V/P

2825
DCL

ANNUAL REPORT

2010

DEWAN CEMENT LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan M. Yousuf Farooqui	Chairman/Chief Executive
Dewan Abdullah Ahmed	Director
Dewan Abdul Baqi Farooqui	Director
Mr. M. A Lodhi	Director
Mr. Haroon Iqbal	Director
Syed Muhammad Ali Khan	Director
Mr. Aziz-ul-Haque	Director
Mr. Wajahat A. Baqai	Nominee Director of Creditors

AUDIT COMMITTEE MEMBERS

Mr. Wajahat A. Baqai	Chairman
Mr. Haroon Iqbal	Member
Syed Muhammad Ali Khan	Member
Mr. Aziz-ul-Haque	Member

CHIEF FINANCIAL OFFICER

Mr. Imran Ahmed Javed

COMPANY SECRETARY

Mr. Inam-ur-Rehman

REGISTERED OFFICE

Block-A, 7th Floor, Finance & Trade Centre,
Shahrah-e-Faisal, Karachi, Pakistan.

HEAD OFFICE

Block-A, 2nd Floor, Finance & Trade Centre.
Shahrah-e-Faisal, Karachi, Pakistan.

FACTORY

1. Deh Dhando, Dhabeji
   District, Malir Karachi.
2. Kamilpur Near Hattar
   District, Haripur Khyber Pakhtoonkhuwa

AUDITORS

Faruq Ali & Co.
Chartered Accountants

SHARES REGISTRAR TRANSFER AGENT

BMF Consultants Pakistan (Private) Limited
4th Floor, A-14, Trade Centre
Block 7/8, K.C.H.S.,
Main Shahrah-e-Faisal,
Karachi 75350

LEGAL ADVISOR

Sardar M. Ajaz Khan (Advocate)

WEBSITE

www.dewangroup.com.pk

The Vision Statement

"The vision of Dewan Cement Limited is to become leading market player in the cement sector".

The Mission Statement

o *To assume leadership role in the technological advancement of the industry and to achieve the highest level of qualitative and quantitative indigenization.*

o *To be the finest organization in its industry, and to conduct its business responsibly and in a straight forward manner.*

o *To seek long-term and good relations with our suppliers and Sales Agents with fair, honest and mutually profitable dealings.*

o *To achieve the basic aim of benefiting its customers, employees and shareholders and to fulfill its commitments to the society.*

o *To create a work environment highlighting team work, which motivates, recognizes and rewards achievements at all levels of the organization, because "In ALLAH we believe, and in people we trust".*

o *To be honest, initiative and be able to respond effectively to changes in all aspects of life, including technology, culture and environment.*

o *To be a contributing corporate citizen for the betterment of society and to exhibit a socially responsible behaviour.*

o *To conduct with integrity and strive to be the best.*

NOTICE OF THE THIRTY FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of **Dewan Cement Limited** ("***DCL***" or "***the Company***") will be held on **Friday, October 29, 2010, at 10:30 a.m.** at Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Thursday, October 29, 2009;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2010, togetherwith the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;

4. To consider any other business with the permission of the Chair.

Special Business

To consider, and if thought appropriate, approve and resolve the passing of Special Resolutions in respect of alterations to the Articles of Association of the Company.

By order of the Board

Inam-ur-Rehman
Company Secretary

Karachi: October 04, 2010

"Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof"

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2010 to October 29, 2010 (both days inclusive).

2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the abovesaid address, not less than 48 hours before the meeting.

4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) For Attending Meeting:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.

ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.

iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement is annexed as an integral part of the Notice of the Thirty First Annual General Meeting of Dewan Cement Limited (**"the Company"** or **"DCL")** to be held on **Friday, October 29, 2010, at 10:30 p.m.,** at Dewan Cement Limited, Plant Site, Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the Meeting.

Special Business

To consider, and if thought appropriate, approve and resolve the passing of the following proposed special resolutions in respect of alterations to the Articles of Association of the Company.

I). **Clause 40, 89, 90, and 91 of the Articles of Association of the Company.**

The following is the special resolution proposed in this regard:

"RESOLVED THAT the Clause No. 40, 89, 90 and 91 of Articles of Association of the Company be and are hereby deleted.

ii). **Clause 41 of the Articles of Associations of the Company.**
The following is the special resolution proposed in this regard:

"RESOLVED THAT the provisions of Clause 41 of the Articles of Association of the Company be and are hereby substituted with the following: "The Nominee Director(s) shall have a right to requisition meeting of Board of Directors and the Company shall convene the meeting so requisitioned by the Nominee Directors"."

Further, for the sake of convenient reference, the following is the Present Vs the Proposed Substitution of Clause 41 of the Articles of Association of the Company:

Present Clause 41 of the Articles of Association of the Company	*Proposed substitution of Clause 41 of the Articles of Association of the Company*
"The Nominee Director(s) shall have a right to requisition meeting of Board of Directors and the Company shall convene the meeting so requisitioned by the Nominee Directors."	*"The Nominee Director(s) shall have a right to requisition meeting of Board of Directors and the Company shall convene the meeting so requisitioned by the Nominee Directors".*

iii). **Clause 115 of the Articles of Associations of the Company.**
The following is the special resolution proposed in this regard:

"RESOLVED THAT the provisions of Clause 115 of the Articles of Association of the Company be and are hereby substituted with the following: "A resolution in writing signed by number of Directors, as would constitute a quorum in a meeting of the Board of Directors, shall be as valid and effectual as if it has been passed at a meeting of the Directors duly convened and held"."

