENT COMPANY LIMITED** as at June 30, 2007 and the related profit & loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

The company failed to transfer current provident fund contributions and past dues to Provident Fund Trust as referred in note no. 6.7.

Except for the contents of the preceding paragraph and the extent to which they affect the annexed financial statements, we report that:

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

b) In our opinion:-

   i) the balance sheet and profit & 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 & loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 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).

without qualifying our opinion, we draw attention that the company has accumulated losses of Rs. 1,541.15 million. Its current liabilities exceed the current assets by Rs. 328.28 million. The going concern assumption used in the preparation of these accounts is based on matters referred in Note 1.2 to the financial statements.

AMIN, MUDASSAR & CO.
Chartered Accountants
LAHORE: November 08, 2007

Balance Sheet

	Note	2007 Rupees	2006 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 70,000,000 ordinary shares of Rs.10/- each		700,000,000	700,000,000
Issued, subscribed and paid up capital	3	678,399,800	678,399,800
Share premium reserve		31,800,740	31,800,740
Accumulated loss		(1,541,156,137)	(1,134,936,202)
		(830,955,597)	(424,735,662)
SURPLUS ON REVALUATION OF FIXED ASSETS	4	1,307,781,797	893,190,980
		476,826,200	468,455,318
NON CURRENT LIABILITIES			
LOAN FROM BANKING COMPANIES	5	723,214,286	206,965,919
OTHER LOANS	6	463,363,279	858,205,836
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	661,141	1,907,005
DEFERRED LIABILITIES	8	538,708,766	304,112,411
LONG TERM ADVANCES AND DEPOSITS	9	6,774,331	6,736,126
		1,732,721,803	1,377,927,297
CURRENT LIABILITIES			
Trade and other payables	10	372,329,910	226,069,055
Mark up accrued	11	60,793,426	14,819,537
Short term borrowings	12	304,835,335	91,561,386
Current portion of long term loans and liabilities	13	63,866,257	84,847,402
Taxation		12,899,076	8,408,847
		814,724,004	425,706,227
CONTINGENCIES AND COMMITMENTS	14	-	-
		3,024,272,007	2,272,088,842

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

Tanveer Rasheed
TANVEER RASHEED
Director

As at June 30, 2007

	Note	2007 Rupees	2006 Rupees
PROPERTY AND ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS - Tangible			
Operating fixed assets	15	2,456,936,782	1,796,726,151
Capital work in progress	16	2,253,574	260,765
		2,459,190,356	1,796,986,916
LONG TERM LOANS	17	319,185	1,086,912
LONG TERM SECURITY DEPOSITS	18	9,938,455	9,938,455
DEFERRED COST	19	68,383,561	108,383,561
		2,537,831,557	1,916,395,844
CURRENT ASSETS			
Stores, spares and loose tools	20	126,372,171	186,847,609
Stock in trade	21	30,411,274	32,179,420
Loans and advances	22	275,635,378	20,737,349
Deposits and short term prepayments	23	8,411,548	9,646,491
Balance with statutory authorities	24	20,946,764	20,513,506
Interest accrued		9,388,555	-
Other receivables	25	1,267,429	1,053,175
Cash and bank balances	26	14,007,331	84,715,448
		486,440,450	355,692,998
		3,024,272,007	2,272,088,842

MUHAMMAD RASHEED
Chief Executive

Profit and Loss Account
For the Year Ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
SALES (Net)	27	914,555,099	1,412,957,173
COST OF SALES	28	1,121,987,385	1,192,520,932
GROSS (LOSS) / PROFIT		(207,432,286)	220,436,241
Distribution cost	29	2,881,954	3,337,651
Administrative expenses	30	74,587,700	66,431,646
		77,469,654	69,769,297
		(284,901,940)	150,666,944
Other operating expenses			
Workers' Profit Participation Fund		-	3,365,270
		(284,901,940)	147,301,674
Other operating income	31	18,303,614	7,547,199
		(266,598,326)	154,848,873
Finance cost	32	171,555,216	90,908,749
(Loss) / Profit before taxation		(438,153,542)	63,940,124
Taxation:	33		
Current			
For the year		4,490,229	7,193,843
Prior years		-	(11,703,175)
Deferred		(5,367,497)	82,063,228
		(877,268)	77,553,896
Net Loss for the year		(437,276,274)	(13,613,772)
Loss per share	34	(6.45)	(0.20)

- The annexed notes from 1 to 39 form an integral part of these accounts.
- Appropriations have been reflected in the statement of changes in equity.

Tanveer Rasheed
TANVEER RASHEED
Director

MUHAMMAD RASHEED
Chief Executive

Cash Flow Statement

For the Year Ended June 30, 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		(438,153,542)	63,940,124
Adjustments of items not involving movement of cash:			
Depreciation		67,307,271	101,297,571
Provision for gratuity		10,348,698	9,717,882
Exchange fluctuations		35,421,326	10,364,978
Gain on disposal of Fixed Assets		-	(129,715)
Amortization of deferred cost		40,000,000	40,000,000
Workers' Profit Participation Fund		-	3,365,270
Income on short term advance		(9,388,556)	-
Finance cost		136,133,890	80,543,771
		279,822,629	245,159,757
Operating cash flows before working capital changes		(158,330,913)	309,099,881
(Increase)/Decrease in operating assets:			
Stores, spares and loose tools		60,475,438	(60,882,637)
Stock in trade		1,768,146	7,022,948
Trade debtors		-	2,168,120
Loans and advances		(254,554,003)	28,584,826
Deposits and short term prepayments		1,234,943	161,610
Other receiveables		(844,619)	(1,518,446)
Increase/(Decrease) in trade and other payables		141,827,764	(56,958,777)
		(50,092,331)	(81,422,356)
		(208,423,244)	227,677,525
Long term advances and deposits		-	(215,970)
Gratuity paid		(8,096,360)	(13,579,224)
Finance cost paid		(123,276,689)	(50,106,633)
Dividend paid		(108,939)	(13,298,750)
Income tax paid		(1,492,111)	(9,856,866)
Net Cash Flows From Operating Activities		(341,397,343)	140,620,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(44,243,726)	(15,977,643)
Sale proceeds of Fixed Assets		-	150,000
Long term loans		767,727	513,238
Net Cash Flows From Investing Activities		(43,475,999)	(15,314,405)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		802,040,725	(27,996,223)
Sponsors loans		(664,000,317)	-
Past dues -CBA		(30,286,281)	(29,090,870)
Repayment of lease liability (Net)		(6,901,056)	(5,872,299)
Long term advances and deposits		38,205	-
Short term borrowings		213,273,949	14,341,468
Net Cash Flows From Financing Activities		314,165,225	(48,617,924)
Net increase / (decrease) in Cash and Cash Equivalents		(70,708,117)	76,687,753
Cash and cash equivalents at beginning of the year		84,715,448	8,027,695
Cash and Cash Equivalents at end of the Year		14,007,331	84,715,448

