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
United Bank Limited
National Bank of Pakistan
Habib Bank Limited
The Bank of Punjab
Bank Alfalah Limited
KASB 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 28th Annual General Meeting of the shareholders of Dandot Cement Company Limited for the financial year ended June 30,2008 will be held on Saturday, November 29, 2008 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 Annual General Meeting held on November 30, 2007.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2008 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, 2008

(ABDUL KHABIR)
COMPANY SECRETARY

NOTES:

1. The Register of Members and the Share Transfer Books of the Company will remain closed from November 20, 2008 to November 29, 2008 (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 28th Annual report along with the audited financial statements of the Company for the year ended June 30, 2008.

Plant Performance

The operational performance of your Company for the year under review compared with the preceding year is tabulated below:

			2008	2007
-	Clinker Production	M. Tons	200,675	328,259
-	Capacity Utilization	% age	41.8%	68.39%
-	Cement Production	M. Tons	211,051	356,820
-	Capacity Utilization	% age	41.9%	70.80%
-	Sales	M. Tons	210,237	353,688
-	Decrease in sales	M. Tons	(143,451)	(21,612)

During the year under review the operational performance of the Company deteriorated due to closure of the factory for four months due to labour distress and fund insufficiency. However, over all capacity utilization during operational period was satisfactory.

Operating Results

The comparative financial results of the company are summarized below:

	2008	2007
	Rupeess in thousand	
Net Sales	556,149	914,555
Gross loss	236,620	207,432
Pre Tax Loss	556,402	438,153
After tax Loss	419,168	437,276

The Company's reduced financial performance as discussed above is mainly attributed to closure of the factory for four months and stiff market competition.

Dividend has not been recommended by the Board for the current year due to loss suffered by the Company.

Future Prospects

Industry

Demand in cement industry is directly linked to economic growth. Unfortunately prevailing economic conditions as well as future outlook is not encouraging due to geo-political instability, out of control inflation, deteriorating pak rupee valuation, power shedding, rising utility prices, liquidity crunch and reduced PSDP size. All these factors have impact of reducing demand of cement and faded profitability and both are expected to reduce further in ensuing periods. Effects of world recession are also being felt every where around and a decline in export of cement can reasonably be expected.

Company

Energy efficiency, labour efficiency and productivity and right financial modelling, 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 financers, employees and shareholders.

Significant Plans & Decisions

The management is planning to optimize the production capacity of existing plant to 3500 M.ton/day clinker production by expanding the existing infrastructure and plant.

Auditors' observations and Going concern

The auditors have commented on the going concern assumption and delayed payments to the provident fund trust and current portion of The Bank of Punjab loans. The directors have reasonable expectations that the Company would be able to generate adequate resources to continue in operational existence for the foreseeable future. (Note 1.2 to the annexed audited accounts). Management is in negotiations with The Bank of Punjab on various issues and will incorporate the same in financial statements upon resolution. The directors have resolved to work towards alleviating other observations of the auditors.

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 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, 2008.

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 2008, the value of investments and assets of Gratuity Fund and Provident Fund were Rs. 86.6 million and Rs. 201.3 million respectively (based on un audited accounts).

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

	No. of Meeting Attended
Mr. Muhammad Rasheed	9
Mrs. Tanveer Rasheed	2
Mr. Mansoor Rasheed	9
Mr. Saud Rasheed	9
Ms. Rizwana Rasheed	0
Mrs. Ayesha Mansoor	7
Mrs. Amina Saud	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, Mr. Saud Rasheed, Director has acquired 20,064,243 shares as subscription to the unsubscribed portion of the right issue of the Company, while he has sold 6,364,243 shares during the year. Mr. Mansoor Rasheed, Director has purchased 14,100,123 shares during the year.

Whereas, no trading in the shares of the Company was carried out by rest of 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 2008-2009. 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, 2008

Pattern of Shareholding

As at June 30, 2008

Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
109	1	100	5,309
217	101	500	69,064
98	501	1,000	83,045
175	1,001	5,000	419,510
35	5,001	10,000	235,278
13	10,001	15,000	158,739
7	15,001	20,000	119,632
3	20,001	25,000	68,305
3	25,001	30,000	85,177
2	30,001	35,000	66,753
1	35,001	40,000	39,500
2	40,001	45,000	84,425
1	55,001	60,000	56,618
1	60,001	65,000	60,606
2	70,001	75,000	142,293
2	75,001	80,000	159,000
1	80,001	85,000	83,879
1	95,001	100,000	95,712
1	105,001	110,000	109,851
1	115,001	120,000	116,500
1	140,001	145,000	140,823
2	145,001	150,000	300,000
1	155,001	160,000	160,000
1	165,001	170,000	169,000
1	175,001	180,000	177,074
2	180,001	185,000	363,665
2	210,001	215,000	422,362
1	310,001	315,000	314,800
1	380,001	385,000	383,124
1	1,285,001	1,290,000	1,290,000
1	1,590,001	1,595,000	1,590,007
1	1,995,001	2,000,000	2,000,000
1	2,040,001	2,045,000	2,043,349
1	2,215,001	2,220,000	2,219,500
1	2,380,001	2,385,000	2,382,457
1	2,545,001	2,550,000	2,550,000
1	3,900,001	3,905,000	3,903,500
1	11,150,001	11,155,000	11,150,500
1	14,100,001	14,105,123	14,100,123
1	22,920,001	22,925,500	22,920,500
1	22,995,001	24,000,000	24,000,000
699			94,839,980

Categories of shareholders	**Shares held**	**Percentage**
Directors, Chief Executive Officer, and their Spouse and Minor Children	27,803,623	29.32%
Associated Companies, Undertakings and Related Parties	47,002,612	49.56%
NIT and ICP	61,706	0.07%
Banks, Development Financial Institutions, Non Banking Financial Institutions	4,087,700	4.31%
Insurance Companies	182,625	0.19%
Modarabas and Mutual Funds	-	0.00%
Share holders holding 10% and above or more voting interests	74,803,735	78.87%
General Public:		
a. Local	2,476,456	2.61%
b. Foreign	-	0.00%
Others (to be specified):		
Joint Stock Companies	10,648,217	11.23%
Foreign Companies	392,018	0.41%
Trusts	2,185,023	2.30%

Pattern of Shareholding

As at June 30, 2008

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**		**1**	**47,002,612**
	i.	Three Stars Cement (Pvt) Limited	1	47,002,612
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**	**27,803,623**
	Directors		**7**	**27,803,623**
	i.	Mr. Muhammad Rasheed	1	500
	ii.	Mrs. Tanveer Rasheed	1	500
	iii	Mr. Mansoor Rasheed	1	14,100,623
	iv	Mr. Saud Rasheed	1	13,700,500
	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**		**8**	**4,087,700**
VII	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTERESTS**		**3**	**74,803,735**
	i.	Three Stars Cement (Pvt) Limited	1	47,002,612
	ii	Mr. Mansoor Rasheed	1	14,100,623
	iii	Mr. Saud Rasheed	1	13,700,500

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. 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. No casual vacancy occurred in the Board during the year.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, 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. The Board has approved the appointment of CFO, including his remuneration and term and conditions of employment, as determined by CEO. No new appointments of Company Secretary and Head of internal audit were 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 CEO and CFO before approval of the Board.