Further, for the sake of convenient reference, the following is the Present Vs the Proposed Substitution of Clause 115 of the Articles of Association of the Company:

Present Clause 115 of the Articles of Association of the Company	*Proposed substitution of Clause 115 of the Articles of Association of the Company*
"A resolution circulated in writing to all Directors and passed without any meeting of Directors and signed by majority of the Directors shall be as valid and effectual as if it had been passed at a meeting of Directors duly convened and held in accordance wit the provisions of these articles."	*"A resolution in writing signed by number of Directors, as would constitute a quorum in a meeting of the Board of Directors, shall be as valid and effectual as if it has been passed at a meeting of the Directors duly convened and held".*

The Directors of the Company are not directly or indirectly interested with the affairs of the Special Business, which nevertheless is intended to streamline the abovesaid provision of the Articles of Association of the Company with the like provision of the Companies Ordinance, 1984. and also acts and benefits to the business convenience of the Company, and its Board of Directors taken as a whole.

DIRECTORS' REPORT

The management of your company takes pleasure in presenting to you the Thirty First Annual Report of the company together with the audited accounts for the financial year ended June 30, 2010. This is the seventh annual report since the management and controlling shares of the company were taken over by Dewan Mushtaq Group ("DMG").

OVERVIEW

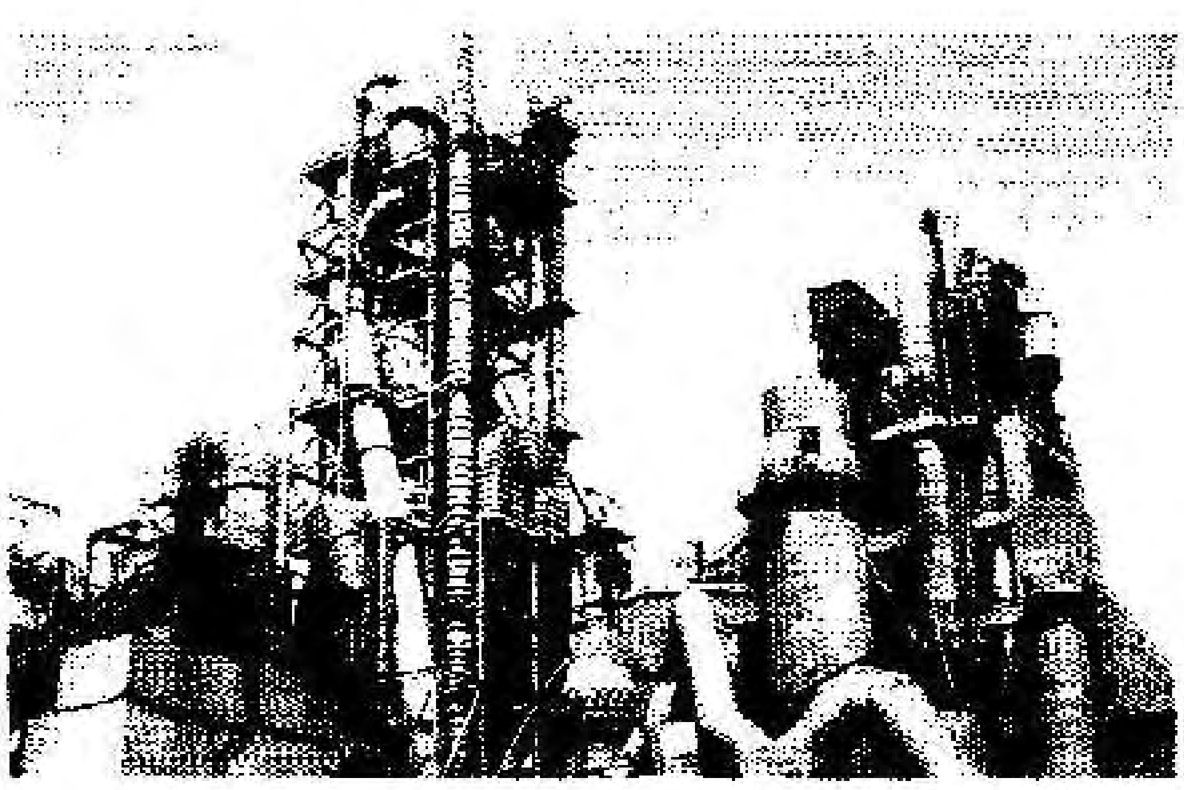
The cement industry in Pakistan concluded the twelve (12) months of current financial year ended June 30, 2010 with a growth in local sale with overall volume of 34.19 million tons as compared to 31.28 million tons achieved during same period last year. The over all sale volume increased by 2.91 million tons.