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

Tanveer Rasheed
TANVEER RASHEED
Director

MUHAMMAD RASHEED
Chief Executive

Statement of Changes in Equity

For the Year Ended June 30, 2007

	Share Capital	Share premium reserve	Accumulated loss	Total share capital & reserves	Surplus on revaluation of fixed assets	Total
	(R	U	P	E E	S)	
Balance as at June 30, 2005	678,399,800	31,800,740	(1,157,950,433)	(447,749,893)	943,534,464	495,784,571
Loss for the year	-	-	(13,613,772)	(13,613,772)	-	(13,613,772)
Dividend for year ended June 30, 2005 @ 5%	-	-	(13,715,481)	(13,715,481)	-	(13,715,481)
Incremental depreciation due to revaluation charged to surplus	-	-	50,343,484	50,343,484	(50,343,484)	-
Balance as at June 30, 2006	678,399,800	31,800,740	(1,134,936,202)	(424,735,662)	893,190,980	468,455,318
Loss for the year-	-	-	(437,276,274)	(437,276,274)	-	(437,276,274)
Surplus on revaluation of fixed assets arised during the year- Net of deferred tax	-	-	-	-	445,647,156	445,647,156
Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	31,056,339	31,056,339	(31,056,339)	-
Balance as at June 30, 2007	678,399,800	31,800,740	(1,541,156,137)	(830,955,597)	1,307,781,797	476,826,200

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

Tanveer Rasheed
TANVEER RASHEED
Director

MUHAMMAD RASHEED
Chief Executive

Notes to the Accounts

For the Year Ended June 30, 2007

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.

1.2 The company has accumulated loss of Rs. 1,541.15 million and its current liabilities excceed its current assets by Rs.328.28 million as at June 30, 2007. Inspite of the adverse current ratio and large accumulated loss, the compnay has continued financial support from its ex sponsoring directors as they have injected Rs.250 million as long term loan to the company to ensure continuity of operations and financial institutions also extended their support by disburisng Rs.1,040 million fresh loans which speaks of their confidence in the company. Further, in June 2007 the company was taken over by Three Star group. The new management injected Rs.173 million as loans from associated companies and has extensive plans for the extension of the production capacity and maintaining the smooth and economical operations of the plant. Moreover, subsequent to the balance sheet date, Board of Directors have decided to issue right shares worth Rs.270 million which will be substantiated during December 2007.

The directors of the company are confident that in view of the above factors and their full commitment and determination to promote the company's objectives in the longrun the company will continue its operations as going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Accounting Convention

These accounts have been prepared under historical cost convention except for freehold land, buildings, plant & 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 evaluted 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.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards effective for annual periods beginning on or after 01 July 2007 are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than certain increased disclosures in certain cases:

* IFRS 7 ‘Financial Instruments: Disclosures’ (effective for annual periods beginning on or after 01 January 2007)

* IAS 1 ‘Presentation of Financial Statements - Amendments relating to capital Disclosures’ (effective for annual periods beginning on or after 01 January 2007).
* IAS 23 ‘Borrowing Costs’ (effective in case of borrowing costs relating to qualifying asset for which the commencement date for capitalization is on or after 01 January 2009).
* IFRIC 10 ‘Interim Financial Reporting and Impairment’ (effective for annual periods beginning on or after 01 November 2006).
* IFRIC 11 ‘IFRS 2: Group and Treasury Share Transactions’ (effective for annual periods beginning on or after 01 March 2007).
* IFRIC 12 ‘Service Concession Arrangements’ (effective for annual periods beginning on or after 01 January 2008).
* IFRIC 13 ‘Customer Loyalty Programme’ (effective for annual periods beginning on or after 01 July 2008).
* IFRIC 14 ‘IAS 19 - The Limit on the Defined Benefit Asset, Minimum Funding Requirements and their Interaction’ (effective for annual periods beginning on or after 01 January 2008).

2.2 Employees Retirement Benefits

(a) The Company operates a funded gratuity scheme covering all its 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 accounts 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, 2007 on the projected unit credit method using the following significant assumptions.

	2007	2006
Discount rate p.a	10.0%	10.0%
Expected p.a. rate of salary increase in future year	8.0%	7.0%
Average expected remaining working lifetime of employees	10 years	17 years
Expected rate of return on plan assets p.a	10.00%	10.00%

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

(b) The Company also 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

Provision for taxation is based on the taxable income and the rates of taxes applicable after taking into account tax credits and rebates available, if any or under section 113 of the Income Tax Ordinance, 2001 @ 0.5% of the turnover whichever is higher.

Deferred

The Company accounts for deferred taxation using the liability method on all major temporary differences between the amounts for financial reporting purpose and the amounts used for taxation purposes.

2.4 Tangible Fixed Assets and Depreciation

Operating fixed assets are stated at cost or revalued amounts 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.

During the year management, based upon recommendations of technical committee, has reduced the depreciation rate on plant and machinery from 5% to 3%. Had there been no change in estimate the depreciation expense would have been higher by Rs.31.92 Million and loss for the year would have been higher by the same amount.

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 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 Transactions

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 Offseting 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 Debtors

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 depoisits, 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.

2.22 General

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

	2007 Rupees	2006 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
59,089,980 (2006: 59,089,980) ordinary shares of Rs.10/- each fully paid in cash	590,899,800	590,899,800
8,750,000 (2006:8,750,000) ordinary shares of Rs.10/- each issued as fully paid bonus shares	87,500,000	87,500,000
	678,399,800	678,399,800
4. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance as at July 01,	893,190,980	943,534,464
Addition during the year	685,611,010	-
Incremental depreciation due to revaluation of fixed assets. (Net off deferred tax of Rs.16,722,644 (2006:Rs.27,108,030)	(31,056,339)	(50,343,484)
Deferred tax on revaluation surplus	(239,963,854)	-
Balance as at June 30,	1,307,781,797	893,190,980

Revaluation of freehold land, buildings, plant & machinery and vehicles was done in year 2002 and 2007, referred to in note 15.2 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.