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

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

15. The 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 formed 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, 2008

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 provisions 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, 2008.

AMIN, MUDASSAR & CO.
Chartered Accountants
LAHORE: November 08, 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of the **DANDOT CEMENT COMPANY LIMITED** as at June 30, 2008 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 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. 5.4 to the financial statements current portion of Rs. 133.93 million and short term loan of Rs. 270.00 million obtainded from the Bank of Punjab have not been classified under current liabilities.

ii) The company failed to transfer current provident fund contributions and past dues to Provident Fund Trust as referred in note no. 6.5.

Except for the contents of the preceding paragraphs (i) and (ii) and the extent to which they 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 & 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, 2008 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. 1,915.16 million. Its current liabilities exceed the current assets by Rs. 384.72 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, 2008

Balance Sheet

	Note	2008 Rupees	2007 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 100,000,000 (2007:70,000,000) ordinary shares of Rs.10/- each		1,000,000,000	700,000,000
Issued, subscribed and paid up capital	3	948,399,800	678,399,800
Share premium reserve		31,800,740	31,800,740
Accumulated loss		(1,915,158,133)	(1,541,156,137)
		(934,957,593)	(830,955,597)
SURPLUS ON REVALUATION OF FIXED ASSETS	4	1,262,615,161	1,307,781,797
		327,657,568	476,826,200
NON CURRENT LIABILITIES			
LOAN FROM BANKING COMPANIES	5	1,020,000,000	723,214,286
OTHER LOANS	6	438,085,114	463,363,279
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	30,791	661,141
DEFERRED LIABILITIES	8	398,584,753	538,708,766
LONG TERM ADVANCES AND DEPOSITS	9	7,257,745	6,774,331
		1,863,958,403	1,732,721,803
CURRENT LIABILITIES			
Trade and other payables	10	316,307,898	372,329,910
Mark up accrued	11	161,909,007	60,793,426
Short term borrowings	12	375,701,718	304,835,335
Current portion of long term loans and liabilities	13	40,501,230	63,866,257
Taxation		15,789,627	12,899,076
		910,209,480	814,724,004
CONTINGENCIES AND COMMITMENTS	14	-	-
		3,101,825,451	3,024,272,007

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD RASHEED
Chief Executive

As at June 30, 2008

	Note	2008 Rupees	2007 Rupees
PROPERTY AND ASSETS			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	15	2,382,119,391	2,456,936,782
Capital work in progress	16	155,243,966	2,253,574
		2,537,363,357	2,459,190,356
LONG TERM LOANS	17	276,027	319,185
LONG TERM SECURITY DEPOSITS	18	10,314,955	9,938,455
DEFERRED COST	19	28,383,561	68,383,561
		2,576,337,900	2,537,831,557
CURRENT ASSETS			
Stores, spares and loose tools	20	135,895,926	126,372,171
Stock in trade	21	42,165,762	30,411,274
Loans and advances	22	298,231,755	275,635,378
Deposits and short term prepayments	23	6,447,907	8,411,548
Balance with statutory authorities	24	22,281,026	20,946,764
Interest accrued	25	9,447,082	9,388,555
Other receivables	26	683,255	1,267,429
Cash and bank balances	27	10,334,838	14,007,331
		525,487,551	486,440,450
		3,101,825,451	3,024,272,007

SAUD RASHEED
Director

Profit and Loss Account

For the Year Ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales (Net)	28	556,149,275	914,555,099
Cost of sales	29	792,769,586	1,121,987,385
Gross loss		(236,620,311)	(207,432,286)
Distribution cost	30	6,849,654	2,881,954
Administrative expenses	31	85,516,468	74,587,700
		92,366,122	77,469,654
		(328,986,433)	(284,901,940)
Other operating income	32	302,250	18,303,614
		(328,684,183)	(266,598,326)
Finance cost	33	227,717,911	171,555,216
Loss before taxation		(556,402,094)	(438,153,542)
Taxation:	34		
Current			
For the year		2,890,551	4,490,229
Deferred		(140,124,013)	(5,367,497)
		(137,233,462)	(877,268)
Net Loss for the year		(419,168,632)	(437,276,274)
Loss per share			
As originally stated		-	(6.45)
As restated due to right issue	35	(4.72)	(5.54)

- The annexed notes from 1 to 40 form an integral part of these financial statements.
- Appropriations have been reflected in the statement of changes in equity.

MUHAMMAD RASHEED
Chief Executive

SAUD RASHEED
Director

Cash Flow Statement

For the Year Ended June 30, 2008

	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(556,402,094)	(438,153,542)
Adjustments of items not involving movement of cash:		
Depreciation	88,056,723	67,307,271
Provision for gratuity	-	10,348,698
Exchange fluctuations	-	35,421,326
Gain on disposal of Fixed Assets	(26,216)	-
Amortization of deferred cost	40,000,000	40,000,000
Investment income	(276,034)	-
Income on short term advance	-	(9,388,556)
Finance cost	227,717,911	136,133,890
	355,472,384	279,822,629
Operating cash flows before working capital changes	(200,929,710)	(158,330,913)
(Increase)/Decrease in operating assets:		
Stores, spares and loose tools	(9,523,755)	60,475,438
Stock in trade	(11,754,488)	1,768,146
Loans and advances	(22,596,377)	(254,554,003)
Deposits and short term prepayments	1,963,641	1,234,943
Other receivables	214,422	(844,619)
Increase/(Decrease) in trade and other payables	(57,188,561)	141,827,764
	(98,885,118)	(50,092,331)
	(299,814,828)	(208,423,244)
Long term advances and deposits		
Long term security deposits	(376,500)	-
Gratuity paid	(1,316,933)	(8,096,360)
Finance cost paid	(124,118,850)	(123,276,689)
Dividend paid	-	(108,939)
Interest received	217,507	-
Income tax paid	(964,510)	(1,492,111)
Net Cash Flows From Operating Activities	(426,374,114)	(341,397,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(166,968,505)	(44,243,726)
Sale proceeds of Fixed Assets	765,000	-
Long term loans	43,158	767,727
Net Cash Flows From Investing Activities	(166,160,347)	(43,475,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Right Issue	270,000,000	-
Long term loans	247,590,334	802,040,725
Sponsors loans	3,700,000	(664,000,317)
Past dues - CBA	(2,490,165)	(30,286,281)
Repayment of lease liability (Net)	(1,287,997)	(6,901,056)
Long term advances and deposits	483,414	38,205
Short term borrowings	70,866,383	213,273,949
Net Cash Flows From Financing Activities	588,861,969	314,165,225
Net increase / (decrease) in Cash and Cash Equivalents	(3,672,493)	(70,708,117)
Cash and cash equivalents at beginning of the year	14,007,331	84,715,448
Cash and Cash Equivalents at End of the Year	10,334,838	14,007,331