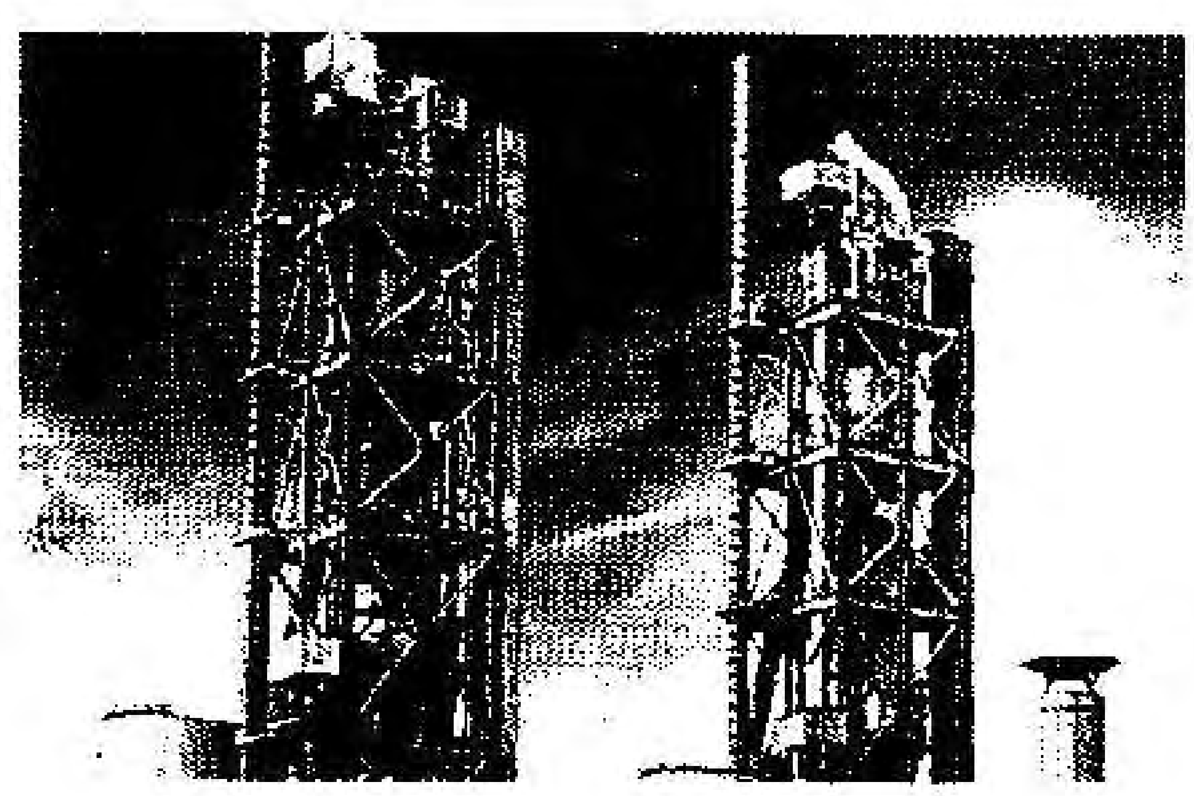
During the year under review, local sales volumetric growth was 14.62% with sales volume of 23.5 million tons as compared to 20.5 million tons achieved during the same period last year. The export sales volume of the industry was 10.7 million tons as compared to 10.8 million tons achieved last year and there is no significant change in volume as compared with the same period last year.

Though the local sales volumes in the industry increased but the prices went down drastically which affected the company negatively. This was coupled with the non cooperation of the banks in providing working capital to our company and resulted in low production.

As stated above, on one hand local cement
as on the other hand there was a sharp increase in energy, cement bags, transportation and other input costs. This had a two pronged negative effect on the profit margins of the company.

Regarding export of cement / clinker, exports shrank due to depressed prices in international market.





COMPANY'S PERFORMANCE:

The highlights of the accounts are tabulated below:

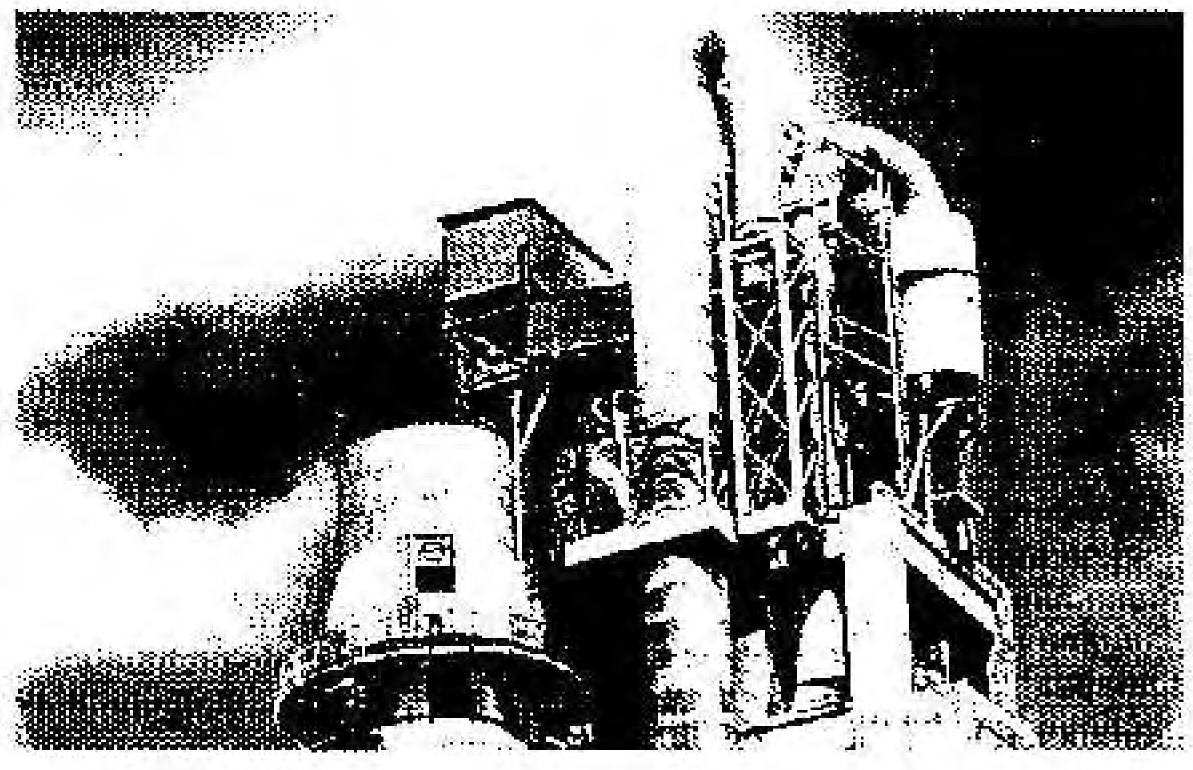
	2010	2009
	(Rs. in '000')	
Sales		
- Local – net	2,928,825	4,662,034
- Export	565,959	1,020,537
	3,494,784	5,682,571
Depreciation	289,001	467,704
Gross profit/(Loss)	(305,878)	433,374
Financial charges	11,153	463,191
Taxation net (Income)/Charge	3,279	(213,282)
Net Loss after tax	(622,764)	(163,208)
Basic Loss per share	Rs. (1.74)	Rs. (0.46)

ONGOING LITIGATIONS

As far as loan liabilities mentioned in the financial statements are concerned, a number of recovery suits have been instituted by Banks / Financial Institutions alleging default of various group companies which are being successfully defended by our Counsels, who are all of well repute. The respective counsels have already filed their respective reports in respect of litigation being handled by them and all of them are of the opinion that these suits can be successfully defended. Some of the Banks / Financial Institutions have even gone to the extent of filing winding up petitions against some of the companies, even where liabilities are denied. These too are being defended and the counsels are of the same view that they can be successfully defended. It may also be pointed out that there is vested interest working to destabilize our group of companies and are instrumental in bringing about cartelization in Banks / Financial Institutions to achieve their vested interests and trying to engineer default in repayment of loans etc. We have instituted suits and complaints against them in courts / forums of appropriate jurisdictions.