	Note	2007 Rupees	2006 Rupees
5. LOAN FROM BANKING COMPANIES- Secured			
Habib Bank Limited	5.1	-	180,744,252
PICIC Commercial Bank Limited	5.2	9,165,666	27,499,000
Bank of Punjab Limited	5.3	750,000,000	-
KASB Bank Limited	5.4	-	50,000,000
		759,165,666	258,243,252
Less: Current maturity	13	35,951,380	51,277,333
		723,214,286	206,965,919

5.1 It comprised of DF-IV, DF-V and DF-VI that has been fully repaid during the year.

5.2 This Term Finance facility obtained from PICIC Commercial Bank Limited for Rs.55.00 million is repayable in six biannual installments with six months grace period from the date of disbursement. Mark up will be charged at the State Bank of Pakistan discount rate plus 2.5% with floor of 10% per annum (2006: State Bank of Pakistan discount rate plus 2.5% with floor of 10% per annum) with quarterly rests. Rate shall be reviewed on quarterly basis. This facility is secured against personal properties of two Sponsoring Directors of the Company.

5.3 The demand finance facility has been obained from the Bank of Punjab for Rs.750 Million. Principal is to be repaid in 28 equal quarterly instalments of Rs.26.786 Million each with one year grace period from the date of disbursement. Mark up will be charged @ 3 month KIBOR + 400 BPS per annum (2006: nil) with no floor and no cap payable quarterly in arrears. The rate shall be 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.

5.4 This facility has been repaid during the year.

	Note	2007 Rupees	2006 Rupees
6. OTHER LOANS - Unsecured			
Economic Affairs Division, Government of Pakistan (EAD)	6.1	52,976,000	79,464,000
Sponsors' Loans	6.2	-	664,000,317
Ex-Sponsors' Loan	6.3	250,000,000	-
Holding Company	6.4	139,944,945	-
GCL Employee's gratuity trust	6.5	-	62,338,634
Past Dues - CBA	6.6	42,724,204	74,684,755
Provident Fund Trust	6.7	4,206,130	4,206,130
		489,851,279	884,693,836
Less: Current maturity	13	26,488,000	26,488,000
		463,363,279	858,205,836

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 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 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 These represent interest bearing loans from Sponsors (Ex-Sponsors' of the undertaking) obtained in foreign & local currency that have been repaid during the year.

6.3 This represents loan received from Ex-management Mr.A.Rafique Khan and Mr. M.Tousif 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.

6.4 This represents loan received from holding company (Three Stars Cement (Pvt) Ltd.). It carries mark up @ KIBOR + 4% (2006:Nil). It is unsecured and repayable after December 2008 depending upon liquidity position of the company.

6.5 This finance has been obtained from GCL Employees Gratuity Trust under the mark up arrangement. It was payable alongwith mark up on or before as mutually agreed July 01, 2010. However, the loan has been repaid during the year.

6.6 This represents the amounts payable for the closure period of the factory on account of accumulated salaries and benefits, provident fund, 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. Repayment of these amounts have been deferred till December 2008 by the agreement.

6.7 Contributions and interest provided @ nill (2006: 11% p.a). due to Provident Fund Trust have not been paid upto June 30, 2003. As per order of Executive Director of Securities and Exchange Commission of Pakistan, the amount it is payable in monthly installments of Rs.1.0 million each commencing from July 01, 2003. Due to loss sustained and acute financial crunch the company was unable to pay current provident fund contribution and past dues within the stipulated time. The management is taking up with the SECP for review of its earlier order on past dues of provident fund.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2007 Rupees	2006 Rupees
Opening balance		8,989,074	14,861,373
Addition during the year		-	649,000
		8,989,074	15,510,373
Less: Payments during the year		6,901,056	6,521,299
Present value of minimum lease payments		2,088,018	8,989,074
Less: Transfer to current maturity	13	1,426,877	7,082,069
		661,141	1,907,005

7.1 The Company has acquired assets under lease finance arrangements from various leasing companies. These lease finances are payable in various monthly installments depending upon the terms of each lease agreement. The Company intends to exercise its option to purchase the leased assets upon completion of the respective lease term. Taxes, repairs and insurance costs are to be born by the lessee. There are no financial restrictions in the lease agreements.

7.2 The present value of minimum lease payments have been discounted at an implicit interest rate of 8% to 12% (2006: 8% to 18%) p.a. to arrive at their present value.

7.3 The amount of future payments and period in which these payments will become due are:

	Upto one year	From one year to five years	2007	2006
		(Rupees)		
Minimum lease payments	1,561,382	695,002	2,256,384	9,737,484
Less: Future finance charges	(134,505)	(33,861)	(168,366)	(748,410)
Present value of minimum lease payments	1,426,877	661,141	2,088,018	8,989,074

	Note	2007 Rupees	2006 Rupees
8. DEFERRED LIABILITIES			
Gratuity	10.1	70,000,000	70,000,000
Deferred Tax (asset) / liability comprises of temporary differences arising due to:			
Accelerated tax/(accounting) depreciation		774,278,927	545,649,208
Liabilities against assets subject to finance lease		(730,805)	(3,146,175)
Unused tax losses carried forward		(304,839,356)	(308,390,622)
		468,708,766	234,112,411
		538,708,766	304,112,411
Opening balance		234,112,411	152,049,182
Charged to profit and loss account		(5,367,497)	82,063,229
Deferred tax (asset) / liability as at June 30, 2007		228,744,914	234,112,411
Deferred tax on surplus on revaluation of fixed assets arised during the year		239,963,852	-
Deferred tax liability as at June 30		468,708,766	234,112,411
9. LONG TERM ADVANCES AND DEPOSITS			
Un-secured - Interest free			
Advances from suppliers		23,325	23,325
Securities deposits	9.1	5,381,134	5,306,134
Retention money		1,369,872	1,406,667
		6,774,331	6,736,126

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.