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD RASHEED
Chief Executive

SAUD RASHEED
Director

Statement of Changes in Equity

For the Year Ended June 30, 2008

	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, 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
Right issue during the year	270,000,000	-	-	270,000,000	-	270,000,000
Loss for the year	-	-	(419,168,632)	(419,168,632)	-	(419,168,632)
Incremental depreciation due to revaluation charged to surplus - net of deferred tax	-	-	45,166,636	45,166,636	(45,166,636)	-
Balance as at June 30, 2008	948,399,800	31,800,740	(1,915,158,133)	(934,957,593)	1,262,615,161	327,657,568

The annexed notes from 1 to 40 form an integral part of these financial statements.

MUHAMMAD RASHEED
Chief Executive

SAUD RASHEED
Director

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. 1,915.16 million and its current liabilities exceed its current assets by Rs. 384.72 million as at June 30, 2008. Inspite of its adverse current ratio and large accumulated loss, the company has continued financial support from its holding company which injected Rs. 139.94 million in previous year as long term loan to the company to ensure continuity of operations and financial plans. To further augment its finances the company has received Rs. 270.00 million through the issuance of right shares.

The management is fully convinced that the current performance and future viability of the project depends upon increase of its existing production capacity. With increased production, the fixed production cost per ton would reduce. The other encouraging factor is that from June, 2008 onwards the selling price of cement has reasonably increased over the previous year which would provide additional revenue to the company to absorb cost and payoff its liabilities. In order to increase the production capacity it has planned that during the ensuing year's annual shut down heavy maintenance and overhaul and major plant improvement would be carried out which would not only ensure smooth and continuous operation of the plant but would also enhance its production capacity.

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 long run 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 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.

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 2008 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:

* IAS 1 ‘Presentation of Financial Statements - Revised effective from January 01, 2009
* 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)

* IAS - 27 Consolidated and Separate Financial Statements Revised effective from January 01, 2009
* IAS - 32 (amendment) - Financial Instruments: Presentation and consequential amendment to IAS I-Presentation of Financial Staements
* IFRS - 2 (amendment) - Share based payments
* IFRS - 3 (amendment) - Business Combinations and consequential amendments of IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures.
* IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after July 01, 2008)
* IFRS 8 - Operating Segments
* IFRIC 10 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 01 November 2006)
* IFRIC 11 - Group and Treasury Share Transactions
* 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 has terminated gratuity benefits w.e.f. July 01, 2007. The obligation in respect of gratuity payable as of date of termination is fair in the opinion of management.

The Company used 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.

	2008	2007
Discount rate p.a	-	10.0%
Expected p.a. rate of salary increase in future year	-	7.0%
Average expected remaining working lifetime of employees	-	17 years
Expected rate of return on plan assets p.a	-	10.00%

The Company's policy with regard to actuarial gains/losses was 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

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 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.

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.

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 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 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 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.

2.22 General

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

	Note	2008 Rupees	2007 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
86,089,980 (2007: 59,089,980) ordinary shares of Rs.10/- each fully paid in cash		860,899,800	590,899,800
8,750,000 (2007:8,750,000) ordinary shares of Rs.10/- each issued as fully paid bonus shares		87,500,000	87,500,000
	3.1	948,399,800	678,399,800
3.1 Opening balance (67,839,980 (2007: 67,839,980) Ordinary shares of Rs. 10 each)		678,399,800	678,399,800
Right shares issued during the year (27,000,000 Ordinary shares of Rs.10 each fully paid in cash)		270,000,000	-
Closing balance (94839980 (2007: 67839980) Ordinary shares of Rs. 10 each)		948,399,800	678,399,800
4. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening balance as at July 01,		1,307,781,797	893,190,980
Addition during the year		-	685,611,010
Incremental depreciation due to revaluation of fixed assets (Net off deferred tax of Rs. 24,320,496 (2007:Rs.16,722,644)		(45,166,636)	(31,056,339)
Deferred tax on revaluation surplus		-	(239,963,854)
Balance as at June 30,		1,262,615,161	1,307,781,797

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.

5. LOAN FROM BANKING COMPANIES - Secured

		Note	2008 Rupees	2007 Rupees
PICIC Commercial Bank Limited		5.1	-	9,165,666
Bank of Punjab Limited				
Demand finance facility	750 Million	5.2	750,000,000	750,000,000
Bridge finance facility	270 Million	5.3	270,000,000	-
			1,020,000,000	759,165,666
Less:Current maturity		13	-	35,951,380
			1,020,000,000	723,214,286

5.1 This facility has been repaid during the year.

5.2 The demand finance facility was sanctioned by 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 (2007: 3 months KIBOR + 400 BPS per annum) 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 and joint collateral guarantee of its holding cmpany and directors.

5.3 The bridge finance facility was sanctioned by the Bank of Punjab for Rs.250 Million. Mark up will be charged @ 3 month KIBOR + 300 BPS per annum (2007: 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 and joint collateral guarantee of its holding cmpany and directors.

5.4 On account of various factors, the company and the Bank of Punjab are in negotiation viz-a-viz the aforesaid loans. The consequent results on finalization of these negotiations shall be reflected in the subsequent financial statements.

6. OTHER LOANS - Unsecured

	Note	2008 Rupees	2007 Rupees
Economic Affairs Division, Government of Pakistan (EAD)	6.1	39,732,000	52,976,000
Loan from Related Parties- Mr.Mansoor Rasheed- Director	6.2	3,700,000	-
Ex-Sponsors' Loan	6.3	250,000,000	250,000,000
Holding Company	6.4	139,944,945	139,944,945
Past Dues - CBA	6.5	40,234,039	42,724,204
Provident Fund Trust	6.6	4,206,130	4,206,130
		477,817,114	489,851,279
Less:Current maturity	13	39,732,000	26,488,000
		438,085,114	463,363,279

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 This represents loan received from director Mr. Mansoor Rasheed. It is interest free, unsecured and repayable after December 31, 2009 subject to healthy flow of the company.