FUTURE OUTLOOK

During the next year over all situation in the cement industry in Pakistan is expected to be favorable due to havoc caused by the floods and resultant overall economic recession. The government has deferred its development projects, including housing and at the other end, private sector confidence is still low due to law and order situation in the country. The private sector is lacking funds to resume new projects.



First quarter of the current Financial Year has witnessed monsoon episode that has derailed the economy of the country and has also hit the manufacturing sector hard. Supply disruptions on account of damaged roads, bridges and rail links, along with a slow pace of construction activities across the country pushed dispatches down.

Though, the rains have subsided and flood water has finally begun to recede in major parts of the country, but they have done large scale damage to infrastructure and houses. The existing need for reconstruction of houses under cover of government and private sectors will fuel demand for cement. The industry expects local cement demand to grow by 10-15 percent in FY 2010-11.

A shortage of cement on the international scene is benefiting the domestic industry. Iraq in particular and various African countries, Afghanistan and Sri Lanka are fast growing export market for Pakistani cement industry. It is predicted that global cement demand will also rise in near future.

OBSERVATIONS IN THE AUDITORS' REPORT

The auditors have qualified their report on the following basis, which are duly explained.

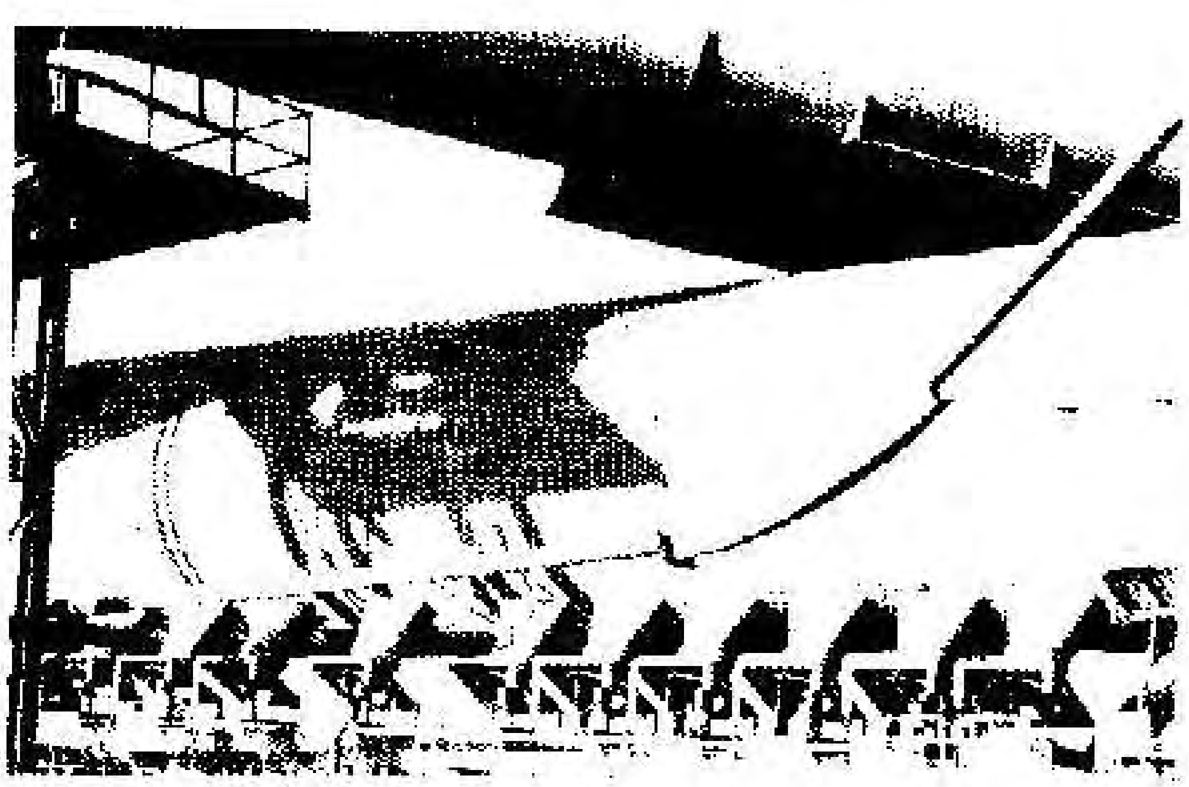
Advance for Pre-IPO Investment:

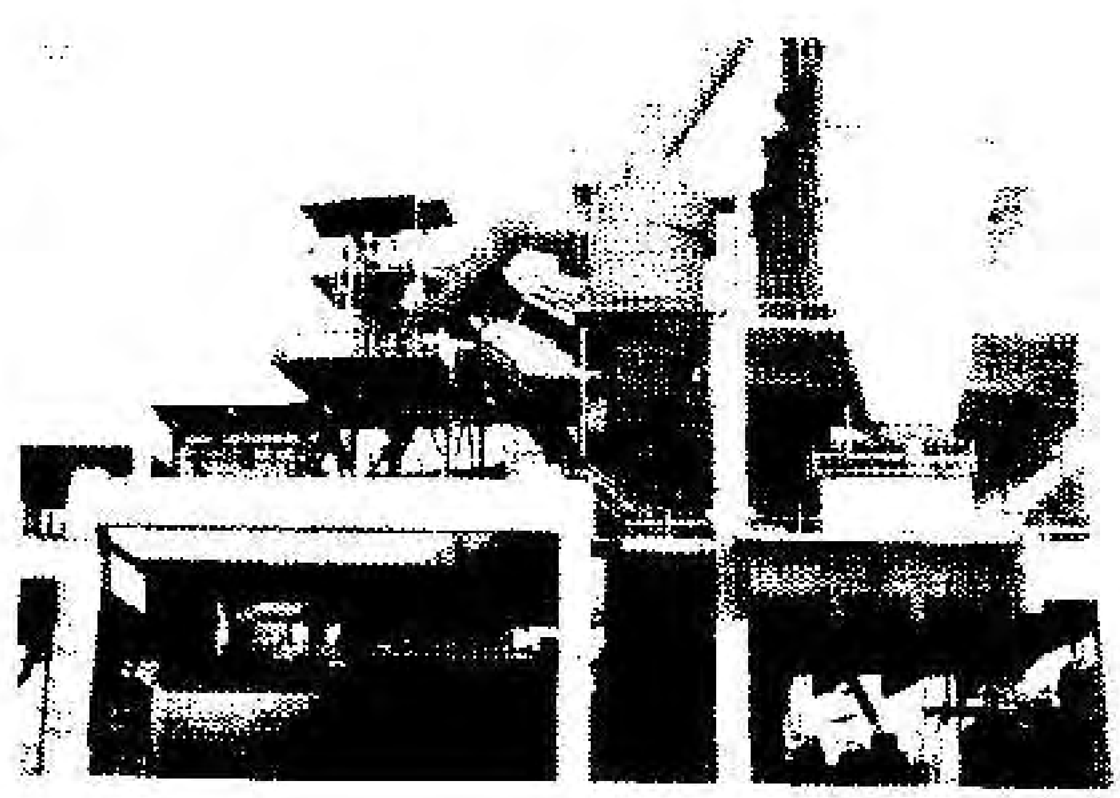
The auditors do not concur with the management assertion regarding the classification of advance for Pre-IPO investment amounting to Rs. 3,850 million as long term liability.

The management is of the view that since the funds were obtained for a period of six years, all of them are offered restructuring of their investments. Till the matter is resolved suitably with investors, management has decided to classify the same as long term liability.

Provision for mark-up:

The Company has not made provision of markup amounting to Rs. 1,023 million on its markup bearing liability.





The management has approached its bankers / financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the Company's restructuring proposals will be accepted by the financial institutions / bankers. Therefore the Company has not made any provision for mark-up.

Going Concern Assumption:

The auditors have added an emphasis of matter paragraph on the company's ability to continue as a going concern because the Company sustained operating loss of Rs. 623 million as compared to last year of Rs. 163 million and the current liabilities exceed by Rs. 4,576 million from its current assets, these conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Further, the management has also approached its bankers / financial institutions for restructuring of its long-term and short-term obligations. The management is confident that the Company's restructuring proposals will also be accepted by the financial institutions / bankers. These conditions mitigate the risk and preparation of the financial statement on going concern assumption is justified.

The management is of the view that these conditions are temporary and expected to reverse in near future.

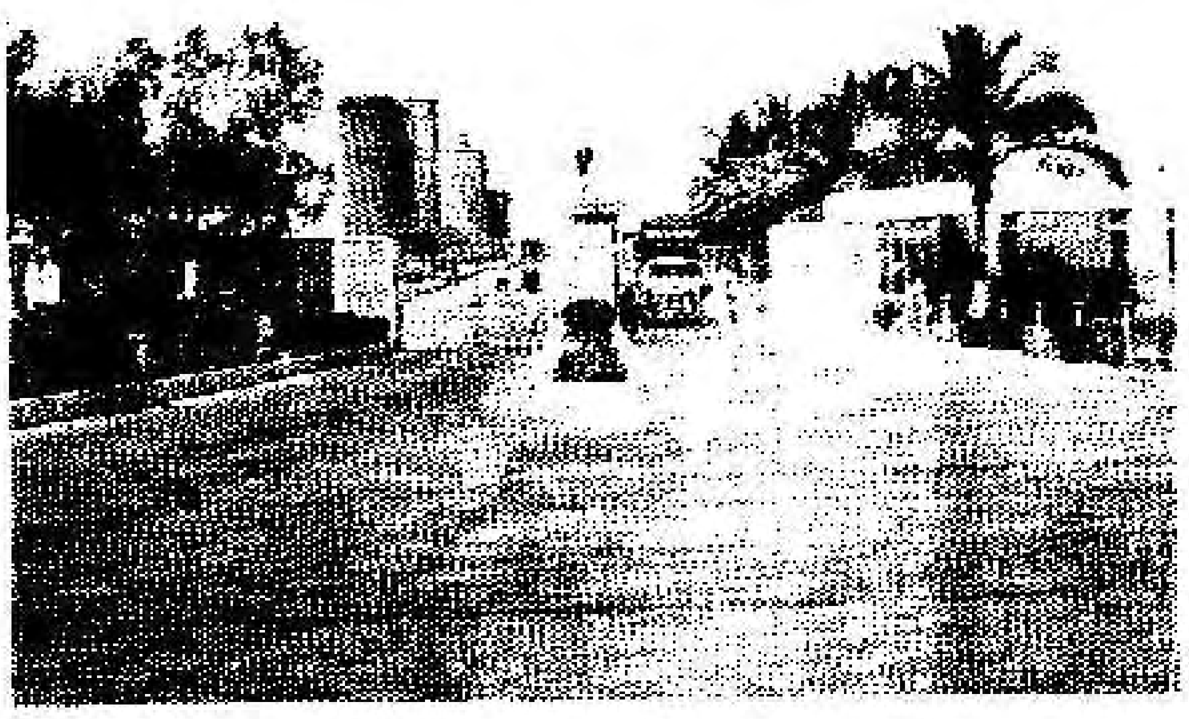
STATEMENT OF CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

