Contents

Vision

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

Mission

- To provide quality products to customers at competitive prices and
- To generate sufficient profit to add to the shareholders value.

Company Information

BOARD OF DIRECTORS

Mr. Muhammad Arif Habib	Chairman
Mr. Muhammad Fazlullah Shariff	Chief Executive Officer
Mr. Muhummad Kashif	Executive Director
Mr. Muhummad Akmal Jameel	Director
Mr. Muhummad Khubaib	Director
Mr. Nasim Beg	Director
Mr. Asadullah Khawaja	Director

AUDIT COMMITTEE

Mr. Muhummad Khubaib	Chairman
Mr. Muhummad Kashif	Member
Mr. Muhummad Akmal Jameel	Member

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER
Mr. Ashiq Hussain

STATUTORY AUDITOR
Hyder Bhimji & Co.
Chartered Accountants

COST AUDITOR
Siddiqi & Co.
Cost & Management Accountants

LEGAL ADVISOR
Usmani & Iqbal

BANKERS
AL- Baraka Islamic Bank
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank Pakistan Limited
Arif Habib Bank Limited

RESITERED OFFICE
Pardesi House, Survey no. 2/1, R.Y. 16,
Old Queens Road, Karachi -74000
Ph. 021- 32423295, 32423478
Fax no. 021-32400989
Website: www.thattacement.com
E-mail : info@thattacement.com

FACTORY
Ghulamullah Road, Makli
District Thatta, Sindh 73160

SHARE REGISTRAR
Nobel Computer Services (Private) Limited, Mezzanine floor,
House of Habib Building (Siddiqsons Tower), 3- Jinnah
Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-753350.
PABX : (92-21) 34325482-87 Fax : (92-21) 34325542

Directors' Report

On behalf of the Board of Directors, I am pleased to present herewith Annual Report of the Company along with audited financial statements for the year ended June 30, 2010.

OVERVIEW OF THE CEMENT INDUSTRY

An overall growth of 9.4% in cement sales in the country has been recorded in the financial year under review as compared to the previous year. The pressure on ex-factory prices increased due to tough competition among cement manufacturers, who are trying to secure market share by lowering prices.

Steep and regular increase in electricity tariff throughout the financial year has significantly increased the cost of doing business in general. Rising fuel prices in International market coupled with devaluation of Pak Rupee significantly impacted on the cost of production and profitability of the cement sector negating the impact of exchange gain on export sales.

Cement exports continued but with lower prices resulting in lower margins and on this account the profitability of the industry suffered significantly.

OPERATING RESULTS

Production:

Clinker and Cement production of the Company for the year under review had been lower by about 4.25% and 1.43% respectively as compared to the previous year as given below:

	2009-10 M.Tons	2008-09 M.Tons	Variance %
Clinker production	**356,077**	371,900	(4.25)
Cement production	**320,153**	324,788	(1.43)

Sales:

Overall cement sales during the year were marginally lower as compared to the previous year. The Company tried to offset the deficit of local sale as much as possible through export of clinker and cement. The export of cement and clinker during the year in terms of volume increased by 47% and 5% respectively as compared to the previous year. Whereas the revenue realized by the Company was low as compared to the previous year.

Comparative sales figures of the company have been tabulated below:

		2009-10	**2008-09**	**Increase / decrease**	
				Variance	**%**
		--------------------Quantity in tons------------------			
Cement	- Local	**212,859**	248,299	(35,440)	(14.27)
	- Export	**107,079**	72,798	34,281	47.09
		319,938	321,097	(1,159)	(0.36)
Clinker	- Local	**-**	1,492	(1,492)	(100)
	- Export	**57,197**	54,376	2,821	5.19
		57,197	55,868	1,329	2.38
GBFS	- Local	**4,306**	22,949	(18,643)	(81.24)
		381,441	399,914	(18,473)	(4.62)

FINANCIAL RESULTS

A comparison of financial results of the Company for the year ended June 30, 2010 with regards to the previous year is as under:

	2009-10	2008-09	Variance %
	Rupees in thousands		
Turnover - net	**1,544,124**	1,795,109	(13.98)
Gross profit	**277,353**	496,977	(44.19)
Profit before taxation	**1,769**	263,398	(99.33)
Provision for taxation	**(827)**	(59,526)	(98.61)
Profit after taxation	**942**	203,872	(99.54)
Earning per share	**0.01**	2.56	(99.54)

Sales Revenue:
The sales revenue of the Company was lower by 13.98% as compared to the previous year on account of down slide in selling prices for local sales as well as export. The ratio of revenue between local and export sales during the year had been 53.32% (2009: 61.83%) and 46.68% (2009: 38.17%) respectively. Due to stiff competition in the market and oversupply situation the average prices in local and export declined by 12.45% and export prices by 13.80% respectively. However, the export sale registered a growth of 5.2% in terms of revenue.

Gross Profit:
The gross profit of the Company decreased by 44.19% mainly due to the reasons discussed above and due to periodical increases in electricity & gas tariff, however the Company was able to control cost of coal consumption with efficient procurement. The inflationary trend in cost of other inputs additionally affected margins of the Company.

Distribution Cost:
The distribution cost increased due to increase in export related expenses on inland transportation and ocean freight. Ocean freight during the year accounted for 32% in the total export expenses as compared to 19% for the previous year.

Finance Cost:
Through better management of funds, the Company was able to reduce the finance cost despite increase in operating expenses. Moreover, the Company is fulfilling all its short and long term obligations timely.

Net Profit:
The Company was able to earn a profit after taxation of Rs. 0.942 million after incorporating accounting depreciation of Rs. 50.73 million.

INVESTMENTS:

During the year, the Company disposed off all the investments along with available for sale investment that it was holding at the beginning of the year. The Company has suffered a loss of Rs. 6.53 million on these disposals.

The Company is planning to invest in one of its Associated Cement manufacturing Company for which approval from the shareholders will be obtained in the Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

Being a responsible member of the corporate community, the Company always strives to discharge its social responsibilities towards the society. The Company promotes and facilitates welfare of the local communities in the town where the Company works. In this respect, the Company provides education facilities to school level students, run free OPD facilities and provide other medical facilities to the local residents.

Subsequent to the year end, the devastating flood in the country has badly affected human lives and properties. The Company being a responsible corporate citizen positively played its role in rescue and relief activities. The Company opened up its premises to shelter flood affectees of local towns of Thatta District. The Company contributed to relief work by providing these Internally Displaced People food and safe drinking water and medical care as well. Beside this, the Company has fully cooperated and facilitated the District Government and National Armed Forces and coordinated with them for support of flood affectees.

RELATED PARTY TRANSACTION

All related party transactions entered into are at arm's length basis and are being placed before and reviewed and approved by the audit committee as well as the Board of Directors of the Company from time to time in compliance of the listing regulations of the Karachi Stock Exchange (Guarntee) Limited.

CODE OF CORPORATE GOVERNANCE

The Directors of the Company are well aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchange. All necessary steps are being taken to ensure Good Corporate Governance in the Company as required under the Code.

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

b) Proper books of account have been maintained by the Company.

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

d) Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no material departure there from.

e) The system of internal control has been effectively implemented and is continuously reviewed and monitored.

f) We have an Audit Committee, the majority of the members of which are amongst non executive directors of the Board.

g) The Company is a going concern and there is no doubt at all about the Company's ability to continue as a going concern.

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

i) The Board of Directors has adopted a mission statement and statement of overall corporate strategy.

j) We have prepared and circulated a statement of Ethics and business Practices among directors and employees.

k) There is nothing outstanding against the Company on account of taxes, duties, levies, and other charges except for those which are being made in the normal course of business.

l) The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of fund disbursed to Funds by the Company:

- Provident Fund (Company's contribution) Rs. 2,552,725
- Gratuity Fund Rs. 3,141,000

m) Earning per share for the year is Re. 0.01 as against Rs. 2.56 last year.

n) We have included the following information in the annual report, as required by the Code of Corporate Governance:

i. Statement of pattern of shareholding.

ii. Key operating and financial statistics for the last six years.

iii. Statement of number of Board meetings held during the year and attendance by each director.

EXTERNAL AUDITORS

The present auditors M/s. Hyder Bhimji & Co., Chartered Accountants, retire and being eligible, offered themselves for reappointment.

FUTURE OUTLOOK

Going forward, the management is taking steps to further optimize the plant and increase its availability. In addition to this, the sales team is being strengthened and steps are being taken to focus on promoting local sales.

Domestic demand is likely to pick up during 2010-11 as demand is picking up in urban areas due to increased construction activities. Local prices are expected to improve going forward. Improved law and order position could further augment construction activity boosting local sales. Through effective measures and use of alternative fuels the Company is constantly making efforts to curtail cost of production. To ensure maximum utilization of capacity the management is making efforts to explore new markets. The Company through promotional strategies aims to boost sales while maintaining reasonable margins.

Rising prices of utilities and other inputs however, need to be addressed through cost effective measures. The Company is planning certain projects, which when implemented, would contribute towards further reduction in the cost of production.

ACKNOWLEDGEMENT

I would like to thank the Company's shareholders, financial institutions and customers for their continued cooperation and support. I would like to share my deepest appreciation for our employees for their dedication and hard work.