6.3 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.

6.4 This represents loan received from holding company (Three Stars Cement (Pvt) Ltd.). It carries mark up @ KIBOR + 4% (2007:KIBOR+4%). It is unsecured and repayable after December 2008 depending upon liquidity position of the company.

6.5 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 (except provident fund) have been deferred till December 2008 by the agreement.

Contributions and interest provided @ nil (2007: nil) due to Provident Fund Trust have not been paid upto June 30, 2003. As per order of Executive Director, Securities and Exchange Commission of Pakistan, the amount 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 contributions 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.

6.6 This represents mark up charged on provident fund old dues till June 30, 2006.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2008 Rupees	2007 Rupees
Opening balance		2,088,018	8,989,074
Addition during the year		-	-
		2,088,018	8,989,074
Less: Payments during the year		1,287,997	6,901,056
Present value of minimum lease payments		800,021	2,088,018
Less: Transfer to current maturity	13	769,230	1,426,877
		30,791	661,141

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% (2007: 8% to 12%) 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	2008	2007
		(Rupees)		
Minimum lease payments	820,733	31,436	852,169	2,256,384
Less: Future finance charges	(51,503)	(643)	(52,146)	(168,366)
Present value of minimum lease payments	769,230	30,793	800,023	2,088,018

8. DEFERRED LIABILITIES

	Note	2008 Rupees	2007 Rupees
Gratuity	10.1	70,000,000	70,000,000
Deferred Tax (asset) / liability comprises of temporary differences arising due to:			
Accelerated tax/(accounting) depreciation		751,908,340	774,278,927
Liabilities against assets subject to finance lease		(280,007)	(730,805)
Unused tax losses carried forward		(423,043,579)	(304,839,356)
		328,584,753	468,708,766
		398,584,753	538,708,766
Opening balance		468,708,766	234,112,411
Charged to profit and loss account		(140,124,013)	(5,367,497)
Deferred tax (asset) / liability as at June 30, 2007		328,584,753	228,744,914
Deferred tax on surplus on revaluation of fixed assets arised during the year		-	239,963,852
Deferred tax liability as at June 30		328,584,753	468,708,766

9. LONG TERM ADVANCES AND DEPOSITS

	Note	2008 Rupees	2007 Rupees
Un-secured - Interest free			
Advances from suppliers		23,325	23,325
Security deposits	9.1	5,856,134	5,381,134
Retention money		1,378,286	1,369,872
		7,257,745	6,774,331

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

	Note	2008 Rupees	2007 Rupees
Trade creditors		77,272,586	45,039,962
Due to associated undertakings - unsecured		29,429	34,226,705
Accrued expenses		87,167,593	181,731,233
Due to Gratuity Fund Trust	10.1	14,095,680	15,412,613
Due to Provident Fund Trust		6,488,524	2,575,102
Excise duty		29,279,474	18,522,090
Royalty		4,043,479	3,924,124
Sales tax		10,392,534	9,536,804
Workers' profit participation fund	10.2	40,938,002	38,454,522
Unclaimed dividend		1,090,490	1,090,490
Advances from customers		34,802,121	13,624,833
Others		10,707,986	8,191,432
		316,307,898	372,329,910

10.1 Gratuity

	2008 Rupees	2007 Rupees
The amount recognized in the balance sheet is as follows		
Fair value of plan assets	(141,423)	(141,423)
Present value of defined benefit obligation	74,445,457	75,762,390
Deficit	74,304,034	75,620,967
Unrecognized Actuarial gain / (loss)	9,791,646	9,791,646
Net liability as on June 30,	84,095,680	85,412,613
Liability as per agreement with CBA	70,000,000	70,000,000
	14,095,680	15,412,613
Net liability as on July 01,	85,412,613	83,160,275
Charge to profit and loss account	-	10,348,698
Payment to fund during the year	(1,316,933)	(8,096,360)
Net liability as on June 30,	84,095,680	85,412,613
The amount recognized in profit and loss account is as follows		
Current service cost	-	3,079,223
Interest cost	-	7,449,422
Expected return on plan assets	-	(29,142)
Actuarial (Gain) / Loss charge	-	(150,805)
Total amount chargeable to profit and loss account	-	10,348,698
The movement in the present value of defined benefit obligation is as follows		
Present value of defined benefit obligation	75,762,390	74,494,223
Current Service cost	-	3,079,223
Interest cost	-	7,449,422
Benefits paid	(1,316,933)	(8,096,360)
Actuarial gain	-	(1,164,118)
Present value of defined benefit obligations as on June 30,	74,445,457	75,762,390
The movement in the fair value of plan assets is as follows		
Fair value of plan assets as on July 01,	-	291,422
Expected return on plan assets	-	29,142
Contributions	-	8,096,360
Benefits paid	-	(8,096,360)
Actuarial (loss)/gain	-	(179,141)
Fair value of plan assets as on June 30,	-	141,423
Plan assets comprise:		
Debts	-	-
Equity	-	-
Cash at bank	-	141,423
Net liability as on June 30,	-	141,423

The company has withdrawn gratuity benefits plan as stated in note no. 2.2 to the financial statements.

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

	Present value of defined benefit	Fair value of plan assets	Surplus/ (Deficit)
		(Rupees)	
Year ended June 30, 2008	(74,445,457)	141,423	(74,304,034)
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)

10.1 The company and CBA Union has agreed to defer the payment of Rs. 70 million on account of gratuity till June 30, 2010.

	Note	2008 Rupees	2007 Rupees
10.2 Workers' profit participation fund			
Balance as at July 01,		18,437,109	18,437,109
Add: allocation for the year		-	-
		18,437,109	18,437,109
Interest on unpaid contribution		22,500,893	20,017,413
		40,938,002	38,454,522
11. MARK UP ACCRUED			
Mark up accrued on:			
Secured loan		136,570,703	59,178,500
Unsecured loan		25,338,304	1,614,926
		161,909,007	60,793,426
12. SHORT TERM BORROWINGS			
Running finances - secured			
KASB Bank Limited	12.1	290,000,000	290,000,000
Saudi Pak Commercial Bank Limited	12.2	-	9,493,758
		290,000,000	299,493,758
Others - Secured			
Saudi Pak Commercial Bank Limited	12.3	11,339,314	-
The Bank of Punjab	12.4	64,256,073	-
		75,595,387	-
Bank Overdraft - unsecured	12.5	10,106,331	5,341,577
		375,701,718	304,835,335

12.1 This represents finance facility against the limit of Rs.290 million (2007: Rs.290 million). It carries mark up @ six months KIBOR plus 5% per annum (2007: 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 Ist 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. Tousif Peracha and Mr. A. Rafique Khan.