We are pleased to report that your Company is fully compliant to the provisions of the Code of Corporate Governance as incorporated in the listing regulations of stock exchanges.

a) The annexed financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity;

b) Proper books of accounts of the company have been maintained;

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



d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements except for the departures disclosed in financial statements;

e) The system of internal control is sound in design and is effectively implemented and monitored. The process of review will continue and any weaknesses in control will be removed;

f) The doubts about the company's ability to continue as a going concern and its mitigating factors are disclosed in note 3 to the financial statements;

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

h) Key operating and financial data for last six years is summarized and annexed;

i) There are no outstanding taxes and levies other than those disclosed in the annexed financial statements;

j) The pattern of shareholding of the Company as at June 30, 2010 is annexed;

k) The value of investment of provident fund based on their respective latest accounts is Rs.26.6 million.

DIVIDEND

The Board is not in a position to recommend dividend for the period under review.

TRADING IN COMPANY SHARES

None of the Directors, CFO, Company Secretary, their spouses and minor children have traded in the shares of the Company during the year.

BOARD MEETING

During the year four (4) meetings of the Board of Directors were held, Directors' attendance in these meeting is as under:

Name of Directors	No. of meetings Attended	Status
Dewan M. Yousuf Farooqui	3	
Dewan Abdul Baqi Farooqui	3	
Dewan Abdullah Ahmed	-	
M. A. Lodhi	2	New Induction
Syed Muhammad Ali Khan	3	
Aziz-ul-Haque	4	
Wajahat A. Baqai	1	
Haroon Iqbal	4	
Abrar Manzoor	2	Resigned

Leave of absence was granted to the Directors who could not attend meetings.

Name of Director who co opted to fill in the casual vacancy following retirement, resignation of Director.

Name of Director

Mr. M. A. Lodhi

AUDITORS APPOINTMENT

The present auditors M/s. Faruq Ali & Co., Chartered Accountants, retire and being eligible, have offered their services for re-appointment as auditors for the ensuing year ending June 30, 2011.

The audit committee and the Board of Directors have recommended appointment of M/s. Faruq Ali & Co., Chartered Accountants as auditors of the company for the coming year.

VOTE OF THANKS

The Board would like to place on record its gratitude to its valuable shareholders, Federal and Provincial government functionaries, banks, development financial institutions, and customers for their cooperation, continued support and patronage.

The Board also expresses its thanks to the executives, staff members and workers of the company and wishes to place on record its appreciation for the efforts they are making in turning around the company.

CONCLUSION

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved prophet, Muhammad, Peace be upon him for continued showering of His Blessings, Guidance, Strength, Health and Prosperity to us, our company, Country and Nation; and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, amen, Summa-Ameen.

On behalf of the Board of Directors

Dewan M. Yousuf Farooqui

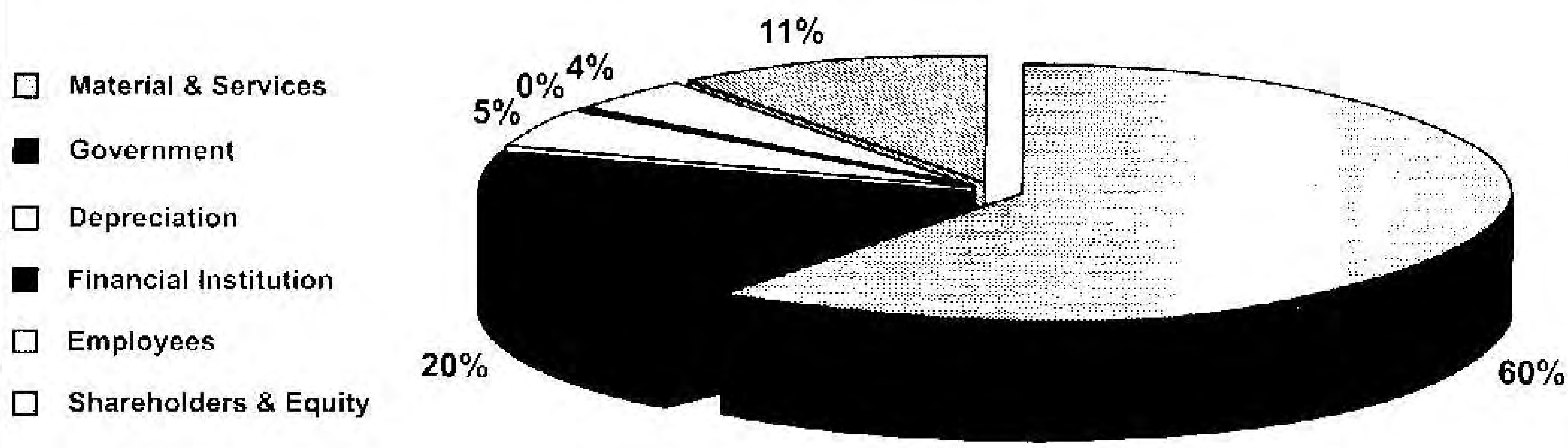
Dewan M. Yousuf Farooqui
Chairman & Chief Executive