	Note	2007 Rupees	2006 Rupees
10 TRADE AND OTHER PAYABLES			
Trade creditors		45,039,962	73,996,651
Due to associated undertaking		34,226,705	-
Accrued expenses		181,731,233	59,597,826
Due to Gratuity Fund Trust	10.1	15,412,613	13,160,275
Due to Provident Fund Trust		2,575,102	900,828
Excise duty		18,522,090	236,619
Royalty		3,924,124	4,179,161
Sales tax		9,536,804	14,552,334
Workers' profit participation fund	10.2	38,454,522	36,149,884
Unclaimed dividend		1,090,490	1,199,429
Advances from customers		13,624,833	13,936,901
Others		8,191,432	8,159,147
		372,329,910	226,069,055

Notes ....

10.1 Gratuity	Note	2007 Rupees	2006 Rupees
The amount recognized in the balance sheet is as follows			
Fair value of plan assets		(141,423)	(291,422)
Present value of defined benefit obligation		75,762,390	74,494,223
Deficit		75,620,967	74,202,801
Unrecognized Actuarial gain / (loss)		9,791,646	8,957,474
Net liability as on June 30,		85,412,613	83,160,275
Liability as per agreement with CBA		70,000,000	70,000,000
		15,412,613	13,160,275
Net liability as on July 01,		83,160,275	87,021,617
Charge to profit and loss account		10,348,698	9,717,882
Payment to fund during the year		(8,096,360)	(13,579,224)
Net liability as on June 30,		85,412,613	83,160,275
The amount recognized in profit and loss account is as follows			
Current service cost		3,079,223	3,063,376
Interest cost		7,449,422	6,654,506
Expected return on plan assets		(29,142)	-
Actuarial (Gain) / Loss charge		(150,805)	-
Total amount chargeable to profit and loss account		10,348,698	9,717,882
The movement in the present value of defined benefit obligation is as follows			
Present value of defined benefit obligation		74,494,223	81,139,401
Current Service cost		3,079,223	3,063,376
Interest cost		7,449,422	6,654,506
Benefits paid		(8,096,360)	(13,428,392)
Actuarial gian		(1,164,118)	(2,934,668)
Present value of defined benefit obligation as on June 30,		75,762,390	74,494,223
The movement in the fair value of plan assets is as follows			
Fair value of plan assets as on July 01,		291,422	140,590
Expected return on plan assets		29,142	-
Contributions		8,096,360	13,579,224
Benefits paid		(8,096,360)	(13,428,392)
Actuarial (loss)/gain		(179,141)	-
Fair value of plan assets as on June 30,		141,423	291,422
Plan assets comprise:			
Debts		-	-
Equity		-	-
Cash at bank		141,423	291,422
Net liability as on June 30,		141,423	291,422

Comparison of present value of defined benefit obligaiton, 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)
		(Rupees)	
Year ended June 30, 2007	(75,762,390)	141,423	(75,620,967)
Year ended June 30, 2006	(74,494,223)	291,422	(74,202,801)
Year ended June 30, 2005	(87,021,617)	140,590	(86,881,027)
Year ended June 30, 2004	(78,103,152)	290,285	(77,812,867)
Year ended June 30, 2003	(73,694,383)	221,785	(73,472,598)

	Note	2007 Rupees	2006 Rupees
10.2 Workers' profit participation fund			
Balance as at July 01,		18,437,109	15,071,839
Add: allocation for the year		-	3,365,270
		18,437,109	18,437,109
Interest on unpaid contribution		20,017,413	17,712,775
		38,454,522	36,149,884

11. MARK UP ACCRUED

	Note	2007 Rupees	2006 Rupees
Mark up accrued on:			
Secured loan		59,178,500	10,507,144
Unsecured loan		1,614,926	4,312,393
		60,793,426	14,819,537

12. SHORT TERM BORROWINGS

	Note	2007 Rupees	2006 Rupees
Running finances - secured			
KASB Bank Limited	12.1	290,000,000	43,130,451
Saudi Pak Commercial Bank Limited	12.2	9,493,758	42,270,181
		299,493,758	85,400,632
Bank Overdraft - unsecured	12.3	5,341,577	6,160,754
		304,835,335	91,561,386

12.1 This represents finance facility against the limit of Rs.290 million (2006: Rs.50 million). It carries mark up @ six month KIBOR plus 5% per annum (2006: 6 months KIBOR + 3% 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 available for Rs.290 million (2006: Rs.200 million) of which the amount aggregated Rs. nil (2006: Rs.178.257 million) remained unutilized at the year end. The facility is secured against ranking 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. Tousif Peracha and Mr. A. Rafique Khan.

12.2 This facility is obtained against the limit of Rs.43 million. It carries mark up at the rate KIBOR six months average ask rate plus 5% with floor of 10% per annum (2006: KIBOR six months average ask rate plus 5% with floor of 10% per annum). This facility is secured against hypothecation of clinker and cement, ranking charge on present and future current assets of the company for Rs.150 million and personal guarantees of sponsoring directors.

12.3 This represents temporary bank overdraft due to issuance of cheques near to the balance sheet date, however bank statements show the favourable balances.

13. CURRENT PORTION OF LONG TERM LOANS AND LIABILITIES

	Note	2007 Rupees	2006 Rupees
Loans from banking companies	5	35,951,380	51,277,333
Other loans	6	26,488,000	26,488,000
Liabilities against assets subject to finance lease	7	1,426,877	7,082,069
		63,866,257	84,847,402

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 (2006: 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.

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.

d) Additional Collector of Sales Tax and Federal Excise, Rawalpindi has issued a letter in July 2006 in which the issue of capacity production tax of Rs. 114.77 million (2006: Rs. 114.77 million) pertaining to the period August 1991 to June 1993, has been raised. Sales Tax and Federal Excise, LTU, Lahore has decided the case and levied penalty of Rs.145.09 million and Rs.2.11 million under Rule 210 of Central Excise Rules, 1994 and section 33(2)(cc) of the Sales Tax Act, 1990 respectively, in addition to the above amount. However, the company has filed an appeal before Collector Customs, Sales Tax and Federal Excise (Appeals), Lahore. The matter is pending for adjudication. The company has also moved Chairman, CBR, under the Federal Excise Act to quash the proceedings in his power of revision.