12.2 This facility has been repaid during the year.

12.3 This represents forced demand finance created by the bank. It carries mark up @ 13% per annum (2007: nil). It is payable on demand. It is secured by Ist registered charge for Rs.150 Million over all present and future current assets of the company.

12.4 This represents payments against over due documentary credits. Mark up has been charged @ KIBOR + 400 BPS(2007: nil). These are secured by Ist 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.

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

12.6 The total short term finance facilities available to the company are Rs. 590 Million out of which Rs. 235.74 Million are unavailed as at June 30, 2008.

	Note	2008 Rupees	2007 Rupees
13. CURRENT PORTION OF LONG TERM LOANS AND LIABILITIES			
Loan from banking companies	5	-	35,951,380
Other loans	6	39,732,000	26,488,000
Liabilities against assets subject to finance lease	7	769,230	1,426,877
		40,501,230	63,866,257

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 (2007: 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) During the year 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).The case is pending for final decision.

e) 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 (2007: 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.

f) During the year Pakistan Standards and Quality Control Authority (PSQCA) refused to renew the CM Licence 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 has paid Rs. 851,708 towards the demand raised by PSQCA. The company has filed an appeal before the Additional District Judge, Lahore against PSQCA. The court has decided the matter that renewed licence should be issued and claim for recovery of outstanding balance shall be dealt with separately.

g) No provision has been made in the financial statement of Rs. 30.33 million in respect of claim of salary of laid off/retrenched workers for the period from February 04, 2008 to May 17, 2008 since the matter of lay off/retrenchment of workers is subjudice.

Commitments

	Note	2008 Rupees	2007 Rupees
a) Saudi Pak Commercial Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited		-	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
c) The Bank of Punjab has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited	14.1	88,000,000	-
d) Atlas Bank Limited has issued Bank Guarantee in favour of Sui Northern Gas Pipelines Limited	14.2	1,500,000	-

14.1 This guarantee is secured by Ist 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.

14.2 This guarantee is secured by lien in favour of Atlas Bank Ltd on PLs TDR amounting Rs. 1,500,000.

15. OPERATING FIXED ASSETS

Particulars	COST / REVALUATION					Rate %	DEPRECIATION					Book Value as at June 30, 2008
	As at July 01, 2007	Additions	Deletions	Adjustment	As at June 30, 2008		As at July 01, 2007	For the year	On disposals	Adjustment	As at June 30, 2008	
OWNED												
Free hold land												
Cost	43,537,805	9,054,000	-	-	52,591,805	-	-	-	-	-	-	52,591,805
Revaluation (2002)	20,389,552	-	-	-	20,389,552	-	-	-	-	-	-	20,389,552
	63,927,357	9,054,000	-	-	72,981,357	-	-	-	-	-	-	72,981,357
Quarry on lease hold land	1,330,978	-	-	-	1,330,978	20 Yrs.	701,717	66,549	-	-	768,266	562,712
Building on free hold land												
Factory :												
Cost	186,848,945	-	-	-	186,848,945	10	150,632,896	3,621,605	-	-	154,254,501	32,594,444
Revaluation (2002)	86,898,282	-	-	-	86,898,282	10	36,868,530	5,002,975	-	-	41,871,505	45,026,777
Revaluation (2007)	6,903,666	-	-	-	6,903,666	10	-	690,367	-	-	690,367	6,213,299
	280,650,893	-	-	-	280,650,893	-	187,501,426	9,314,947	-	-	196,816,373	83,834,520
Office :												
Cost	17,527,908	-	-	-	17,527,908	5	12,352,660	258,762	-	-	12,611,422	4,916,486
Revaluation (2002)	13,645,216	-	-	-	13,645,216	5	3,218,788	521,321	-	-	3,740,109	9,905,107
Revaluation (2007)	1,248,858	-	-	-	1,248,858	5	-	62,443	-	-	62,443	1,186,415
	32,421,982	-	-	-	32,421,982	-	15,571,448	842,526	-	-	16,413,974	16,008,008
Residential :												
Cost	38,550,278	-	-	-	38,550,278	10	33,979,898	457,038	-	-	34,436,936	4,113,342
Revaluation (2002)	27,545,216	-	-	-	27,545,216	10	11,686,671	1,585,855	-	-	13,272,526	14,272,690
Revaluation (2007)	19,571,075	-	-	-	19,571,075	10	-	1,957,108	-	-	1,957,108	17,613,967
	85,666,569	-	-	-	85,666,569	-	45,666,569	4,000,001	-	-	49,666,570	35,999,999
Machinery												
Cost	1,180,855,407	137,360	-	-	1,180,992,767	3	855,659,314	9,756,226	-	-	865,415,540	315,577,227
Transfer From Lease assets	41,441,960	-	-	19,000,000	60,441,960	3	37,769,005	564,480	-	3,218,331	41,551,816	18,890,144
Revaluation (2002)	1,656,058,629	-	-	-	1,656,058,629	3	447,506,513	36,256,563	-	-	483,763,076	1,172,295,553
Revaluation (2007)	648,188,836	-	-	-	648,188,836	3	-	19,445,665	-	-	19,445,665	628,743,171
	3,526,544,832	137,360	-	19,000,000	3,545,682,192	-	1,340,934,832	66,022,934	-	3,218,331	1,410,176,097	2,135,506,095
Office Equipment	6,475,167	568,201	-	-	7,043,368	10	4,064,607	269,267	-	-	4,333,874	2,709,494
Furniture & Fixture	6,795,949	296,402	-	-	7,092,351	10	5,691,097	126,761	-	-	5,817,858	1,274,493
Heavy Vehicles												
Cost	110,874,816	-	-	-	110,874,816	20	106,775,759	819,811	-	-	107,595,570	3,279,246
Revaluation (2002)	27,955,277	-	-	-	27,955,277	20	19,252,911	1,740,473	-	-	20,993,384	6,961,893
Revaluation (2007)	9,698,577	-	-	-	9,698,577	20	-	1,939,715	-	-	1,939,715	7,758,862
	148,528,670	-	-	-	148,528,670		126,028,670	4,499,999	-	-	130,528,669	18,000,001
Light Vehicles												
Cost	21,778,892	3,922,150	1,005,605	-	24,695,437	20	15,702,548	1,691,018	266,821	-	17,126,745	7,568,692
Revaluation (2002)	4,571,974	-	-	-	4,571,974	20	3,148,737	284,647	-	-	3,433,384	1,138,590
	26,350,866	3,922,150	1,005,605	-	29,267,411	-	18,851,285	1,975,665	266,821	-	20,560,129	8,707,282
Railway Sidings	1,726,574	-	-	-	1,726,574	5	1,223,560	25,151	-	-	1,248,711	477,863
Electric Installation	38,956,612	-	-	-	38,956,612	10	34,006,200	495,041	-	-	34,501,241	4,455,371
Weighing Scales	80,958	-	-	-	80,958	10	70,927	1,003	-	-	71,930	9,028
Library Books	72,403	-	-	-	72,403	10	63,082	932	-	-	64,014	8,389
	4,219,529,810	13,978,113	1,005,605	19,000,000	4,251,502,318	-	1,780,375,420	87,640,776	266,821	3,218,331	1,870,967,706	2,380,534,612
LEASED												
Plant & Machinery	19,000,000	-	-	(19,000,000)	-	3	3,198,579	19,752	-	(3,218,331)	-	-
Light Vehicles	4,670,000	-	-	-	4,670,000	20	2,689,026	396,195	-	-	3,085,221	1,584,779
	23,670,000	-	-	(19,000,000)	4,670,000	-	5,887,605	415,947	-	(3,218,331)	3,085,221	1,584,779
Rupees 2008	4,243,199,810	4,924,113	1,005,605	-	4,256,172,318	-	1,786,263,025	88,056,723	266,821	-	1,874,052,927	2,382,119,391