For and on behalf of the Board

Karachi: October 08, 2010

Muhammad Fazlullah Shariff
Chief Executive Officer

Annexure - I

A statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their minor family members:

NAME OF DIRECTORS	SHARES PURCHASED	SHARES SOLD
Mr. Muhammad Arif Habib	58,900	
Mr. Nasim Beg	100	
Mr. Asadullah Khawaja	100	
Mr. Akmal Jameel	100	
Mr. Muhammad Khubaib	100	
Mr. Muhammad Fazlullah Shariff	100	
Mr. Salim Chamdia		100

Annexure - II

The attendance record of Board Meetings for each director is as follows:

S.No.	Director's Name	Meetings due	Meetings attended
1	Mr. Muhammad Arif Habib	4	2
2	Mr. Muhammad Fazlullah Shariff	4	4
3	Mr. Muhammad Kashif	4	4
4	Mr. Akmal Jameel	4	4
5	Mr. Muhammad Khubaib	4	4
6	Mr. Nasim Beg (Appointed on April 27,2010)	1	1
7	Mr. Asadullah Khawaja (Appointed on April 27,2010)	1	1
8	Mr. Muhammad Ejaz (Resigned on April 26,2010)	3	2
9	Mrs. Zetun Hajiani (Resigned on April 26,2010)	3	0
10	Mr. Salim Chamdia (Resigned on September 7, 2009)	1	1

During the year the following directors were replaced by the appointed directors.

DIRECTORS RESIGNED	REPLACED BY
Mr. Muhammad Ejaz	Mr. Nasim Beg
Mrs. Zetun Hajiani	Mr. Asadullah Khawaja

Pattern of Share Holdings CDC and Physical as on June 30, 2010

Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
44	1	100	945
1,004	101	500	498,999
123	501	1,000	121,226
75	1,001	5,000	171,391
9	5,001	10,000	71,498
2	10,001	15,000	23,000
1	15,001	20,000	17,500
1	25,001	30,000	30,000
1	45,001	50,000	46,551
1	60,001	65,000	61,070
1	65,001	70,000	68,000
1	670,001	675,000	671,500
1	995,001	1,000,000	1,000,000
1	1,500,001	1,505,000	1,500,500
1	2,000,001	2,005,000	2,000,100
1	2,495,001	2,500,000	2,500,000
1	4,770,001	4,775,000	4,771,400
1	4,995,001	5,000,000	5,000,000
1	5,995,001	6,000,000	6,000,000
1	7,585,001	7,590,000	7,589,570
1	7,740,001	7,745,000	7,744,000
1	39,885,001	39,890,000	39,887,250
1,273			**79,774,500**

Combined Pattern of CDC and Physical Share Holdings as at June 30, 2010

Category No.	Categories of Share Holders	Number of Shares Held	Category Wise No. of Share Holders	Category Wise Shares Held	Percentage %
1	INDIVIDUALS		1,244	6,190,661	7.76
2	INVESTMENT COMPANIES		1	500	0
3	JOINT STOCK COMPANIES		14	89,619	0.11
4	DIRECTORS, CHEIF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		7	6,272,400	7.86
	- MUHAMMAD ARIF HABIB	4,771,400			
	- MUHAMMAD KASHIF	1,500,500			
	- MUHAMMAD FAZLULLAH SHARIFF	100			
	- NASIM BEG	100			
	- ASADULLAH KHAWAJA	100			
	- MUHAMMAD KHUBAIB	100			
	- MUHAMMAD AKMAL JAMEEL	100			
5	EXECUTIVES		-	-	-
6	NIT / ICP		-	-	-
7	ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES		3	52,631,250	65.98
	- ARIF HABIB BANK LIMITED	5,000,000			
	- ARIF HABIB EQUITY (PVT) LIMITED	39,887,250			
	- ARIF HABIB SECURITES LIMITED	7,744,000			
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS		2	13,589,570	17.03
10	FOREIGN INVESTORS		1	500	-
11	CO-OPERATIVE SOCIETIES		-	-	-
12	CHARITABLE TRUSTS		-	-	-
13	OTHERS		1	1,000,000	1.26
	Total		**1,273**	**79,774,500**	**100**

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY	79,774,500	SHARES
10% OF THE PAID-UP CAPITAL OF THE COMPANY	7,977,450	SHARES

NAME(S) OF SHAREHOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE
ARIF HABIB EQUITY (PVT) LIMITED			
	FALLS IN CATEGORY # 7	39,887,250	50

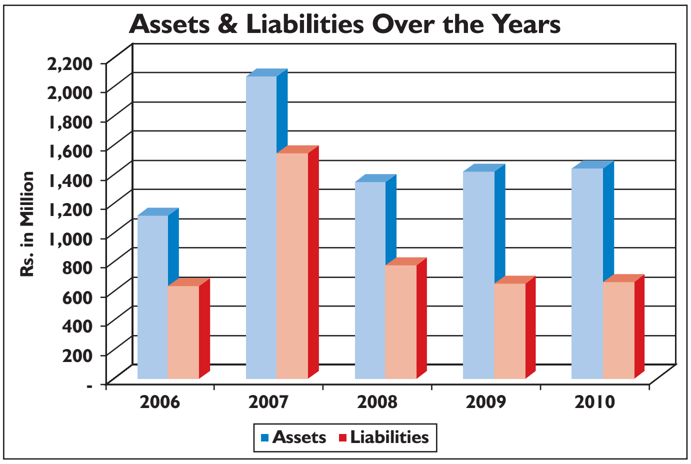
Financial Highlights

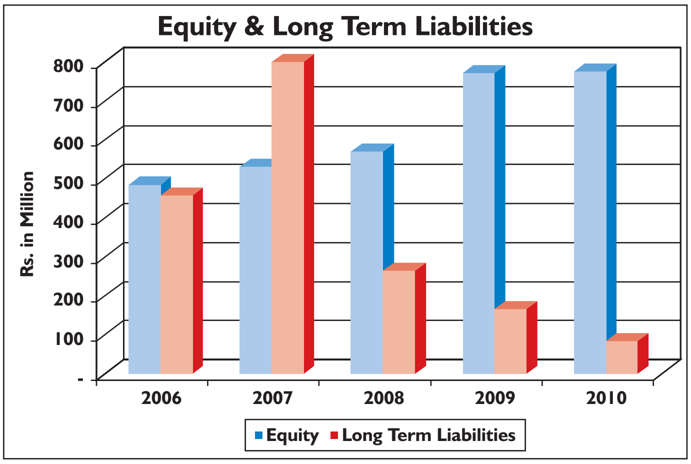
Key financial data

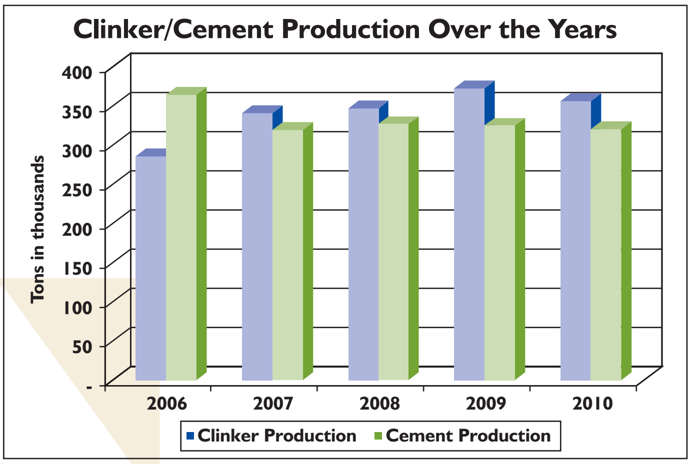
For the year ended June 30, 2010

	2010	2009	2008	2007	2006	2005
	(Rupees in thousand)					
Assets Employed						
Property, Plant and Equipment	848,781	822,149	744,289	780,810	798,281	505,283
Intangible Assets	3,116	2,616	-	159	374	115
Long term deposit	88	88	2,708	3,320	2,087	1,516
Defferred taxation	-	-	-	-	4,471	113,104
Current assets	585,639	594,336	599,355	1,288,449	313,801	352,259
	1,437,624	1,419,189	1,346,352	2,072,738	1,119,014	972,277
Financed By						
Shareholders Equity	775,563	770,811	570,749	531,227	484,576	422,427
Long-terms Financing	41,666	83,333	166,662	263,886	360,686	398,336
Current Portion of Long Term Financing	41,667	83,332	97,224	749,724	97,647	41,664
	83,333	166,665	263,886	1,013,610	458,333	440,000
Long Term Deposits and Defered Liabilities	48,681	57,934	21,988	6,456	4,395	5,632
Current Liabilites	571,714	507,111	586,953	1,271,169	269,357	145,882
Current Portion of Long Term Financing	(41,667)	(83,332)	(97,224)	(749,724)	(97,647)	(41,664)
	530,047	423,779	489,729	521,445	171,710	104,218
Total Funds Invested	1,437,624	1,419,189	1,346,352	2,072,738	1,119,014	972,277
Turnover & Profit						
Turnover	1,544,124	1,795,109	1,415,463	1,039,436	1,537,777	1,184,945
Gross Profit	277,353	496,977	207,312	211,807	405,932	286,506
Operating Profit	40,577	340,551	79,965	148,324	357,925	252,647
Profit / (Loss) before taxation	1,769	263,398	53,796	58,590	337,052	251,183
Profit / (Loss) after taxation	942	203,872	39,522	46,652	221,698	263,309
(Loss) Carried Forward	(22,182)	(23,124)	(226,996)	(266,518)	(373,000)	(534,867)
Earning per share (Rupees)	0.01	2.56	0.50	0.58	2.78	3.30
Break up value per Share (Rupees)	9.72	9.66	7.15	6.66	6.07	5.30
RATIO ANALYSIS						
Profitability (in %)						
Gross Profit to sales	17.96	27.69	14.65	20.38	26.40	24.18
Operating Profit to sales	2.63	18.97	5.65	14.27	23.28	21.32
Profit before tax to sales	0.11	14.67	3.80	5.64	21.92	21.20
Net Profit after tax to sales	0.06	11.36	2.79	4.49	14.42	22.22
Solvency						
Working Capital ratio	1.02	1.17	1.02	1.01	1.17	2.41
Acid test ratio	0.26	0.28	0.38	0.67	0.25	0.68
Inventory Turnover (cogs)-times	66.87	49.73	54.69	71.83	34.41	35.64
Overall Valuation & Assessment						
Return on Equity after tax (in %)	0.12	26.45	6.92	8.78	45.75	62.33
Long term debts to equity ratio	9.70	17.78	31.62	65.61	48.61	51.02
Return on Assets (in %)	0.07	14.37	2.94	2.25	19.81	27.08