Commitments	**2007 Rupees**	**2006 Rupees**
a) Saudi Pak Commercial Bank Limited has issued BankGuarantee in favour of Sui Northern Gas Pipelines Limited	70,776,967	70,776,967
b) Saudi Pak Commercial Bank Limited has issued Bank Guarantee in favour of Director Industries and Mineral Development, Punjab.	3,631,676	3,631,676
c) Commitments against irrevocable letters of credits outstanding as at June 30,	-	21,743,362

15. OPERATING FIXED ASSETS

Particulars	COST / REVALUATION					Rate %	DEPRECIATION					Book Value as at June 30, 2007
	As at July 01, 2006	Additions	Deletions	Adjustment	As at June 30, 2007		As at July 01, 2006	For the year	On disposals	Adjustment	As at June 30, 2007	
OWNED												
Free hold land												
Cost	14,484,367	29,053,438	-	-	43,537,805	-	-	-	-	-	-	43,537,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	-	20,389,552
	34,873,919	29,053,438	-	-	63,927,357	-	-	-	-	-	-	63,927,357
Quarry on lease hold land	9,753,172	-	-	8,422,194	1,330,978	20Yrs.	8,939,603	184,308	-	8,422,194	701,717	629,261
Building on free hold land												
Factory:												
Cost	186,848,945	-	-	-	186,848,945	10	146,608,891	4,024,005	-	-	150,632,896	36,216,048
Revaluation(2002)	86,898,282	-	-	-	86,898,282	10	31,309,669	5,558,861	-	-	36,868,530	50,029,752
Revaluation(2007)		6,903,666	-	-	6,903,666	-	-	-			-	6,903,666
	273,747,227	6,903,666	-	-	280,650,893	-	177,918,560	9,582,866	-	-	187,501,426	93,149,466
Office:												
Cost	17,527,908	-	-	-	17,527,908	5	12,080,279	272,381	-	-	12,352,660	5,175,248
Revaluation(2002)	13,645,216	-	-	-	13,645,216	5	2,670,029	548,759	-	-	3,218,788	10,426,428
Revaluation(2007)	-	1,248,858	-	-	1,248,858	-	-	-	-	-	-	1,248,858
	31,173,124	1,248,858	-	-	32,421,982	-	14,750,308	821,141	-	-	15,571,449	16,850,533
Residential:												
Cost	38,550,278	-	-	-	38,550,278	10	33,472,078	507,820	-	-	33,979,898	4,570,380
Revaluation(2002)	27,545,216	-	-	-	27,545,216	10	9,924,610	1,762,061	-	-	11,686,671	15,858,545
Revaluation(2007)		19,571,075	-	-	19,571,075	10	-	-	-	-	-	19,571,075
	66,095,494	19,571,075	-	-	85,666,569	-	43,396,688	2,269,881	-	-	45,666,569	40,000,000
Machinery:												
Cost	1,168,860,108	11,995,299	-	-	1,180,855,407	3	845,755,185	9,904,129	-	-	855,659,314	325,196,093
Transfer from leased assets	41,441,960	-	-	-	41,441,960	3	37,655,408	113,597	-	-	37,769,005	3,672,955
Revaluation(2002)	1,656,058,629	-	-	-	1,656,058,629	3	410,128,612	37,377,901	-	-	447,506,513	1,208,552,116
Revaluation(2007)	-	648,188,836	-	-	648,188,836	3	-	-	-	-	-	648,188,836
	2,866,360,697	660,184,135	-	-	3,526,544,832	-	1,293,539,205	47,395,627	-	-	1,340,934,832	2,185,610,000
Office Equipment	6,247,217	227,950	-	-	6,475,167	10	3,812,203	252,404	-	-	4,064,607	2,410,560
Furniture & Fixture	6,795,949	-	-	-	6,795,949	10	5,568,336	122,761	-	-	5,691,097	1,104,851
Heavy Vehicles												
Cost	110,874,816	-	-	-	110,874,816	20	105,750,995	1,024,764	-	-	106,775,759	4,099,057
Revaluation(2002)	27,955,277	-	-	-	27,955,277	20	17,077,319	2,175,592	-	-	19,252,911	8,702,366
Revaluation(2007)	-	9,698,577	-	-	9,698,577	20	-	-	-	-	-	9,698,577
	138,830,093	9,698,577	-	-	148,528,670	-	122,828,314	3,200,356	-	-	126,028,670	22,500,000
Light Vehicles												
Cost	20,804,662	974,230	-	-	21,778,892	20	14,203,758	1,498,790	-	-	15,702,548	6,076,344
Revaluation	4,571,974	-	-	-	4,571,974	20	2,792,928	355,809	-	-	3,148,737	1,423,237
	25,376,636	974,230	-	-	26,350,866	-	16,996,686	1,854,599	-	-	18,851,285	7,499,582
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,197,086	26,474	-	-	1,223,560	503,014
Electric Installation	38,956,612	-	-	-	38,956,612	10	33,456,154	550,046	-	-	34,006,200	4,950,412
Weighing Scales	80,958	-	-	-	80,958	10	69,812	1,115	-	-	70,927	10,030
Library Books	72,403	-	-	-	72,403	10	62,046	1,036	-	-	63,082	9,321
	3,500,090,075	727,861,929	-	8,422,194	4,219,529,810	-	1,722,535,000	66,262,613	-	8,422,194	1,780,375,419	2,439,154,387
LEASED												
Plant & Machinery	19,000,000	-	-	-	19,000,000	3	2,709,875	488,704	-	-	3,198,579	15,801,421
Light Vehicles	5,460,500	-	790,500	-	4,670,000	20	2,579,546	555,954	446,474	-	2,689,026	1,980,974
	24,460,500	-	790,500	-	23,670,000	-	5,289,421	-	446,474	1,044,658	5,887,605	17,782,395
Rupees 2007	3,524,550,575	727,861,929	790,500	8,422,194	4,243,,199,810		1,727,824,421	67,307,271	446,474	8,422,194	1,786,263,024	2,456,936,782
Rupees 2006	3,439,586,329	126,771,756	41,807,510	-	3,524,550,575	-	1,664,328,232	101,297,571	37,801,381	-	1,727,824,421	1,796,726,151

15.1 Depreciation for the year has been allocated as under:

	2007 Rupees	2006 Rupees
Cost of sales	63,903,303	97,814,323
Distribution cost	101,506	101,939
Administrative expenses	3,302,462	3,381,309
	67,307,271	101,297,571

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.