15.1 Depreciation for the year has been allocated as under:

	2008 Rupees	2007 Rupees
Cost of sales	82,885,509	63,903,303
Distribution cost	104,356	101,506
Administrative expenses	5,066,857	3,302,462
	88,056,723	67,307,271

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

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchases
	........................RUPEES........................					
Vehicle	1,005,605	266,821	738,784	765,000	Insurance Claim	Adamjee Insurance Company Limited, City Branch, Al-Noor Building, 43 - Bank Square, Lahore
	1,005,605	266,821	738,784	765,000		

15.4 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

		Note	2008 Rupees	2007 Rupees
16.	**CAPITAL WORK IN PROGRESS**			
	Building	16.1	1,361,830	1,252,521
	Plant and Machinery		1,001,053	1,001,053
	Advance for land		152,881,083	-
			155,243,966	2,253,574
	16.1 Opening balance		1,252,521	-
	Addition during the year		109,309	-
			1,361,830	-
17.	**LONG TERM LOANS - Considered good**			
	Officers			
	Motor car/motor cycle		-	462,776
	House building		121,500	121,800
	Special loans to officers		142,511	146,511
			264,011	731,087
	Other Employees			
	House building		124,608	158,136
	Special loans		81,222	102,006
			205,830	260,142
			469,841	991,229
	Less: Current portion recoverable within one year		193,814	672,044
			276,027	319,185
	Terms of repayment for Staff Loans		**Equal Monthy Installments**	**Equal Monthy Installments**

These are interest free and secured.

		Note	2008 Rupees	2007 Rupees
18.	**LONG TERM SECURITY DEPOSITS**			
	Islamabad Electric Supply Company		9,486,000	9,486,000
	Others		828,955	452,455
			10,314,955	9,938,455
19.	**DEFERRED COST**			
	Unamortized cost brought forward		68,383,561	108,383,561
	Less: Amortized during the year	31	40,000,000	40,000,000
			28,383,561	68,383,561

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

		Note	2008 Rupees	2007 Rupees
20.	**STORES, SPARES AND LOOSE TOOLS**			
	General stores		53,905,184	47,609,344
	Spare parts	20.1	77,308,776	74,080,861
	Loose tools		4,681,966	4,681,966
			135,895,926	126,372,171

20.1 It includes spare parts in transit Rs.1,417,296 (2007: Rs. Nil).

		Note	2008 Rupees	2007 Rupees
21.	**STOCK IN TRADE**			
	Raw material		1,622,763	1,425,680
	Work in process		15,497,534	14,073,242
	Finished goods		25,045,465	14,912,352
			42,165,762	30,411,274
22.	**LOANS AND ADVANCES**			
	Loan - Considered good			
	Current portion of long term loans to employees		193,814	672,044
	To Past associated company (Gharibwal Cement Limited)		250,000,000	250,000,000
	Loan to employees	22.1	7,637,640	10,165,303
			257,831,454	260,837,347
	Advances - Considered good:			
	To employees		3,538,176	2,555,861
	To suppliers / contractors		36,862,125	12,242,170
			40,400,301	14,798,031
			298,231,755	275,635,378

22.1 This includes Rs. Nil (2007: Rs. Nil) to executives of the company.

			2008 Rupees	2007 Rupees
23.	**DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Margin on bank guarantees		4,890,718	7,477,734
	Prepayments		1,557,189	933,814
			6,447,907	8,411,548
24.	**BALANCES WITH STATUTORY AUTHORITIES**			
	Excise duty		369,752	-
	Income tax deducted at source		9,695,110	8,730,600
	Income tax refundable		12,216,164	12,216,164
			22,281,026	20,946,764
25.	**INTEREST ACCRUED**			
	Interest accrued on loan to GCL		9,388,555	9,388,555
	Interest accrued on Pls deposits		58,527	-
			9,447,082	9,388,555
26.	**OTHER RECEIVABLES**			
	Letters of credit		-	563,924
	Other receivables		683,255	703,505
			683,255	1,267,429

	Note	2008 Rupees	2007 Rupees
27. CASH AND BANK BALANCES			
Cash in hand		242,786	1,239
Cash at banks in:			
Current accounts		8,078,624	5,973,772
Deposit accounts	27.1	2,013,428	8,032,320
		10,092,052	14,006,092
		10,334,838	14,007,331

27.1 It includes a separate bank account amounting to Rs. 1.5 Million (2007: Rs. 2.385 Million), in compliance with requirements of Section 226 of the Companies Ordinance, 1984.