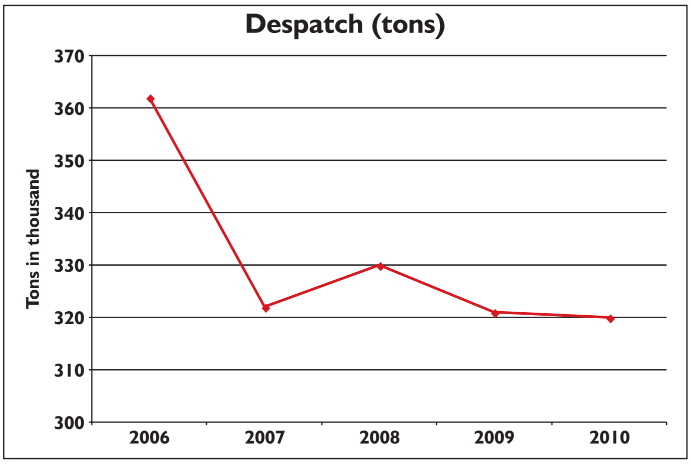
Financial Highlights

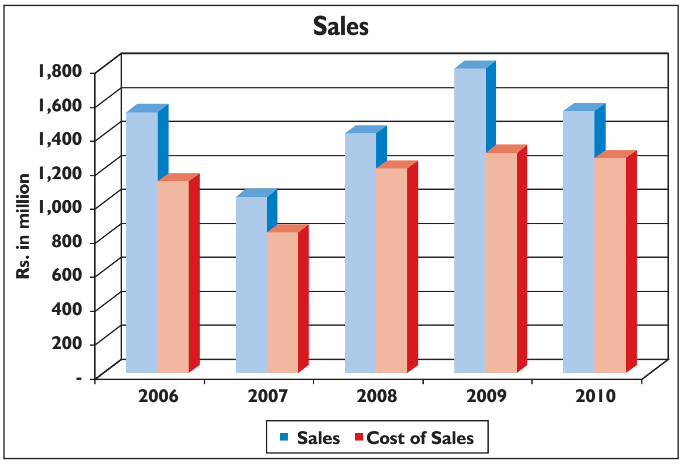






Financial Highlights





Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Thatta Cement Company Limited will be held at Beach Luxury Hotel, M.T. Khan Road, Lalazar, Karachi on Friday, October 29, 2010 at 2:00 p.m. to transact the following business:

A. Ordinary Business

1. To confirm the minutes of Annual General Meeting of the shareholders held on October 17,2009.
2. To receive, consider and adopt Annual Audited Financial Statements for the year ended June 30, 2010, together with the Reports of the Auditors and Directors thereon.
3. To appoint Auditors for the ensuing year, and to fix their remuneration. Hyder Bhimji & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

Special Business

4. Investment under section 208

To consider and, if thought fit, to pass with or without modifications, the following Resolution as Special Resolution for investment in Associated Undertaking:

"**RESOLVED THAT** the consent and approval be and is hereby accorded under section 208 of the Companies Ordinance, 1984 for the limits of investments in associated undertaking subject to the terms and conditions mentioned in the annexed statement under section 160 (1) (b) of the Companies Ordinance, 1984.

"**FURTHER RESOLVED** that the Chief Executive and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above as and when required at the time of investment".

A Statement as required under Section 160(1)(b) of the Companies Ordinance, 1984 is being sent to the members along with the notice.

5. Amendment in the Memorandum and Articles of Association of the Company for the increase in Authorized Share Capital

To pass special resolution for the amendment/changes in Memorandum and Articles of Association of the Company for the increase in Authorized Share Capital.

"**RESOLVED THAT** the words and figures "Rs. 900,000,000 (Rupees Nine Hundred Million only) divided into 90,000,000 (Ninety Million) Ordinary Shares" appearing in Clause 53(iii) of the Memorandum of Association and the words and figures "Rs. 900,000,000 (Rupees Nine Hundred Million only) divided into 90,000,000 (Ninety Million) Ordinary Shares" as appearing in Article 7 of the Articles of Association of the Company be substituted by the words and figures "Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 (One Hundred Million) Ordinary Shares.

"**FURTHER RESOLVED** that Chief Executive and/or the Company Secretary be and hereby authorized to take all the necessary steps for compliance of all legal requirements in this regard."

A Statement as required under Section 160(1)(b) of the Companies Ordinance, 1984 is being sent to the members along with the notice.

6. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi: October 9, 2010

Ashiq Hussain
Company Secretary

Notes

(i) The Share Transfer Books of the Company for Ordinary Shares will remain closed from October 23, 2010 to October 29, 2010 (both days inclusive) for determining the entitlement of shareholders to attend the Annual General Meeting.

(ii) Physical transfers and deposit requests under Central Depository System received at the close of business on October 22, 2010 by the Company's registrar i.e. Nobel Computer Services (Pvt.) Ltd., Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahra-e-Faisal, Karachi 75350, will be treated as being in time for entitlement to attend the meeting.

(iii) A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

(iv) Proxies must be received at the Head Office of the Company not less than 48 hours before the time of the meeting.

(v) Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and/or their proxies are required to produce their original Computerised National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature(s) shall be submitted along with proxy form.

(vi) Shareholders are requested to notify immediately of any change in their address.

Statements under section 160 of the Companies Ordinance, 1984

1. Investment under section 208

The Board of Directors of Thatta Cement Company Limited has approved the specific limits for equity investments and loans / advances along with other particulars for investments in its associated Company subject to the consent of members under section 208 of the Companies Ordinance, 1984. The principle purpose of this special resolution is to make the Company in a ready position to materialize the investment opportunity as and when arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

S.No.	Description	Information required
i.	Name of investee company	Al Abbas Cement Company Limited
ii.	Nature, amount and extent of investment	An aggregate limit of Equity investment upto Rs. 900 million including any advance against subscription of right share. Further an aggregate limit for loan / Advance upto Rs. 250 million.
iii.	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs. 5.16 per share
iv.	Break-up value of shares on the basis of last published financial statements	Rs. 9.39 per share as on June 30, 2009.
v.	Price at which shares will be purchased	At offer price of Rs. 5 in case of right subscription and at negotiated price for all existing shareholders.
vi.	Earnings per share of investee company in last three years: June 30, 2009 June 30, 2008 June 30, 2007	 Re. 0.67 per share Re. (0.59) per share Rs. (1.24) per share
vii.	Sources of funds from where shares will be purchased	Own funds and credit lines.
viii.	Period for which investment will be made	Long term
ix.	Purpose of investment	For the benefit of the company to earn better returns in the long run on strategic investment.
x.	Benefit likely to accrue to the shareholders from the proposed investment	The investment is likely to give long term capital appreciation and will increase market share enabling the company to better compete.
xi.	Interest of directors and their relatives in the investee Company	Upto the extent of their shareholding
xii.	Any loan had already been provided or loan has been written off to the said Company	None
xiii.	Rate of interest on loan / advance	3 Months KIBOR + 1% or Company's borrowing rate whichever is higher
xiv.	Repayment schedule of loan / advance	Short to medium term within 3 years and long term within 5 years
xv.	Security on loan / advance	Management considers that being group company there is no need of collateral security

2. Amendment in the Memorandum and Articles of Association of the Company for the increase in Authorized Share Capital

Comparative statement of proposed changes in Memorandum & Articles of Association is as follows:

Existing relevant portion of clause appearing in Clause 53(iii) of the Memorandum of Association	**Relevant portion of clause appearing in Clause 53(iii) of the Memorandum of Association after amendment**
The Authorized Capital of the Company is Rs. 900,000,000 (Rupees Nine Hundred Million Only) dividend into 90,000,000 Ordinary shares of Rs. 10/- each	The Authorized Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) dividend into 100,000,000 Ordinary shares of Rs. 10/- each
Existing relevant portion of clause appearing in Article 7 of the Articles of Association	**Relevant portion of clause appearing in Article 7 of the Articles of Association after amendment**
The Authorized Capital of the Company is Rs. 900,000,000 (Rupees Nine Hundred Million Only) dividend into 90,000,000 Ordinary shares of Rs. 10/- each	The Authorized Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) dividend into 100,000,000 Ordinary shares of Rs. 10/- each

Directors of the Company are interested in the business to the extent of their shareholding in the Company.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulation of Karachi Stock exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. All casual vacancies occurred during the year on the board were filled within 30 days.

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 adopted 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 Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.

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

9. The appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as proposed by the CEO have been duly approved by the Board.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

14. The audit committee is constituted and it comprises of three members, of whom majority are non-executive directors including the chairman of the committee.

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

16. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 the Institute of Chartered Accountants of Pakistan.

18. 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.

19. The Related party transaction have been placed before the Audit Committee and approved by the Board of Directors along with the pricing methods for such transactions.