15.3 The current revaluation was done on balance sheet date, hence no depreciation is charged on the revaluation surplus arrised theron.

15.4 Surplus on revaluation undertaken as at June 30, 2007 has been arrived at as follows:

Particulars	Written down value as on June 30, 2007	Depreciaton replacement value as at June 30, 2007	Revaluation surplus
Buildings			
Factory	86,245,800	93,149,466	6,903,666
Office	15,601,676	16,850,534	1,248,858
Residential	20,428,925	40,000,000	19,571,075
Plant and Machinery	1,537,421,165	2,185,610,000	648,188,835
Heavy Vehicles	12,801,424	22,500,000	9,698,576
	1,672,498,990	2,358,110,000	685,611,010

15.5 Had there been no revaluation the related figures of Buildings, Plant & Machinery and Vehicles at June 30, 2007 would have been as follows:

Particulars	Cost as at June 30, 2007	Accumulated depreciation upto June 30, 2007	Net book value as on June 30, 2007
Buildings			
Factory	273,747,227	187,501,426	86,245,801
Office	31,173,124	15,571,449	15,601,675
Residential	66,095,494	45,666,569	20,428,925
Plant and Machinery	2,878,355,996	1,340,934,832	1,537,421,164
Heavy Vehicles	138,830,093	126,028,670	12,801,423
	3,388,201,934	1,715,702,946	1,672,498,988

16. CAPITAL WORK IN PROGRESS

	2007 Rupees	2006 Rupees
Building	1,252,521	-
Plant and Machinery	1,001,053	260,765
	2,253,574	260,765

Notes ....

		Note	2007 Rupees	2006 Rupees
17.	**LONG TERM LOANS - Considered good**			
	Officers			
	Motor car/motor cycle		462,776	49,847
	House building		121,800	474,781
	Special loans to officers		146,511	449,500
			731,087	974,128
	Other Employees			
	House building		158,136	208,428
	Special loans		102,006	133,182
			260,142	341,610
			991,229	1,315,738
	Less: Current portion recoverable within one year		672,044	228,826
			319,185	1,086,912
	Terms of repayment for Staff Loans			
	These are interest free and secured.		**Equal Monthy Installments**	**Equal Monthy Installments**

		Note	2007 Rupees	2006 Rupees
18.	**LONG TERM SECURITY DEPOSITS**			
	Islamabad Electric Supply Company		9,486,000	9,486,000
	Others		452,455	452,455
			9,938,455	9,938,455
19.	**DEFERRED COST**			
	Unamortized cost brought forward		108,383,561	148,383,561
	Less: Amortized during the year	30	40,000,000	40,000,000
			68,383,561	108,383,561

19.1 This represents discount on issuance of right shares issued last year at a discount of Rs.5 per share. It is being amortised over a period not exceeding five years.

		Note	2007 Rupees	2006 Rupees
20.	**STORES, SPARES AND LOOSE TOOLS**			
	General stores	20.1	47,609,344	103,852,213
	Spare parts		74,080,861	78,411,972
	Loose tools		4,681,966	4,583,424
			126,372,171	186,847,609

20.1 It includes stores in transit Rs.Nil (2006: Rs.17,283,210).

		Note	2007 Rupees	2006 Rupees
21.	**STOCK IN TRADE**			
	Raw material		1,425,680	6,872,640
	Work in process		14,073,242	17,086,518
	Finished goods		14,912,352	8,220,262
			30,411,274	32,179,420

Notes ....

	Note	2007 Rupees	2005 Rupees
22. LOANS AND ADVANCES			
Loan - Considered good			
Current portion of long term loans to employees		672,044	228,826
To Past associated company (Gharibwal Cement Limited)	22.1	250,000,000	-
Loan to employees	22.2	10,165,303	7,296,708
		260,837,347	7,525,534
Advances - Considered good:			
To employees		2,555,861	1,949,389
To suppliers / contractors		12,242,170	11,262,426
		14,798,031	13,211,815
		275,635,378	20,737,349

22.1 It includes Rs. 80.00 million loan advanced in June 2007 to ex-associated company which ceased to be an associated company on June 01, 2007 by virtue of change in board of directors.

22.2 This includes Rs. Nil (2006: Rs. 163,550) to executives of the company.

		2007 Rupees	2005 Rupees
23. DEPOSITS AND SHORT TERM PREPAYMENTS			
Margin on bank guarantees		7,477,734	7,477,734
Prepayments		933,814	2,168,757
		8,411,548	9,646,491
24. BALANCES WITH STATUTORY AUTHORITIES			
Excise duty		-	1,058,873
Income tax deducted at source		8,730,600	7,238,469
Income tax refundable		12,216,164	12,216,164
		20,946,764	20,513,506
25. OTHER RECEIVABLES			
Letters of credit		563,924	218,759
Other receivables		703,505	834,416
		1,267,429	1,053,175
26. CASH AND BANK BALANCES			
Cash in hand		1,239	69,345
Cash at banks in:			
Current accounts		5,973,772	63,271,059
Deposit accounts	26.1	8,032,320	21,375,044
		14,006,092	84,646,103
		14,007,331	84,715,448

26.1 It includes a separate bank account amounting to Rs. 2.385 million (2006: Rs. 2.301), 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 1% to 3% (2006: 1% to 3%) per annum.