Dated: October 04, 2010
Place: Karachi

KEY OPERATING AND FINANCIAL STATISTICS FOR LAST SIX YEARS

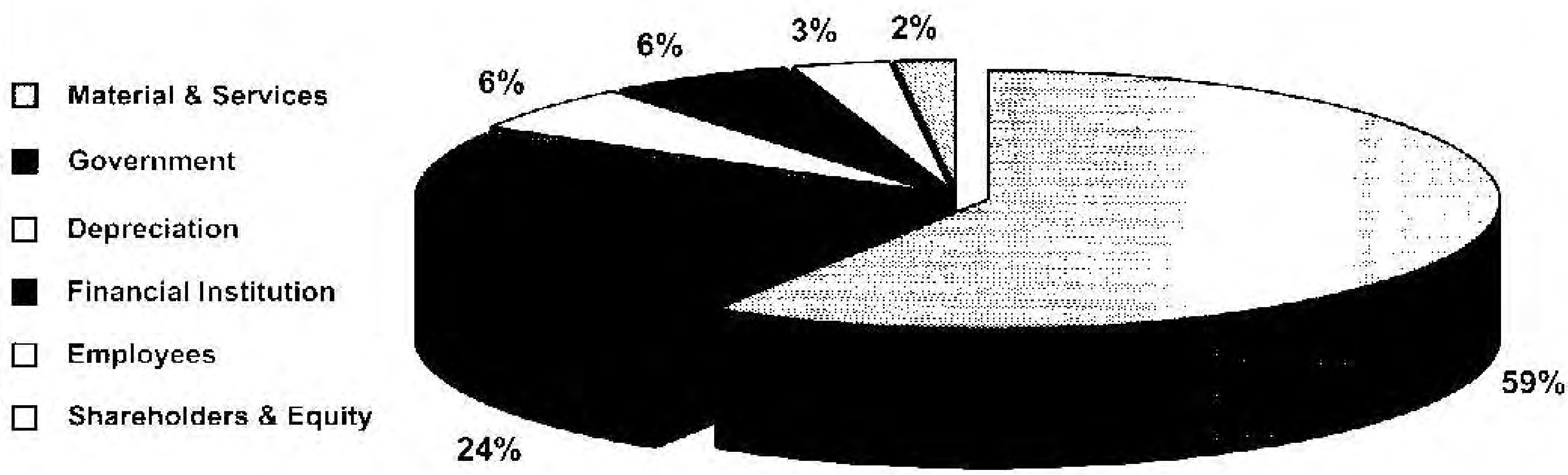
Particular	2010	2009	2008	2007	2006	2005
	(Tons. in thousands)					
QUANTITATIVE DATA						
Clinker Production	835	1,356	1,339	1,444	1,546	1,090
Cement Production	918	1,379	1,556	1,584	1,741	1,155
Cement Despatch	937	1,355	1,568	1,585	1,737	1,144
ASSETS EMPLOYED	(Rs. in million)					
Fixed Assets	19,680	20,015	19,927	19,333	12,783	12,185
Investment & Long-term advances, deposits & Deferred costs	57	72	75	54	27	3
Current Assets	1,133	1,510	1,609	2,815	1,676	1,494
Total Assets Employed	**20,870**	**21,597**	**21,611**	**22,202**	**14,486**	**13,682**
FINANCED BY						
Shareholder equity	3,628	4,222	4,308	4,704	3,046	1,828
Subordinated loan	-	-	-	-	-	602
Surplus on revaluation of fixed asset	4,046	4,008	4,015	4,091	1,085	1,131
Redeemable Capital	3,850	3,850	3,850	4,111	4,905	5,664
Long-term Loan & Long-term Liabilities/Disposits/Import bill/Deferred tax	2,000	2,625	3,221	3,433	2,216	1,885
Deferred Liabilities	1,623	1,750	2,066	2,192	826	467
Obligation under finance lease	14	31	89	135	38	-
Current Liabilities	5,708	5,110	4,061	3,536	2,370	2,105
Total Funds Invested	**20,870**	**21,597**	**21,611**	**22,202**	**14,486**	**13,682**
TURNOVER & PROFIT						
Turnover (Net)	3,495	5,683	4,598	4,330	5,631	3,234
Operating Profit / (Loss)	(611)	56	(538)	718	1,234	334
Profit / (Loss) Before Taxation	(619)	(376)	(582)	165	628	(73)
Profit / (Loss) After Taxation	(623)	(163)	(499)	207	357	(64)
Accumulated Profit / (Loss)	(575)	19	105	501	356	(528)