20. We confirm that all other material principles contained in the Code have been duly complied with.

For and on behalf of the Board

Karachi: October 08, 2010

MUHAMMAD FAZLULLAH SHARIFF
Chief Executive Officer

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Thatta Cement Company Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 35 (Previously Regulation No.37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi: the October 08, 2010

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Auditors' Report to the Members

We have audited the annexed Balance Sheet of Thatta Cement Company Limited as at June 30, 2010 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation 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 statement 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 amount and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:
   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting polices consistently applied except for the changes as described in note 5.2 with which we concur;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profits, 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.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Karachi: the October 08, 2010

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Balance Sheet
As at June 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment	6	**848,781**	822,149
Intangible assets	7	**3,116**	2,616
Long term deposits		**88**	88
		851,985	824,853
CURRENT ASSETS			
Stores, spare parts & loose tools	8	**190,029**	218,895
Stock-in-trade	9	**238,864**	225,301
Trade debts	10	**49,649**	56,135
Loans and advances	11	**12,918**	16,694
Trade deposits and short term prepayments	12	**8,127**	6,910
Accrued interest		**54**	-
Other receivables	13	**6,033**	1,225
Short term investments	14	**-**	38,597
Tax refunds due from the Government		**32,328**	-
Taxation-net		**37,371**	18,764
Cash and bank balances	15	**10,266**	11,815
		585,639	594,336
		1,437,624	1,419,189
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Capital 90,000,000 (2009: 90,000,000) ordinary shares of Rs. 10/- each		**900,000**	900,000
Issued, subscribed and paid-up share capital	16	**797,745**	797,745
Accumulated loss		**(22,182)**	(23,124)
Unrealized loss on available for sale investment		**-**	(3,810)
		775,563	770,811
NON CURRENT LIABILITIES			
Long term financing	17	**41,666**	83,333
Long term deposits	18	**4,249**	3,962
Deferred taxation	19	**44,432**	53,972
		90,347	141,267
CURRENT LIABILITIES			
Trade and other payables	20	**227,514**	170,582
Accrued markup	21	**11,124**	10,095
Short term borrowings	22	**291,409**	243,102
Current maturity of long term financing		**41,667**	83,332
		571,714	507,111
CONTINGENCIES & COMMITMENTS	23		
		1,437,624	1,419,189

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Profit & Loss Account
For the year ended June 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Turnover - net	24	1,544,124	1,795,109
Cost of sales	25	(1,266,771)	(1,298,132)
Gross profit		277,353	496,977
Distribution cost	26	(190,965)	(130,108)
Administrative expenses	27	(45,811)	(26,318)
		(236,776)	(156,426)
Operating Profit		40,577	340,551
Other operating expenses	28	(9,338)	(28,644)
Other operating income	29	16,062	15,209
Finance Cost	30	(45,532)	(63,718)
		(38,808)	(77,153)
Profit before taxation		1,769	263,398
Taxation			
- current	31	(11,692)	(15,040)
- prior year		1,325	(334)
- deferred		9,540	(44,152)
		(827)	(59,526)
Profit after taxation		942	203,872
Other comprehensive income			
Impairment loss on available for sale investment transferred to profit and loss account		3,810	(3,810)
Total comprehensive income for the year		4,752	200,062
		------------------rupees-----------------	
Earning per share - basic & diluted	32	0.01	2.56

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

Cash Flow Statement
For the year ended June 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees in thousand)	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,769**	263,398
Adjustment for:		
Depreciation	**50,731**	46,009
Finance cost	**45,532**	63,718
Loss/(gain) on disposal of investments	**6,530**	(1,538)
Unrealised gain on short term investments -net	**-**	(6,904)
Provision for doubtful debts	**242**	-
Loss / (gain) on disposal of operating fixed assets	**60**	(147)
Employee benefits - gratuity	**4,058**	3,759
Provision for slow moving / dead stores & spares	**481**	4,130
	107,634	109,027
Operating cash flows before working capital changes	**109,403**	372,425
(Increase) / decrease in current assets:		
Stores, spare parts & loose tools	**28,385**	21,038
Stock-in-trade	**(13,563)**	(96,885)
Trade debts	**6,245**	78,077
Loans and advances	**3,776**	31,379
Trade deposits and short term prepayments	**(1,217)**	(866)
Other receivables / sales tax refundable	**(23,695)**	17,538
	(69)	50,281
(Decrease) / increase in current liabilities:		
Trade and other payables	**56,460**	(165,339)
Cash generated from operations	**165,794**	257,367
Finance cost paid	**(44,503)**	(63,155)
Gratuity paid / receipt of fund	**(3,584)**	(8,312)
Taxes paid	**(42,468)**	(20,718)
	(90,555)	(92,185)
Net cash from operating activities	**75,239**	165,182
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	**(82,069)**	(126,903)
Proceeds on disposal of property, plant and equipment	**4,146**	564
Short term investments -net	**35,873**	(33,965)
Long term deposits	**-**	2,620
Net cash used in investing activities	**(42,050)**	(157,684)

	June 30, 2010	June 30, 2009
	(Rupees in thousand)	
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	**(83,332)**	(97,220)
Receipts / (Refund) of long term deposits	**287**	(515)
Net cash used in financing activities	**(83,045)**	(97,735)
Net decrease in cash and cash equivalents	**(49,856)**	(90,237)
Cash and cash equivalents at beginning of the year	**(231,287)**	(141,050)
Cash and cash equivalents at end of the year	**(281,143)**	(231,287)
Cash and bank balances	**10,266**	11,815
Short term borrowings	**(291,409)**	(243,102)
	(281,143)	(231,287)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Statement of Changes in Equity
For the year ended June 30, 2010

	Issued, subscribed and paid-up share capital	Accumulated loss	Unrealized loss on available for sale investments	Total
	---------------------------(Rupees in thousand)---------------------------			
Balance as at July 1, 2008	797,745	(226,996)	-	570,749
Total comprehensive income for the year ended June 30, 2009	-	203,872	(3,810)	200,062
Balance as at June 30 ,2009	797,745	(23,124)	(3,810)	770,811
Total comprehensive income for the year ended June 30, 2010	-	942	3,810	4,752
Balance as at June 30 ,2010	797,745	(22,182)	-	775,563

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

Notes to the Financial Statements
For the year ended June 30, 2010

1. THE COMPANY AND ITS OPERATIONS

Thatta Cement Company Limited was incorporated in Pakistan in 1980 as a public limited company. The shares of the company are quoted at the Karachi Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the company is situated at Pardesi House, Survey No.2/1, R.Y.16, Old Queens Road, Karachi. The production facility of the Company is located at Ghulamullah Road, Makli, District Thatta, Sindh.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such international financial reporting standards, (IFRSs) issued by the International Accounting Standards Boards as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions of directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost basis modified for short term investments, certain employee retirement benefits and export trade debts which are stated as reported in their respective notes.

4 STANDARDS, AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARD AND INTERPRETATIONS

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

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:

Standard or Interpretation		Effective Date (accounting periods beginning on or after)
IFRS 2	Share-based payment: Amended relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS -24	Related Party Disclosures (revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation- Classification of Right Issue	February 1, 2010
IFRIC 14	The limit on defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expect that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application.

In Addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4.2 Standards, amendments and interpretations adopted during the year:

During the year, the following new/revised standards, amendments and interpretations of accounting standards become effective:

Standards, amendments and interpretations

IFRS-2	Share based payment - Vesting Conditions and Cancellations (Amendment)
IFRS-3	Business Combinations (Revised)
IFRS-7	Financial Instruments: Disclosures(Amendment)
IFRS-8	Operating Segments
IAS -1	Presentation of Financial Statements (Revised)
IAS -23	Borrowing Costs(Revised)
IAS -27	Consolidated and Separate Financial Statements (Amendments)
IAS -32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)
IAS -39	Financial Instruments: Recognition and Measurement- Eligible hedged items (Amendments)
IFRIC -15	Agreement for the Construction of Real Estate
IFRIC -16	Hedges of a Net Investment in a foreign Operation
IFRIC -17	Distributions of Non-Cash Assets to Owners
IFRIC -18	Transfer of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for IAS 1 (revised).

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

5.1 Significant accounting estimates and judgments

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

a) Property, plant and equipment with respect to estimated useful life and related depreciation change and impairment.

b) Provisions for obsolescence and slow moving spares with respect to parameters set out by management.

c) Provision for income tax with respect to estimation of income tax based on income tax law and appellate decision.

d) Deferred taxation has been made based on estimate of future ratio of export and local sales.

e) Contingencies with respect to evaluation based to element of issue involved and opinion of legal counsel.

f) Gratuity with respect to actuarial valuation.

g) Stock valuation with respect to determination of net realizable value.

h) Trade debts with respect to its provision for doubtful debts.

i) Investment with respect to their classification.

5.2 Chang in accounting policy and disclosures

The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except for the adoption of IAS 1 (Revised) as of July 2009.

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement (the statement of comprehensive income), or in two linked statements (the profit and loss account and the statement of comprehensive income).

The Company has chosen to present all non-owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account).

5.3 Property, plant and equipment

These are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost whereas leasehold land is stated at cost less amortization.

Depreciation is charged to profit and loss account applying the reducing balance method at the rates specified in Operating asset - tangible note except leasehold structural improvements and leasehold land which are depreciated/amortized on straight line basis. Depreciation on additions is charged from the month in which the asset is available for use and on disposal upto the month the asset is in use. Assets, residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Normal maintenance and repairs are charged to profit and loss account as and when incurred where as major renewals and improvements are capitalized.

Gain or loss, on disposal of assets is included in profit & loss account.

5.4 Intangible assets

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured reliably. Cost of the other intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method.

Useful lives of all intangible assets are reviewed, at each balance sheet date and adjusted if the impact of amortisation is significant.

5.5 Stores, spare parts & loose tools

These are stated at cost (calculated on moving average basis) less provision for dead and slow moving stores and spares except for the items in transit, which are valued and stated at cost.

5.6 Stock in trade

Stock in trade are valued at lower of weighted average cost and net realisable value except the raw and packing material which are valued at cost on moving average basis.

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

Work in process and finished goods are valued at weighted average cost comprising of material quarrying/purchase price, transportation, labour cost and applicable manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and cost necessarily to be incurred in order to make the sales.

5.7 Trade debts

Local debts are recognised at fair value of consideration receivable. Export debts are initially recognised at the exchange rate prevailing on the date of dispatch and subsequently remeasured at each year end. Debts considered irrecoverable are written off and appropriate provision is made where recovery is considered doubtful.