	Note	2007 Rupees	2006 Rupees
27. SALES			
Sales		1,372,581,388	1,962,988,241
Less: Excise duty		264,947,250	280,256,250
Sales tax		178,826,447	255,284,082
Discounts		14,252,592	14,490,736
		458,026,289	550,031,068
		914,555,099	1,412,957,173
28. COST OF SALES			
Raw materials consumed	28.1	120,562,866	165,219,237
Salaries, wages and benefits		156,076,319	147,285,177
Fuel, gas and electricity		605,321,434	602,549,633
Stores and spares		46,924,149	47,874,538
Rent, rates and taxes		2,469,202	1,435,044
Vehicle running and maintenance		12,131,331	11,118,226
Packing material		73,122,065	68,484,043
Depreciation	15.1	63,903,303	97,814,323
Others		23,908,042	24,624,342
		1,104,418,711	1,166,404,563
Work in process			
Opening		17,086,518	32,148,784
Clinker purchased		21,247,488	14,748,299
Closing		(14,073,242)	(17,086,518)
		24,260,764	29,810,565
Cost of goods manufactured		1,128,679,475	1,196,215,128
Finished goods			
Opening		8,220,262	4,526,066
Closing		(14,912,352)	(8,220,262)
		(6,692,090)	(3,694,196)
		1,121,987,385	1,192,520,932
28.1 Raw materials consumed			
Opening balance		6,872,640	2,527,519
Purchase of raw material		32,037,382	49,899,325
Salaries, wages and benefits		28,763,464	38,092,238
Golden Hand Shake		28,858,990	28,669,980
Gypsum		859,465	2,491,477
Iron ore		2,459,997	2,818,425
Explosive		1,119,930	2,188,416
Diesel		1,722,040	5,897,851
Electricity		5,057,306	4,864,095
Royalty and excise duty		7,638,219	8,197,809
Stores and spares		6,376,561	25,446,605
Rent, rates and taxes		7,800	725,196
Breaking of Gypsum		214,752	272,941
		121,988,546	172,091,877
Closing balance		(1,425,680)	(6,872,640)
		120,562,866	165,219,237

Notes ....

		2007 Rupees	2006 Rupees
29. DISTRIBUTION COST			
Salaries, wages and benefits		1,241,051	1,850,244
Travelling and daily allowances		47,403	81,444
Vehicles running and maintenance		493,110	501,402
Postage, telephone and telegrams		18,287	29,182
Printing and stationery		5,280	52,628
Advertisement		62,400	95,625
Entertainment		62,759	47,761
Repairs and maintenance		3,558	2,520
Rent, rates and taxes		300	3,317
Depreciation	15.1	101,507	101,939
Others		846,300	571,589
		2,881,955	3,337,651
30. ADMINISTRATIVE EXPENSES			
Directors' remuneration		1,004,548	3,302,469
Salaries, wages and benefits		9,998,368	2,646,240
Travelling and daily allowances		1,400,012	1,727,240
Repairs and maintenance		72,650	31,250
Vehicle running and maintenance		825,693	492,627
Legal and professional		3,301,700	5,937,297
Deferred cost amortised	19	40,000,000	40,000,000
Share of expenses of head office	30.1	4,500,000	3,600,000
Auditors' remuneration	30.2	454,000	380,000
Postage, telephone and telegrams		504,917	521,720
Printing and stationery		415,452	348,636
Advertisement		204,812	192,999
Entertainment		219,774	314,250
Rent, rates and taxes		3,697,473	1,261,525
Fees and subscriptions		851,850	1,090,500
Penalties	30.3	124,000	5,000
Depreciation	15.1	3,302,462	3,381,309
Others	30.4	3,709,989	1,198,584
		74,587,700	66,431,646

30.1 This represents share of Head Office expenses paid to GCL on account of utilities, repair and other charges.

30.2 Auditors' remuneration

	2007 Rupees	2006 Rupees
Amin, Mudassar & Co.		
Audit fee	125,000	125,000
Tax advisory services	170,000	124,000
Out of pocket expenses	22,000	6,000
Certification services	12,000	-
Half year review fee	50,000	50,000
Code of Corporate Governance review report fee	75,000	75,000
	454,000	380,000

30.3 It represents penalty imposed by Sales Tax department.

30.4 These include donations of Rs.415,555 (2006:Rs.500), none of the directors or their spouses were interested in the donees.

	Note	2007 Rupees	2006 Rupees
31. OTHER OPERATING INCOME			
Income on short term advance		9,388,556	-
Sale of scrap		7,219,336	1,075,110
Miscellaneous		1,695,722	568,216
Gain on disposal of fixed assets		-	129,715
Unclaimed balances written back		-	5,774,158
		18,303,614	7,547,199
32. FINANCE COST			
Mark up:			
Long term loans		91,411,105	27,599,347
Short term loans		10,136,185	10,424,548
Sponsors' loans		26,389,777	37,285,620
Borrowing from GCL		2,391,987	583,183
Provident Fund		-	513,827
W.P.P. Fund		2,304,638	904,310
Bank charges		3,500,198	3,232,936
Exchange fluctuation		35,421,326	10,364,978
		171,555,216	90,908,749

33. TAXATION

Current

The income tax assessments of the Company have been finalized upto tax year 2006. The assessed tax losses available for carry forward is Rs. 870,969,589 (2006: Rs.881,116,065) upto the tax year 2007. The rconciliation between tax expense and tax on accounting profit for the year has not been prepared because the company falls in the ambit of minimum tax u/s 113 of the Income Tax Ordinance, 2001.

Deferred

Deferred tax liability on all temporary differences as at June 30, 2007 has been duly provided and disclosed in note 8.

		2007 Rupees	2006 Rupees
34. EARNING /(LOSS) PER SHARE - BASIC			
Loss for the year		(437,276,274)	(13,613,772)
Number of ordinary shares during the year		67,839,980	67,839,980
Loss per share (Rupees)		(6.45)	(0.20)
35. TRANSACTIONS WITH RELATED PARTIES			
Three Stars Cement (Pvt) Ltd. (holding company)			
Loan received		139,944,945	-
Mark up		1,614,926	-
Three Stars Hoisery Mills (Pvt) Ltd.			
Funds received		34,226,705	-
Gharibwal Cement Ltd.			
During the year, the associates relationship ends.			
Short term loan		170,000,000	-
Expenses paid by GCL		-	8,042,668
Expenses paid on behalf of GCL		-	1,314,942
Mark up charged		6,245,884	583,183
Inventories Transferred		29,812	345,936
Inventories received		166,291,017	39,879,606
Inventories in transit		-	19,875,558
Expenses paid		4,500,000	3,600,000