27.2 Profit and loss sharing accounts bear mark up at the rates ranging from 1% to 10% (2007: 1% to 3%) per annum.

	Note	2008 Rupees	2007 Rupees
28. SALES			
Local sales		814,319,197	1,371,001,468
Less: Excise duty		153,459,000	264,947,250
Sales tax		105,902,756	178,826,447
Special excise duty		5,558,606	-
Commission and discounts		7,605,240	14,252,592
		272,525,602	458,026,289
		541,793,595	912,975,179
Export sales		14,355,680	1,579,920
		556,149,275	914,555,099

	Note	2008 Rupees	2007 Rupees
29. COST OF SALES			
Raw materials consumed	29.1	55,646,812	120,562,866
Salaries, wages and benefits	29.2	87,341,933	156,076,319
Fuel, gas and electricity		450,107,935	605,321,434
Stores and spares		42,327,464	46,924,149
Rent, rates and taxes		272,150	2,469,202
Vehicle running and maintenance		8,716,365	12,131,331
Packing material		55,779,335	73,122,065
Depreciation	15.1	82,885,509	63,903,303
Others		21,249,488	23,908,042
		804,326,991	1,104,418,711
Work in process			
Opening		14,073,242	17,086,518
Clinker purchased		-	21,247,488
Closing		(15,497,534)	(14,073,242)
		(1,424,292)	24,260,764
Cost of goods manufactured		802,902,699	1,128,679,475
Finished goods			
Opening		14,912,352	8,220,262
Closing		(25,045,465)	(14,912,352)
		(10,133,113)	(6,692,090)
		792,769,586	1,121,987,385

		Note	2008 Rupees	2007 Rupees
29.1	**Raw materials consumed**			
	Opening balance		1,425,680	6,872,640
	Purchase of raw material		19,617,583	32,037,382
	Salaries, wages and benefits	29.1.1	15,535,304	28,763,464
	Golden Hand Shake		-	28,858,990
	Gypsum		983,856	859,465
	Iron ore		3,692,072	2,459,997
	Explosive		1,203,852	1,119,930
	Diesel		1,519,450	1,722,040
	Electricity		3,604,583	5,057,306
	Royalty and excise duty		5,507,597	7,638,219
	Stores and spares		4,032,751	6,376,561
	Rent, rates and taxes		-	7,800
	Breaking of Gypsum		146,847	214,752
			57,269,575	121,988,546
	Closing balance		(1,622,763)	(1,425,680)
			55,646,812	120,562,866

29.2 Salaries, wages and other benefits include Rs.2.69 million (2007:Rs.4.09 million), Rs. Nil (2007: Rs. 9.08 million) in respect of Provident Fund contribution by the company and provision of gratuity respectively.

29.1.1 Salaries, wages and other benefits include Rs.0.547 million (2007:Rs.0.855 million), Rs. Nil (2007: Rs. 1.126 million) in respect of Provident Fund contribution by the company and provision of gratuity respectively.

30. DISTRIBUTION COST

	Note	2008 Rupees	2007 Rupees
Salaries, wages and benefits	30.1	862,086	1,241,051
Travelling and daily allowances		189,354	47,403
Vehicles running and maintenance		83,350	493,110
Postage, telephone and telegrams		-	18,287
Printing and stationery		-	5,280
Advertisement		15,990	62,400
Entertainment		-	62,759
Repairs and maintenance		-	3,558
Rent, rates and taxes		-	300
Freight on export		5,560,116	-
Depreciation	15.1	104,356	101,506
Others	30.2	34,402	846,300
		6,849,654	2,881,954

30.1 Salaries, wages and other benefits include Rs. Nil (2007: Rs. 41.292) in respect of Provident Fund contribution by the company.

30.2 These include donation of Rs. 25,000 (2007: Rs. Nil) to Masjid 10 Wing Pakistan Rangers. None of the directors or their spouse are interested in donee.

	Note	2008 Rupees	2007 Rupees
31. ADMINISTRATIVE EXPENSES			
Directors' remuneration		-	1,004,548
Salaries, wages and benefits		6,411,997	9,998,368
Travelling and daily allowances	31.1	5,785,663	1,400,012
Repairs and maintenance		274,349	72,650
Vehicle running and maintenance		1,436,354	825,693
Legal and professional		13,564,235	3,301,700
Deferred cost amortized	19	40,000,000	40,000,000
Share of expenses of head office	31.2	-	4,500,000
Auditors' remuneration	31.3	412,000	454,000
Postage, telephone and telegrams		647,770	504,917
Printing and stationery		450,191	415,452
Advertisement		254,775	204,812
Entertainment		1,953,292	219,774
Rent, rates and taxes		2,009,600	3,697,473
Fee and subscriptions		3,255,966	851,850
Penalties	31.4	294,493	124,000
Depreciation	15.1	5,066,857	3,302,462
Others	31.5	3,698,926	3,709,989
		85,516,468	74,587,700

31.1 Salaries, wages and other benefits include Rs.58.646 (2007:Rs.1 68,817) Rs. Nil (2007: Rs.143.356) in respect of Provident Fund contribution by the company and provision of gratuity respectively.

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

31.3 Auditors' remuneration

	2008 Rupees	2007 Rupees
Amin, Mudassar & Co.		
Audit fee	150,000	125,000
Tax advisory services	90,000	170,000
Out of pocket expenses	25,000	22,000
Certification services	22,000	12,000
Half year review fee	50,000	50,000
Code of Corporate Governance review report fee	75,000	75,000
	412,000	454,000

31.4 It represents penalty imposed by Sales Tax department.

31.5 These include donations of Rs.2,956,040 (2007:Rs.415,555) to Bakhtawar Amin Memorial Trust, Multan. Mr. Muhammad Rasheed (Chief Executive), Mr. Mansoor Rasheed (Director) and mr. Saud Rasheed (Director) are interested in done to the extent that they are member in the Board of trustee of the Trust.

	2008 Rupees	2007 Rupees
32. OTHER OPERATING INCOME		
Income from financial assets		
Income on short term advance	-	9,388,556
Profit on deposit and Pls accounts	276,034	1,695,722
	276,034	11,084,278
Income from non financial assets		
Sale of scrap	-	7,219,336
Gain on disposal of fixed assets	26,216	-
	26,216	7,219,336
	302,250	18,303,614

	2008 Rupees	2007 Rupees
33. FINANCE COST		
Interest/mark up:		
Long term loans	151,560,708	91,411,105
Short term loans	49,432,128	10,136,185
Sponsors' loans	-	26,389,777
Borrowing from GCL	-	2,391,987
Borrowing from related parties	20,949,758	-
W.P.P. Fund	2,483,479	2,304,638
Bank charges	3,291,838	3,500,198
Exchange fluctuation	-	35,421,326
	227,717,911	171,555,216

34. 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. 1,208,695,940 (2007: Rs. 870,969,589) upto the tax year 2008. The neumerical reconciliation 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, 2008 has been duly provided and disclosed in note 8.