5.8 Investments

The investments of the company are classified into the following categories:

5.8.1 At fair value through profit or loss

These include investments that are designated at fair value through profit or loss at inception. They are initially measured at fair value and changes on re-measurement or disposal are taken to profit and loss account of the same year.

5.8.2 Available for sale

They are included as current assets unless management intends to dispose off the investments after twelve months of the balance sheet date.

Available for sale investments are initially recognized at fair value plus transaction cost, and subsequently at fair value. Changes in fair value are recognised in equity and on disposal of all gains or losses are transferred from equity to profit & loss account along with such gain or loss on disposal.

5.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with Banks on current, savings and deposits accounts net of short term borrowings under mark-up arrangements, if any.

5.10 Employee benefits

5.10.1 Defined benefit plan

The Company operate approved funded gratuity scheme covering all permanent employees. The scheme is administered by the trustees nominated under the trust deed. The liabilities recognized in respect of gratuity are the present values of the company's obligations under the scheme at the balance sheet date less the fair values of plan assets, together with adjustment for unrecognized actuarial gains or losses. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Project Unit Credit Method on June 30, 2010.

The present value of obligations are determined by discounting the estimated future cash outflows using interest rates of government bond. The government bonds is consistent with the estimated term of the post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are credited or debited to profit or loss account over the employee's expected average remaining working lives.

5.10.2 Defined contribution plan

The company also operate an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

5.11 Borrowing cost

Loans and borrowings are recorded as and when the proceeds are received.
Borrowings costs are recognized as an expenses in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of that asset.

5.12 Taxation

Provision for current taxation is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years. The company accounts for deferred taxation on all temporary differences using liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

5.13 Impairment

The carrying amounts of the company's assets are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized as expense in the profit and loss account.

5.14 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue from sales is recognized upon passage of the title to the customers which generally coincides with physical delivery. Interest and rental / other income is recognized on accrual basis.

5.15 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprises the financial assets. All financial liabilities are derecognized at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognizing of financial assets and financial liabilities are taken to profit and loss account currently.

5.16 Transactions with related parties

Transactions with related parties are carried out at arm's length basis determined in accordance with "Comparable uncontrolled price method" except in the case of loan and advances to Key management personnel which are free of any interest / markup in terms of the employment.

5.17 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 a legally enforceable right to set-off the recognized amounts and the company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously.

5.18 Provision

Provision are recognized when the company has present, legal or constructive obligations as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amounts can be made.

5.19 Foreign currency translation

Foreign currency transaction are recorded into Pak Rupee using the exchange rate prevailing at the dates of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

5.20 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

6 PROPERTY, PLANT & EQUIPMENT

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Operating fixed assets	6.1	**848,781**	747,422
Capital work-in- progress	6.6	**-**	74,727
		848,781	822,149

6.1 Operating fixed assets

Description	Cost at June 30, 2010	Accumulated depreciation/ amortization at June 30, 2010	Net book value as at June 30, 2010	Cost at June 30, 2009	Accumulated depreciation/ amortization at June 30, 2009	Net book value as at June 30, 2009	Rates
	---------- (Rupees in thousand) ----------			---------- (Rupees in thousand) ----------			
Land	6,266	1,900	4,366	6,266	1,819	4,447	1/99
Agricultural land	15,297	-	15,297	15,297	-	15,297	-
Leasehold improvements	44,885	3,366	41,519	-	-	-	10%
Quarries and improvements	11,963	11,741	222	11,963	11,729	234	5%
Factory building	237,543	166,679	70,864	237,543	158,804	78,739	10%
Electrical installation	25,657	1,283	24,374		-	-	5%
Housing Colonies	72,219	50,151	22,068	72,219	48,990	23,229	5%
Office Building	22,281	17,068	5,213	22,281	16,794	5,487	5%
Plant and machinery	1,619,408	1,006,154	613,254	1,570,282	991,403	578,879	5%
Quarry equipments	47,302	46,807	495	47,302	46,684	618	20%
Railway sidings	14,905	12,286	2,619	14,905	11,995	2,910	10%
Vehicles	40,936	17,758	23,178	40,950	15,753	25,197	10 & 20%
Furniture and fixtures	17,780	11,806	5,974	17,652	11,149	6,503	10%
Office equipments	23,070	6,759	16,311	9,220	6,206	3,014	10%
Computers	9,939	6,912	3,027	8,588	5,720	2,868	30%
	2,209,451	**1,360,670**	**848,781**	**2,074,468**	**1,327,046**	**747,422**	

6.2 The following is the operating assets for the year

Description	Net book value as on 01/07/2009	Additions -cost	Deletion / Adjustments - WDV	Depreciation / Amortization	Net book value as on 30/06/2010	Depreciation/ Amortization rates
	------------ 2009-2010 ------------					
	---------- (Rupees in thousand) ----------					
Lease hold land	4,447	-	-	81	4,366	1/99
Freehold agricultural land	15,297	-	-	-	15,297	-
Leasehold improvements	-	44,885	-	3,366	41,519	10%
Leasehold quarries and improvements	234	-	-	12	222	5%
Factory building on leasehold land	78,739	-	-	7,875	70,864	10%
Electrical installation	-	25,657	-	1,283	24,374	5%
Housing Colonies	23,229	-	-	1,161	22,068	5%
Office Building	5,487	-	-	274	5,213	5%
Plant and machinery	578,879	68,075	(3,773)	29,927	613,254	5%
Quarry equipments	618	-	-	123	495	20%
Railway sidings	2,910	-	-	291	2,619	10%
Vehicles	25,197	2,350	(433)	3,936	23,178	10% & 20%
Furniture and fixtures	6,503	128	-	657	5,974	10%
Office equipments	3,014	13,850	-	553	16,311	10%
Computers	2,868	1,351	-	1,192	3,027	30%
	747,422	**156,296**	**(4,206)**	**50,731**	**848,781**	

Description	Net book value as on 01/07/2008	Additions -cost	Deletion / Adjustments - WDV	Depreciation / Amortization	Net book value as on 30/06/2009	Depreciation/ Amortization rates
	2008-2009					
	(Rupees in thousand)					
Lease hold land	4,492	-	-	45	4,447	1/99
Freehold agricultural land	15,297	-	-	-	15,297	-
Leasehold quarries and improvements	246	-	-	12	234	5%
Factory building on leasehold land	87,316	160	-	8,737	78,739	10%
Housing Colonies	24,253	190	-	1,214	23,229	5%
Office Building	5,495	274	-	282	5,487	5%
Plant and machinery	580,876	28,025	-	30,022	578,879	5%
Quarry equipments	772	-	-	154	618	20%
Railway sidings	3,234	-	-	324	2,910	10%
Vehicles	8,636	19,651	(14)	3,076	25,197	10% & 20%
Furniture and fixtures	7,068	154	-	719	6,503	10%
Office equipments	3,083	650	(404)	315	3,014	10%
Computers	3,521	456	-	1,109	2,868	30%
	744,289	**49,560**	**(418)**	**46,009**	**747,422**	

6.3 Freehold agricultural land

The Company has recovered Agricultural land valuing Rs. 15.297 million located in district Thatta through National Accountability Bureau, Government of Pakistan from former employee of the Company being involved to allow unauthorized excessive rebates by collusion of certain personnel of the company whose services have been terminated. However, during the year agricultural activities have been initiated.

6.4 Allocation of depreciation

The charge of depreciation for the year has been allocated as under:

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Cost of sales		**45,294**	44,347
Distribution Cost		**1,611**	1,212
Administrative expenses		**3,826**	450
		50,731	46,009

6.5 Disposal of property plant & equipment - Tangible

Particulars	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Particular of purchasers
		(Rupees in thousand)					
Plant & machinery	Negotiation	9,555	7,677	1,878	3,017	1,139	M/s High Tech Electronic
	Negotiation	9,394	7,499	1,895	537	(1,358)	
Vehicle	Negotiation	1,317	900	417	417	-	Chief Executive Officer
Items having book value below Rs. 50,000							
Vehicles	Negotiation	1,046	1,031	16	175	159	Muhammad Mustaqim
As on June 30, 2010		**21,312**	**17,107**	**4,206**	**4,146**	**(60)**	
As on June 30, 2009		1,197	779	418	564	146	

6.6 CAPITAL WORK-IN-PROGRESS

	Cost at July 01, 2009	Capital expenditure incurred during the year	Transferred to tangible fixed assets	Cost at, June 30, 2010
	(Rupees in thousand)			
Civil Work				
Advances to contractors	2,441	-	(2,441)	-
Advance for Head Office	-	44,885	(44,885)	-
Plant and machinery				
Rehabilitation of power transmission Line				
	25,120	-	(25,120)	-
Diesel Generator Spares	23,684	2,201	(25,885)	-
Slag Mill Gear Box	23,482	-	(23,482)	-
As on June 30, 2010	**74,727**	**47,086**	**(121,813)**	**-**
As at June 30, 2009	-	74,727	-	74,727

7 INTANGIBLE ASSET

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Other intangible assets	7.1	**-**	-
Capital work-in- progress	7.2	**3,116**	2,616
		3,116	2,616

7.1 Other intangible asset

	Computer software (Rupees in thousand)
As at July 1, 2008	
Cost	648
Accumulated amortization	(648)
	-
Addition	-
Amortization for the year	-
Net book value as at June 30, 2009	-
As at July 1, 2009	
Cost	648
Accumulated amortization	(648)
Net book value	-
Addition	-
Amortization for the year	-
Net book value as at June 30, 2010	-
As at June 30, 2010	
Cost	648
Accumulated amortization	(648)
Net book value	-

7.2 Captial work in progress

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Opening balance		**2,616**	-
Addition		**500**	2,616
Transfer		**-**	-
Closing balance		**3,116**	2,616

7.2.1 This represents progress payments made in respect of acquisition of computer software and its implementation.

8 STORES, SPARE PARTS & LOOSE TOOLS

	Note	June 30, 2010	June 30, 2009
Stores	8.1	**105,255**	141,885
Spare parts		**125,003**	116,757
Loose tools		**133**	134
		230,391	258,776
Less: Provision for dead stock		**(9,103)**	(9,103)
Less: Provision for slow moving store and spares		**(31,259)**	(30,778)
	8.2	**(40,362)**	(39,881)
		190,029	218,895

8.1 This includes stores in transit of Rs. 5.736 million (June 2009 : 31.085 million) at the balance sheet date.

8.2 Certain dead and slow moving items have been reassessed valuing Rs. 9.103 million and Rs. 40.458 million respectively have been identified during the year. Dead items have been fully provided for while the value of slow moving items has been substantially provided and accounted for in the books keeping in view the usefulness of slow moving items.