36. FINANCIAL INSTRUMENTS

36.1 Financial assets and liabilities

		Interest Bearing			Non Interest Bearing			
		One month to one year	One year & onward	Sub Total	One month to one year	One year & onward	Sub Total	Total
		(R u p e e s)						
Financial Assets								
Long term loans		-	-	-	672,044	319,185	991,229	991,229
Long term deposits		-	-	-	-	9,938,455	9,938,455	9,938,455
Loans and advances		-	-	-	274,963,334	-	274,963,334	274,963,334
Deposits and short term prepayments		-	-	-	7,477,734	-	7,477,734	7,477,734
Other receiveables		-	-	-	1,267,429	-	1,267,429	1,267,429
Accrued interest		-	-	-	9,388,556	-	9,388,556	9,388,556
Cash and bank		8,032,320	-	8,032,320	5,973,772	-	5,973,772	14,006,092
	2007	8,032,320	-	8,032,320	299,742,869	10,257,640	310,000,509	318,032,829
	2006	21,375,044	-	24,375,044	92,608,662	11,025,367	103,634,029	125,009,073
Financial liabilities								
Long term loans and liabilities		62,439,380	1,139,427,231	1,201,866,611	-	47,150,334	47,150,334	1,249,016,945
Liabilities against assets subject to finance lease		1,426,877	661,141	2,088,018	-	-	-	2,088,018
long term advances and deposits		-	-	-	-	6,751,006	6,751,006	6,751,006
Trade and other payables		39,407,645	-	39,407,645	283,779,655	-	283,779,655	323,187,300
Mark up accrued		-	-	-	60,793,426	-	60,793,426	60,793,426
Short term borrowings		299,493,758	-	299,493,758	5,341,577	-	5,341,577	304,835,335
Gratuity payable to trustees		-	-	-	15,412,613	70,000,000	85,412,613	85,412,613
	2007	402,767,660	1,140,088,372	1,542,856,032	365,327,271	123,901,340	489,228,611	2,032,084,643
	2006	207,298,746	988,187,875	1,195,486,621	207,341,593	137,603,686	344,945,279	1,540,431,900
	2007	(394,735,340)	(1,140,088,372)	(1,534,823,712)	(65,584,402)	(113,643,700)	(179,228,102)	(1,714,802,499)
	2006	(185,923,702)	(988,187,875)	(1,171,111,577)	(114,732,931)	(126,578,319)	(241,311,250)	(1,415,422,827

Effective rates of mark-up for financial assets and liabilities are as follows:

	Rate of interest	
	2007	2006
Sponsors and associates loan	1% + six months	1% + six months
Long term loans and liabilities	LIBOR to 13% 4% to 14% p.a. -	LIBOR to 13% 4% to 14% p.a. -
Lease finances	8% to 18% p.a.	8% to 18% p.a.
Short term borrowings	KIBOR + 3% to 5% p.a.	KIBOR + 3% to 5% p.a.
Trade and other payables	6% to 12% p.a.	6% to 12% p.a.

36.2 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivable and payable exist due to transactions with foreign undertakings. Financial liabilities includes Rs.NIL (2006:Rs.528.285 million) exposed foreign currency risk and are not covered through any forward foreign exchange contracts or hedging.

36.3 Credit Risk

Credit risk represents the accounting loss that would be recognised as the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.308.64 million (2006:Rs.125.009 million), the financial assets which are subject to credit risk aggregated to Rs.303.28 million (2006:Rs.317.28 million).

36.4 Fair Value of Financial Assets and Liabilities

The carrying value of all financial instruments reflected in the financial statements approximate their fair values.

36.5 Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimised.

36.6 Liquidity Risk

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

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2007			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(R u p e e s)					
Management remuneration	520,000	-	-	644,672	-	1,244,930
House rent	134,785	-	-	290,102	-	531,163
Utilities	53,262	-	-	55,167	-	229,154
Provident fund contribution	-	-	-	-	-	-
Leave fare assistance	-	-	-	-	-	81,057
Others	296,501	-	-	2,312,528	-	402,366
	1,004,548	-	-	3,302,469	-	2,488,670
Number of persons	1	-	-	2	-	2

At any one time only one Chief Executive functioned for the company.

The Chief Executive is entitled to free use of Company's vehicle.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2007 M. Tones	2006 M. Tones
Ordinary Portland cement		
Plant capacity (Cement)	504,000	504,000
Actual production	356,820	367,489

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

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on November 08, 2007 by the Board of Directors of the company.

Tanveer Rasheed
TANVEER RASHEED
Director

MUHAMMAD RASHEED
Chief Executive

Summary of Last Ten Years' Financial Result

(Rupees in thousands)

Description	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Trading Results:										
Turnover	914,555	1,412,957	1,087,164	812,211	590,353	747,191	610,498	102,573	-	171,283
Gross Profit/(Loss)	(207,432)	220,436	66,682	(6,951)	(186,519)	(64,479)	(27,695)	(61,389)	(119,708)	(95,100)
Operating Profit /(Loss)	(284,902)	150,667	3,784	(41,819)	(203,834)	(79,633)	(48,933)	(71,284)	(144,495)	(125,754)
Profit/(Loss) Before Taxation	(438,154)	63,940	(61,759)	(123,128)	(331,883)	(246,549)	(212,733)	(186,436)	(268,576)	(159,653)
Profit/(Loss) After Taxation	(437,276)	13,614	56,826	(112,828)	47,134	(238,397)	(264,281)	(186,948)	(311,253)	(160,509)
Balance Sheet:										
Shareholders Equity	(830,956)	(424,736)	(447,750)	(577,147)	(1,080,888)	(1,283,427)	(1,045,029)	(780,748)	(593,799)	(1,814)
Operating Fixed Assets	2,456,936	1,796,726	1,812,714	1,911,135	2,022,856	2,135,904	372,971	417,905	459,653	460,783
Net current liabilities	(328,284)	(88,013)	(251,999)	(292,712)	(550,929)	(494,367)	(423,228)	(502,277)	(649,533)	(310,476)
Long term liabilities	1,194,013	1,056,014	1,072,416	1,104,762	1,147,859	1,083,236	742,034	640,319	367,262	144,916
Significant Ratios										
Gross Profit Ratio %	(22.68)	15.60	6.13	(0.86)	(31.59)	(8.63)	(4.54)	(59.85)	-	(55.52)
Net Profit Ratio %	(47.81)	(0.96)	6.96	(13.89)	7.98	(31.91)	(43.29)	(182.26)	-	(93.71)
Fixed Assets Turnover Ratio	0.37	0.79	0.60	0.42	0.29	0.35	1.64	0.25	-	0.37
Current Ratio	0.60	0.80	0.49	0.42	0.25	0.29	0.35	0.35	0.24	0.56