35. LOSS PER SHARE - BASIC

	2008 Rupees	2007 Rupees
Restated due to right issue		
Loss for the year	(419,168,632)	(437,276,274)
Weighted average ordinary shares during the year	88,799,819	78,979,126
Loss per share (Rupees)	(4.72)	(5.54)

36. TRANSACTIONS WITH RELATED PARTIES

	2008 Rupees	2007 Rupees
Three Stars Cement (pvt) Ltd. (holding company)		
Loan received	-	139,944,945
Mark up charged	20,949,758	1,614,926
Three Stars Hosiery Mills (pvt) Ltd.		
(Associated company due to common directorship)		
Funds received	-	34,226,705
Funds paid back	34,216,276	-
Assets purchased	875,000	-
Active Apparel International (Pvt) Ltd		
(Associated company due to common directorship)		
Waste purchased	29,200	-
Gharibwal Cement Ltd.		
During previous year, the associates relationship ends		
Short term loan	-	170,000,000
Mark up charged	-	6,245,884
Inventories Transferred	-	29,812
Inventories received	-	166,291,017
Expenses paid	-	4,500,000

37. FINANCIAL INSTRUMENTS

37.1 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
	(Rupees)						
Financial Assets							
Long term loans	-	-	-	193,814	276,027	469,841	469,841
Long term deposits	-	-	-	-	-	-	-
Short term investments	-	-	-	-	-	-	-
Loans and advances	-	-	-	257,637,640	-	257,637,640	257,637,640
Deposits and short term prepayments	-	-	-	4,890,718	-	4,890,718	4,890,718
Other receivables	-	-	-	1,267,429	-	1,267,429	1,267,429
Accrued interest	-	-	-	9,447,082	-	9,447,082	9,447,082
Cash and bank	2,013,428	-	2,013,428	8,078,624	-	8,078,624	10,092,052
2008	2,013,428	-	2,013,428	281,515,307	276,027	281,791,334	283,804,762
2007	8,032,320	-	8,032,320	299,742,869	10,257,640	310,000,509	318,032,829
Financial liabilities							
Long term loans and liabilities	39,732,000	1,159,975,736	1,199,676,945	-	298,140,169	298,140,169	1,497,817,114
Liabilities against assets subject to finance lease	769,230	30,791	800,021	-	-	-	800,021
Long term advances and deposits	-	-	-	-	1,378,286	1,378,286	1,378,286
Trade and other payables	-	-	-	302,212,218	-	302,212,218	302,212,218
Mark up accrued	-	-	-	161,909,007	-	161,909,007	161,909,007
Short term borrowings	375,701,718	-	375,701,718	5,341,577	-	5,341,57	381,043,295
Gratuity payable to trustees	-	-	-	14,095,680	70,000,000	84,095,680	84,095,680
2008	416,202,948	1,159,975,736	1,576,178,684	483,558,482	369,518,455	853,076,937	2,429,255,621
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
2008	(414,189,520)	(1,159,975,736)	(1,574,165,256)	(202,043,175)	(369,242,428)	(571,285,603)	(2,145,450,859)
2007	(394,735,340)	(1,140,088,372)	(1,534,823,712)	(65,584,402)	(113,643,700)	(179,228,102)	(1,714,051,814)

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

	Rate of interest 2008	2007
Associates loan	4% + Three months KIBOR	1% + six months LIBOR to 13%
Long term loans and liabilities	4% + Three months KIBOR	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.

37.2 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 (2007:Rs.Nil) exposed foreign currency risk and are not covered through any forward foreign exchange contracts or hedging.

37.3 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.282.305 million (2007:Rs.308.64 million), the financial assets which are subject to credit risk aggregated to Rs.273.70 million (2007:Rs.303.28 million).

37.4 Fair Value of Financial Assets and Liabilities

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

37.5 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.

37.6 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.

37.7 Capital Management

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

The company's objectives when managing capital are:

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

(ii) to provide an adequate return to shares.

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

38. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees)					
Managerial remuneration	-	-	-	520,000	-	-
House rent	-	-	-	134,785	-	-
Utilities	-	-	-	53,262	-	-
Provident fund contribution	-	-	-	-	-	-
Leave fare assistance	-	-	-	-	-	-
Others	-	-	-	296,501	-	-
	-	-	-	1,004,548	-	-
Number of persons	-	-	-	1	-	-

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

39. PLANT CAPACITY AND ACTUAL PRODUCTION

	2008 M. Tones	2007 M. Tones
Ordinary Portland cement		
Plant capacity (Cement)	504,000	504,000
Actual production	211,051	356,820
%age of capacity utilised	42	71

Shortfall in production is mainly due to lock out of factory for 4 months and market constraints and plant stoppages for repair.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on November 08, 2008 by the Board of Directors of the company.

MUHAMMAD RASHEED	**SAUD RASHEED**
Chief Executive	Director

Summary of Last Ten Years' Financial Result

(Rupees in thousands)

Description	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Trading Results:										
Turnover	556,149	914,555	1,412,957	1,087,164	812,211	590,353	747,191	610,498	102,573	-
Gross Profit/(Loss)	(236,620)	(207,432)	220,436	66,682	(6,951)	(186,519)	(64,479)	(27,695)	(61,389)	(119,708)
Operating Profit /(Loss)	(328,986)	(284,902)	150,667	3,784	(41,819)	(203,834)	(79,633)	(48,933)	(71,284)	(144,495)
Profit/(Loss) Before Taxation	(556,402)	(438,154)	63,940	(61,759)	(123,128)	(331,883)	(246,549)	(212,733)	(186,436)	(268,576)
Profit/(Loss) After Taxation	(419,168)	(437,276)	13,614	56,826	(112,828)	47,134	(238,397)	(264,281)	(186,948)	(311,253)
Balance Sheet:										
Shareholders Equity	(934,958)	(830,956)	(424,736)	(447,750)	(577,147)	(1,080,888)	(1,283,427)	(1,045,029)	(780,748)	(593,799)
Operating Fixed Assets	2,382,119	2,456,936	1,796,726	1,812,714	1,911,135	2,022,856	2,135,904	372,971	417,905	459,653
Net current liabilities	(384,722)	(328,284)	(88,013)	(251,999)	(292,712)	(550,929)	(494,367)	(423,228)	(502,277)	(649,533)
Long term liabilities	1,465,374	1,194,013	1,056,014	1,072,416	1,104,762	1,147,859	1,083,236	742,034	640,319	367,262
Significant Ratios										
Gross Profit Ratio %	(42.55)	(22.68)	15.60	6.13	(0.86)	(31.59)	(8.63)	(4.54)	(59.85)	-
Net Profit Ratio %	(75.37)	(47.81)	(0.96)	6.96	(13.89)	7.98	(31.91)	(43.29)	(182.26)	-
Fixed Assets Turnover Ratio	0.23	0.37	0.79	0.60	0.42	0.29	0.35	1.64	0.25	-
Current Ratio	0.58	0.60	0.80	0.49	0.42	0.25	0.29	0.35	0.35	0.24