8.3 Reconciliation of carrying amount of above provision:

	Note	June 30, 2010	June 30, 2009
Opening balance		**39,881**	35,751
Provision made during the year	25	**481**	4,130
Closing balance		**40,362**	39,881

9 STOCK-IN-TRADE

	Note	June 30, 2010	June 30, 2009
Raw material		**26,307**	35,830
Packing material		**26,523**	31,955
Work-in-process / semi finished goods		**164,241**	137,337
Finished goods		**21,793**	20,179
		238,864	225,301

10 TRADE DEBTS

	Note	June 30, 2010	June 30, 2009
Considered good			
Exports proceeds receivable -secured		**33,274**	17,649
Local - Unsecured	10.1 & 10.2	**16,375**	38,486
		49,649	56,135
Considered doubtful			
Cement Stockiest		**44,880**	44,880
Excessive Rebate allowed		**22,022**	22,022
Controller Military Accounts		**5,126**	5,126
Other customers		**242**	-
	10.3	**72,270**	72,028
Less: Provision for doubtful debts	10.4	**(72,270)**	(72,028)
		-	-
		49,649	56,135

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	

10.1 It includes Rs. 789,000 due from related parties as stated below:

Rotocast Engineering (Private) Limited		**49**	64
Safe Mix Concrete Products (Private) Limited		**589**	-
International Complex Projects Limited		**151**	3,102
		789	3,166

10.2 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 2.6 million (2009: 7.47 million).

10.3 This represent balances outstanding for more than 4 years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Company, when the Company was operating under State Cement Corporation of Pakistan (SCCP), whose services had been terminated. Accordingly, the management had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs.2.276 million in preceding years, whereas no recovery has been made during the year. However the recovery proceedings are continuing, therefore provision has been maintained in respect of outstanding amount as matter of prudence and abundant precaution.

10.4 Reconciliation of carrying amount of above provisions:

Opening balance		**72,028**	72,028
Provision made during the year		**242**	-
Closing balance		**72,270**	72,028

11 LOANS AND ADVANCES

Considered good			
To employees - secured		**118**	235
Advance - unsecured			
- to suppliers		**8,390**	12,896
- against letter of credit		**3,505**	2,562
- for expenses		**905**	1,001
		12,800	16,459
		12,918	16,694

12 TRADE DEPOSITS & SHORT TERM PREPAYMENTS

Trade deposits		**4,641**	4,189
Short term prepayments		**3,486**	2,721
		8,127	6,910

13 OTHER RECEIVABLE

Rebate receivable		**4,800**	-
Insurance claim receivable		**233**	-
Other	13.1	**1,000**	1,225
		6,033	1,225

13.1 It includes due from Arif Habib Bank Limited, a related party, Rs. 66,000 (2009: nil) which was also maximum aggregate amount of receivable at the end of any month during the year (2009: nil).

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	

14 SHORT TERM INVESTMENTS

	Note	June 30, 2010	June 30, 2009
Other investments			
Investment in listed shares at fair value through profit or loss		-	34,472
Available-for-sale investment in listed shares		-	4,125
		-	38,597

15 CASH AND BANK BALANCES

	Note	June 30, 2010	June 30, 2009
Cash in hand		**150**	150
Balances with banks			
in current accounts		**8,715**	10,915
in PLS accounts	15.1	**392**	636
in term deposit accounts	15.2	**1,009**	114
		10,116	11,665
	15.3	**10,266**	11,815

15.1 At June 30, 2010 the mark-up rates on PLS accounts ranges between 5% to 7% (2009: 4% to 7%) per annum respectively.

15.2 The rates of mark-up on these deposit account were 5% (2009: 9%) per annum.

15.3 It includes a balance of Rs. 89,000 (2009: Rs. 144,000) on account maintained with Arif Habib Bank Limited.

16 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	June 30, 2010	June 30, 2009
Ordinary shares of Rs. 10 each		
69,474,500 (2009: 69,474,5000) shares allotted for consideration paid in cash	**694,745**	694,745
10,300,000 (2009: 10,300,000) shares allotted for consideration other than cash	**103,000**	103,000
	797,745	797,745

Associated Companies held 52,631,250 - 65.97% (2009: 69,340,600 - 86.92%) ordinary shares in the Company at year end.

17 LONG TERM FINANCING

	Note	June 30, 2010	June 30, 2009
Loan from banking companies			
National Bank of Pakistan - Secured 1		-	41,665
National Bank of Pakistan - Secured 2	17.1	**83,333**	125,000
		83,333	166,665
Current maturity		**(41,667)**	(83,332)
		41,666	83,333

17.1 The above facility is secured by first pari passu hypothecation charge over fixed assets including land, building, plant & machinery amounting to Rs. 333.334 million. The facility carries a floating mark-up linked to the 6 months KIBOR as base rate plus 1.5% per annum chargeable and payable quarterly. The tenure of financing is 7 years including 12 month grace period for the principal repayment. The above term finance facility is repayable in 24 equal quarterly instalment of PKR 10.417 million each starting from July 2006 to April 2012.

		Note	June 30, 2010	June 30, 2009
			(Rupees in thousand)	
18	**LONG TERM DEPOSITS - UNSECURED**			
	Dealers	18.1	**2,110**	1,810
	Suppliers and contractors	18.2	**2,139**	2,152
			4,249	3,962

18.1 This represents interest free security deposits, received from dealers and are repayable/adjustable on cancellation or withdrawal of dealership.

18.2 This represent interest free earnest money retained from suppliers and contractors invoices and are payable after satisfactory execution of the agreements.

		Note	June 30, 2010	June 30, 2009
19	**DEFERRED TAXATION**	19.1	**44,432**	53,972
19.1	**Deferred tax**			
	Credit balances arising in respect of:			
	-Accelerated tax depreciation allowances		**88,698**	86,859
	Debit balance arising in respect of:			
	- on account of provisions		**(32,357)**	(32,887)
	- provsion for staff gratuity		**(710)**	-
	- unabsorbed tax losses and minimum tax		**(7,032)**	-
	- minimum tax adjustment		**(4,167)**	-
			44,432	53,972
20	**TRADE AND OTHER PAYBLES**			
	Trade creditors		**41,870**	22,141
	Accrued liabilities		**94,973**	55,029
	Bills payable		**17,156**	708
	Advances from customers		**52,305**	44,070
	Contractors retention money		**2,539**	4,587
	Excise duty payable - net		**14,151**	19,513
	Sales tax payable - net		**-**	1,466
	Employee benefit - gratuity	20.1	**3,615**	3,141
	Worker's Profit Participation Fund	20.2	**162**	14,146
	Worker's Welfare Fund		**61**	5,376
	Other liabilities		**682**	405
			227,514	170,582
20.1	**Employee benefit - gratuity**			
20.1.1	**Movement in liabilities / (assets)**			
	Opening Balance		**3,141**	7,694
	Charge for the year	20.1.8	**4,058**	3,759
	Contribution to the Fund		**(3,141)**	(7,694)
	Transferred to Company during the year		**-**	-
	Payment to employees		**(443)**	(618)
	Closing balance - shown in current liabilities		**3,615**	3,141

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	

20.1.2 Balance Sheet Reconciliation

Fair Value of Plan assets	**(11,512)**	(7,694)
Present value of defined Benefit Obligation	**16,377**	11,453
Actuarial gain / (loss) to be recognised in later period	**(807)**	
Payment to employee on behalf of fund	**(443)**	(618)
	3,615	3,141

20.1.3 Charge to P&L

Current Service Cost	**3,607**	2,867
Interest Cost	**1,374**	892
Expected return on plan assts	**(923)**	-
Liabilities charged due to Application of IAS-19	**-**	-
	4,058	3,759

20.1.4 Obligation

Balance at beginning of the year	**11,453**	7,694
Current Service Cost	**3,607**	2,867
Interest Cost	**1,374**	892
Benefit Paid	**(1,058)**	-
Actuarial (Gain)/Loss on PVDBO	**1,001**	-
Balance at end	**16,377**	11,453

20.1.5 Movement in Fair value of Plan asset

Balance at beginning of the year	**7,694**	-
Expected return on plan assets	**923**	-
Employer contribution	**3,141**	7,694
Amount transfer to company	**-**	-
Benefits paid	**(1,058)**	-
Actuarial (Gain)/Loss on Plan Assets	**812**	
Balance at end	**11,512**	7,694

20.1.6 Principal actuarial assumptions used are as follows:

Expected rate of increase in salary level	**11%**	11%
Valuation discount rate	**12%**	12%

20.1.7 Comparisons for past years	**2010**	**2009**	**2008**
	----------(Rupees in thousand)--------		
Present value of defined benefit obligation	**16,377**	11,453	7,694

		Note	June 30, 2010	June 30, 2009
			(Rupees in thousand)	
20.1.8	**The Charge for the year has been allocated as follows:**			
	Manufacturing expenses		**3,287**	3,045
	Distribution cost		**243**	225
	Administrative expenses		**528**	489
			4,058	3,759
20.2	**Workers' Profit Participation Fund**			
	Opening		**14,146**	3,009
	Allocation for the year		**162**	14,146
			14,308	17,155
	Interest on funds utilised in company's business		**732**	201
			15,040	17,356
	Less. Amount Paid		**(14,878)**	(3,210)
			162	14,146
21	**ACCRUED MARKUP**			
	Long term financing		**2,658**	4,771
	Short Term borrowings	21.1	**8,466**	5,324
			11,124	10,095

21.1 It includes Rs. 3.021 million (2009: 2.248 million) due to Arif Habib Bank Limited, a related party.

			June 30, 2010	June 30, 2009
22	**SHORT TERM BORROWINGS - SECURED**			
	Running finance		**134,836**	74,164
	Export refinance		**102,055**	168,938
	Import finance		**54,518**	-
			291,409	243,102

22.1 The agreegate financing facilities available from banks as at June 30, 2010 amounted to Rs. 400 Million (June 30, 2009: Rs. 400 Million), of which Rs 108.591 million (June 30, 2009: Rs 157 million) remained unutilized at the year end. These facilities are renewable and are secured by way of hypothecation of stock and trade debts.

22.2 The rate of Mark-up on theses facilities ranges between 13.73% to 15.04% (June 2009: 13% to 18%) per annum chargeable and payable quarterly.

22.3 The export refinance facilities carries mark up ranging from 7.5% to 9% (June 30, 2009 7.5%) per annum as per SBP rules.

22.4 It includes Rs. 97.70 million (June 30, 2009: 124.793 million) due to Arif Habib Bank Limited, a related party.

23 CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

23.1.1 Cases pending with National Accountability Bureau (NAB) for the misappropriation of recoveries from debtors and allowing excessive unauthorised rebate amounting to Rs. 66.902 million. The recovery proceedings are in progress. (also refer note no. 9)

23.1.2 Certain employees of the Company contested the Company's gratuity policy and filed suit against the company demanding 60 days gratuity instead of 30 days applicable to the employees of former holding company having impact of Rs. 1.071 million. In view of the Company's legal counsel, the demand is against the present labour laws and will not materialize, hence no provision has been made in the accounts in this context. The decision in this case is pending till to date.

23.1.3 One of the bidder has filed suit against Privatization Commission and four other parties including the Company for restraining Privatization Commission to forfeit their earnest money. Company's legal advisor contend that this is not relevant to the Company and will not bring any liability to the Company.

23.1.4 Two cement dealers being defaulter had filed suit against the Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Company in lieu of outstanding dues. Company's legal counsel is of the opinion that this is the matter of settlement and there will be no liability to the Company against the suit, hence no provision has been made in the financial statements.

23.2 COMMITMENTS

23.2.1 Guarantees given by the commercial bank to Sui Southern Gas Company Limited on behalf of the company amounts to Rs. 45 million (2009 : Rs. 45 million).

23.2.2 Other outstanding guarantees given on behalf of the Company by banks in normal course of business amounting to Rs. 29.768 million (2009 : Rs.0.563 million).

23.2.3 Irrevocable letter of credit under non expenditure outstanding as on balance sheet date amounts to Rs. 22.954 million (2009 : Rs.87.838 million).

23.2.4 Commitment in respect of capital expenditure as on balance sheet date amounts to Rs. 0.3 million (2009: 0.8 million).

23.2.5 Commitment in respect of rent not later than one year as on balance date amounts to Rs. 2.383 million (2009: nil).

24 TURNOVER - NET

	June 30, 2010	June 30, 2009
	(Rupees in thousand)	
Sales - Local	**1,136,168**	1,554,741
- Export	**720,820**	685,126
	1,856,988	2,239,867
Less:		
Federal Excise Duty	**149,001**	220,715
Sales tax	**155,626**	212,941
Special Excise Duty	**8,237**	11,102
	312,864	444,758
	1,544,124	1,795,109

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	

25 COST OF SALES

	Note	June 30, 2010	June 30, 2009
Raw material consumed		**98,429**	123,118
Manufacturing Expenses:			
Packing material consumed		**85,851**	93,571
Stores and spares parts consumed		**72,708**	92,668
Fuel & Power		**871,123**	895,984
Salaries, wages and other benefits	25.1	**98,507**	87,164
Rent, rates and taxes		**100**	100
Insurance		**4,025**	3,565
Repairs and maintenance		**1,135**	2,578
Depreciation	6.4	**45,294**	44,347
Provision for slow moving / dead stores & spares	8	**481**	4,130
Other production overheads		**17,636**	23,385
		1,196,860	1,247,492
		1,295,289	1,370,610
Work in process / semi finished goods			
At the beginning of the year		**137,337**	9,065
Clinker purchased		**-**	67,814
At the end of the year		**(164,241)**	(137,337)
		(26,904)	(60,458)
Cost of goods manufactured		**1,268,385**	1,310,152
Finished goods			
At the beginning of the year		**20,179**	8,159
At the end of the year		**(21,793)**	(20,179)
		(1,614)	(12,020)
		1,266,771	1,298,132

25.1 This includes employees' retirement benefits amounting to Rs. 4.687 million (2009: Rs 3.659 million).

26 DISTRIBUTION COST

	Note	June 30, 2010	June 30, 2009
Salaries and Other Benefits	26.1	**3,916**	2,323
Vehicle running expenses		**227**	145
Traveling and conveyance		**1,184**	504
Communication		**217**	473
Printing and stationery		**34**	5
Entertainment		**263**	195
Advertisements		**368**	497
Freight Charges - Local Sale		**9,251**	1,553
Export logistic and related charges		**155,911**	103,303
Commission		**15,308**	18,548
Depreciation	6.4	**1,611**	1,212
Others		**2,675**	1,350
		190,965	130,108

26.1 This includes employees' retirement benefits amounting to Rs 0.188 million (2009: 0.225 million).

		Note	June 30, 2010	June 30, 2009
			(Rupees in thousand)	
27	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	27.1	**20,869**	14,070
	Vehicle running expenses		**1,634**	1,278
	Traveling and conveyance		**548**	543
	Advertisement		**216**	121
	Communication		**1,212**	826
	Postage, telegram etc.		**233**	204
	Printing and stationery		**712**	793
	Rent, rates and taxes		**7,335**	1,320
	Entertainment		**341**	188
	Legal and professional charges		**512**	1,163
	Insurance		**1,641**	1,977
	Repairs and maintenance		**2,515**	339
	Utilities		**326**	1,022
	Fees & Subscription		**138**	170
	Corporate Expenses		**876**	942
	Charity and donation	27.2	**156**	157
	Auditor's remuneration	27.3	**447**	423
	Depreciation	6.4	**3,826**	450
	Provision for doubtful debt		**242**	-
	Others		**2,032**	332
			45,811	26,318

27.1 This includes employees' retirement benefits amounting to Rs 1.748 million (2009: Rs 0.604 million).

27.2 No directors or their spouses have any interest in any donee's fund to which donation was made.

27.3 Auditor's remuneration

Hyder Bhimji & Co.		
Audit fee	**200**	200
Half Yearly Review	**50**	50
Out of pocket expenses	**67**	73
	317	323
Siddiqui & Co.		
Cost audit fee	**100**	80
Out of pocket expenses	**30**	20
	130	100
	447	423

		2010	2009
28	**OTHER OPERATING EXPENSES**		
	Worker's Profit Participation Fund	**162**	14,146
	Worker's Welfare Fund - prior	**1,237**	5,376
	Worker's Welfare Fund - current	**61**	-
	Exchange loss on foreign currency transaction	**-**	9,122
	Loss on disposal of investments	**6,530**	-
	Agricultural expenses	**1,288**	-
	Loss on disposal of operating fixed assets	**60**	-
		9,338	28,644

	Note	June 30, 2010	June 30, 2009
		(Rupees in thousand)	

29 OTHER OPERATING INCOME

	Note	June 30, 2010	June 30, 2009
Income from financial assets			
Income on bank deposit accounts		**498**	704
Unrealised gain on investment at fair value		**-**	6,904
Exchange gain		**2,779**	-
Gain on disposal of short-term investments		**-**	1,538
		3,277	9,146
Income from non-financial assets			
Gain on disposal of operating fixed assets		**-**	146
Other			
Sale of scrap		**6,574**	3,073
Rental income		**3,238**	2,551
Others		**2,973**	293
		12,785	5,917
		16,062	15,209

30 FINANCE COST

	Note	June 30, 2010	June 30, 2009
Markup on long term financing		**16,394**	33,656
Markup on short term borrowings	30.1	**27,259**	29,157
Interest on worker's profit participation fund		**732**	201
Bank charges and commission		**1,147**	704
		45,532	63,718

30.1 It includes Rs. 11.550 million (2009: 15.083) on account of markup on borrowings from related party.

31 TAXATION

This represents minimum tax on turnover, therefore no numerical tax reconciliation is given.

32 EARNING PER SHARE - BASIC AND DILUTED

	June 30, 2010	June 30, 2009
Profit attributable to shareholders	**942**	203,872
Number of ordinary shares in issue	**79,774,500**	79,774,500
Basic earning per share	**0.01**	2.56

There is no dilutive impact on the earning of the Company.

33 CAPACITY AND ACTUAL PRODUCTION

	Note	June 30, 2010	June 30, 2009
		------Metric tons ------	
Production capacity - Clinker - Installed	33.1	**450,000**	450,000
Actual production - Clinker		**356,077**	371,900
Actual production - Cement	33.2	**320,153**	324,788

33.1 The Production capacity utilization during the year has remained at 79.1% (2009: 82.6%). The under utilization is mainly due to hard hitting competition in the industry due to excessive supply and comparatively less demand in the market.

33.2 Cement from clinker is produced in accordance with the market demand.

34 RELATED PARTY TRANSACTIONS

The related parties comprise of Companies with common directorship, directors and key management personal. Detail of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Relationship	Nature of transaction	June 30, 2010	June 30, 2009
		(Rupees in thousand)	
Associated Undertakings			
Arif Habib Bank Limited	Markup on running & export finances	**11,550**	15,803
Arif Habib Bank Limited	Guarantee on behalf of Company as per normal banking terms	**73,273**	45,000
Arif Habib Investment Management Limited	Subscription of shares	**-**	157,050
Arif Habib Limited	Brokerage & Commission on shares	**321**	1,073
Rotocast Engineering (Private) Limited	Cost of leasehold structural improvements	**44,885**	-
Rotocast Engineering (Private) Limited	Rent and maintenance	**9,014**	-
Rotocast Engineering (Private) Limited	Sale of Cement	**106**	962
Javedan Cement Limited	Purchase of raw material	**26,276**	-
Fatima Fertilizer Co. Limited	Sale of Cement	**1,312**	6,300
Safe Mix Concrete Products (Pvt) Limited	Sale of Cement	**11,482**	1,837
Aisha Steel Mills Limited	Sale of Cement	**450**	-
International Complex Projects Limited	Sale of Cement	**2,553**	28,694
Chief Executive Officer	Sale of vehicle	**417**	-
Other related parties	Contribution to Employee benefit - Gratuity fund	**4,058**	3,759
	Contribution to Employee benefit - Provident fund	**2,552**	729

34.1 There are no transactions with key management personnel other than under their terms of employment.

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

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements are as follows:

	2010			2009		
	Chief Executive	**Director**	**Executive**	Chief Executive	Director	Executive
Managerial remuneration	**5,520**	**3,600**	**6,900**	4,200	1,500	4,440
Bonus & LFA	**1,268**	**445**	**1,039**	1,357	-	843
Other benefits	**1,068**	**152**	**762**	1,000	-	370
	7,856	**4,197**	**8,701**	6,557	1,500	5,653
Number of person	**1**	**1**	**6**	1	1	4

35.1 The Chief Executive, Executive Director and Executives are provided with free use of Company maintained cars and other benefits in accordance with their entitlements as per rules of the Company.

35.2 An aggregate amount of Rs.225,000 (2009: 260,000) was paid to Non Executive Directors during the year on account of Board Meeting Fee.

36 OPERATING SEGMENTS

For management purposes the business is organised as a single reportable operating segment and the Company's performance is evaluated on an overall basis based on single segment.

37 FINANCIAL INSTRUMENTS BY CATEGORY

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow riskin respect of such instruments.

	June 30, 2010	June 30, 2009
	(Rupees in thousand)	
FINANCIAL ASSETS:		
Long term deposits	**88**	88
Trade debts	**49,649**	56,135
Loans and advances	**118**	235
Trade deposits	**4,641**	4,189
Accrued interest	**54**	-
Other receivables	**6,033**	1,225
Cash and bank balances	**8,865**	11,065
	69,448	72,937
FINANCIAL LIABILITIES:		
Long term financing	**83,333**	166,665
Long term deposits	**4,249**	3,962
Trade and other payables	**175,209**	126,512
Accrued markup	**11,124**	10,095
Short term borrowings	**291,409**	243,102
	565,324	550,336

37.1 FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

a Financial Risk Management Objectives

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The Company's overall risk management programs focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

b Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk by limiting significant exposure to any individual customer by obtaining advance against sales and does no have significant exposure to any individual customer.

The Company's credit risk is primarily attributable to its trade debts and balances at banks. There is no significant risk exposure to loan & advances and other receivables.

Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical about counterparty default rates:

As at June 30, 2010, trade debts of Rs. 2.703 million (2009: 3.067) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	June 30, 2010	June 30, 2009
	(Rupees in thousand)	
Not past due	**46,946**	53,068
Past due but not impaired		
With in 90 days	**151**	587
91 to 180 days	**2**	2,480
Over 180 days	**2,550**	-
	49,649	56,135

The credit quality of cash at bank (in Current, PLS and deposit accounts) as per credit rating agencies are as follows:

	June 30, 2010 (Rupees in thousand)
Credit Ratings	
A 1 +	9,776
A 1	89
A 2	251
	10,116

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

For Trade debts, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilisation of said limits is regularly monitored.

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note no. 9. The aging analysis of these impaired trade debts is as follows:

One year to five Years	**72,270**	72,028

c Liquidity Risk Management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements.

	2010				
	Carrying Amount	Contractual Cashflows	Six months or less	Six to twelve months	One to five years
	(Rupees in '000)				
	2009-2010				
Non-deravitive Financial Liabilities					
Long Term Financing	83,333	2,658	23,491	20,833	41,667
Trade and Other Payables	227,514	227,514	227,514	-	-
Short Term Borrowings	291,409	300,431	300,431	-	-
	2008-2009				
Non-deravitive Financial Liabilities					
Long Term Financing	166,665	193,756	48,080	49,591	96,085
Trade and Other Payables	170,582	170,582	170,582	-	-
Short Term Borrowings	243,102	249,089	249,089	-	-

The contractual cashflows relating to the above financial liabilities have been determined on the basis of markup rate effective as at 30 June. The rate of markup have been disclosed in the respective notes of the Financial Statements.

d Market Risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The company manages market risk through binding contracts.

e Interest/ markup rate risk management

Interest / Markup rate risk management arises from the possibility of changes in interest / Markup rates which may affect the value of financial instruments. The Company has long term finance and short term borrowing at variable rates. Company is expose to interest / markup rates risk on long term financing, interest rate risk for short term borrowing is covered by holding "Prepayment option" which can be exercised upon any adverse movement in the underlying interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2010	2009
	(Rupees in thousand)	
Fixed Rate Instruments		
Financial Assets	-	-
Financial Liabilities	**102,055**	168,938
	102,055	168,938
Variable Rate Instruments		
Financial Assets	**1,401**	750
Financial Liabilities	**272,687**	240,829
	274,088	241,579

Fair Value Sensitivity Analysis for Fixed Rate instruments:
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit & loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash Flow Sensitivity Analysis for Variable Rate instruments:

Financial Assets:
If interest rate had been fluctuate by ±1% with all other variables held constant, profit after tax for the year would have been Rs 0.014 million (2009: 0.008 million) higher/lower, mainly as a result of higher/lower interest income from these financial assets.

Financial Liabilities:
If interest rate had been fluctuate by ±1% with all other variables held constant, profit after tax for the year would have been Rs.2.7 million (2009: 2.43 million) higher/lower, mainly as a result of higher/lower interest expense from these financial liabilities.

f Foreign exchange risk management

Foreign exchange risk is the risk that the fair value of future cash flows of financial statements will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivables / payable from / to the foreign entities and outstanding letters of credit & bills payable. In appropriate cases, the Company takes out forward contracts to mitigate risk. The Company's exposure to foreign currency risk is as follows:

	2010		2009	
	Rupees	**US $**	Rupees	US $
	---------------------- **(in '000)** --------------------			
Trade Debts	**33,274**	**390**	17,649	207
Trade and Other Payables	**17,156**	**199**	708	8
Balance Sheet Exposure	**50,430**	**589**	18,357	215

The following significant rates applied during the year:

	2010	2009	**2010**	2009
	Average Rates		Balance Sheet Date Rate	
US Dollar to PKR	**84.50**	**81.00**	85.35	81.42

Sensitivity Analysis

A 10 percent strengthening / weakning of the Rupees against US Dollar at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and Loss Account	
	------------(Rs. in '000)----------	
	2010	2009
As at June 30		
Effects in US Dollars (gain / loss)	**5,030**	1,751

g **Fair value of financial instruments**

The carrying value of all the financial assets & liabilities reflected in the financial statements approximates their fair value. The methods used for in determining fair values of each class of financial assets and liabilities are disclosed in respective policy notes.

h **Capital risk Management**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The Company finances its expansions projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

38 CORRESPONDING FIGURES

Certain prior year's figures have been reclassified for the purpose of better presentation. Major re-classifications are as follows:

Nature of reclassification	Note	Reclassification from	Reclassification to	Rupees in thousands
Capital work in progress	6	Property, plant & equipments	Intangible assets	2,616
Agricultural land	6	Agricultaural land	Property, plant & equipments	15,297
Remuneration of Chief Executive Officer	25	Cost of sales	Administration expenses	5,789
Foreign traveling expenses of Chief Executive Officer	25	Cost of sales	Administration expenses	342
Utilities - residential colony	27	Administration expenses	Cost of sales	2,390

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 08, 2010 by the Board of Directors of the Company.

40 GENERAL

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

CHIEF EXECUTIVE OFFICER	DIRECTOR

FORM OF PROXY

The Secretary,
Thatta Cement Company Limited
Pardesi House, Survey No. 2/1,
R.Y. 16, Old Queens Road,
Karachi

Please quote:
No. of shares held ________________
Folio No. ________________________

I/We ____

of ____

Member(s) of the **Thatta Cement Company Limited**, hereby appoint ____________________

____________________________________ of ______________________________________

or failing him ____

of ____

as proxy in my/our behalf at the Annual General Meeting of the Company to be held at Beach Luxury Hotel, M.T. Khan Road, Lalazar Karachi, on Friday, October 29, 2010 at 02:00 pm and at any adjournment thereof.

As witness my hand this ____ day of __________2010

Signed by ____

in the presence of ____________________

Signature

Rupees five revenue stamp

Important:

1. This Form of Proxy duly completed must be deposited at our Share Registrar Office M/s. Nobel Computer Services (Pvt) Limited, Mazzanine floor, House of Habib Building (Siddiq Sons Tower), 3- Jinnah Coorperative Housing Society, Main Shahrah-e-Faisal, Karachi, not later than 48 hours before the time of holding the meeting.

2. A Proxy should also be a shareholder of the Company.