WEALTH GENERATED AND DISTRIBUTED DURING 2009-2010

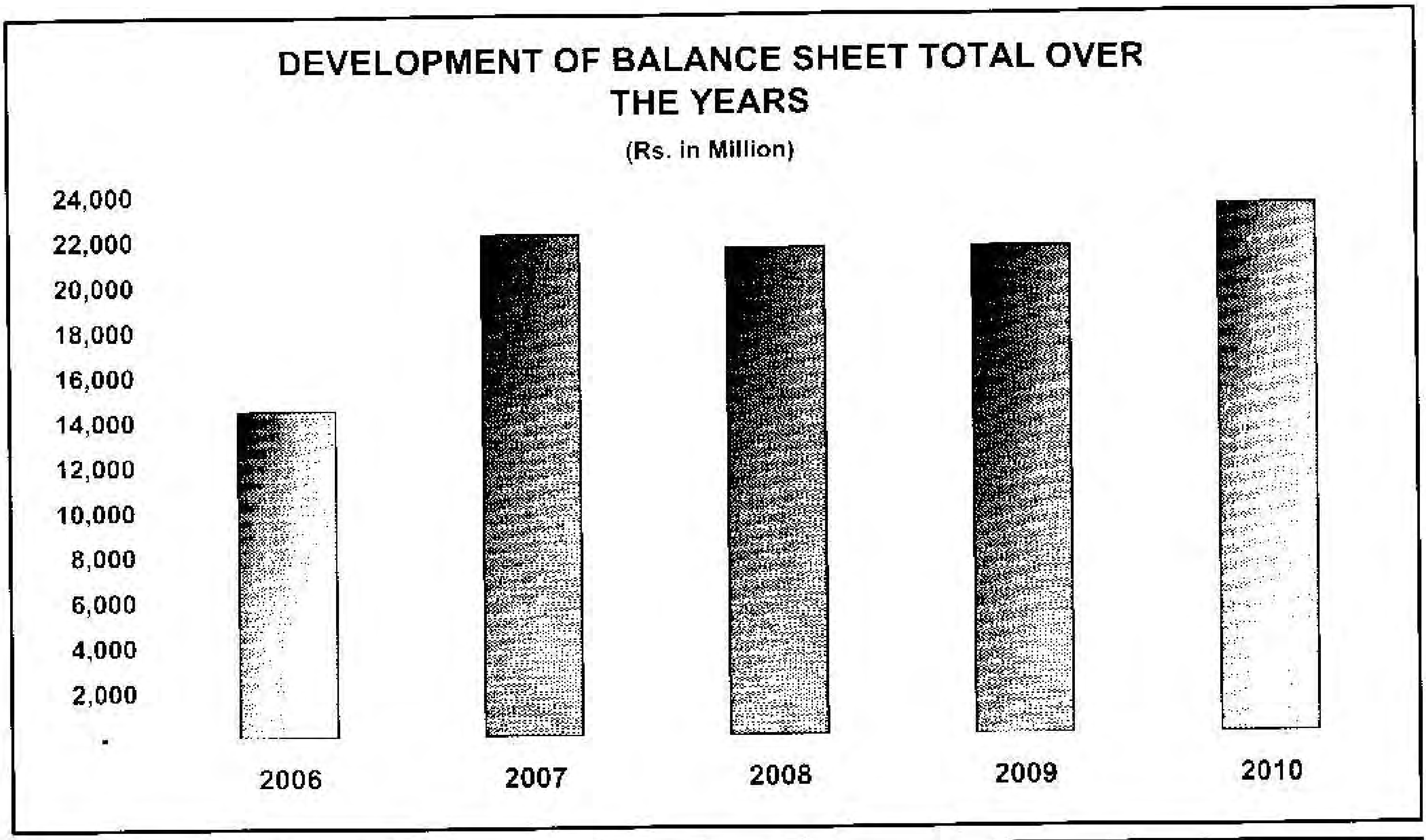


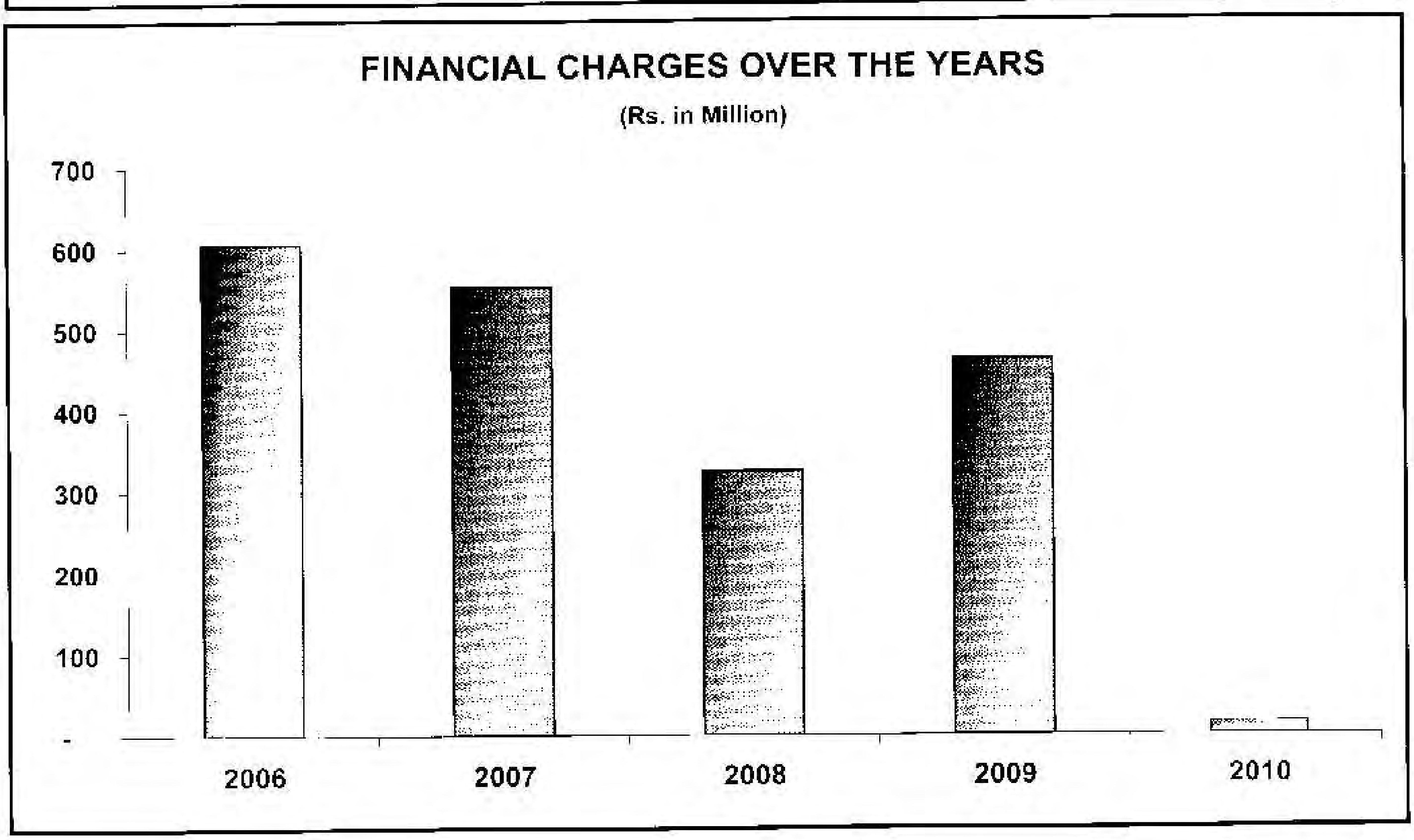
Total Revenue Rs. 4,660.334 million

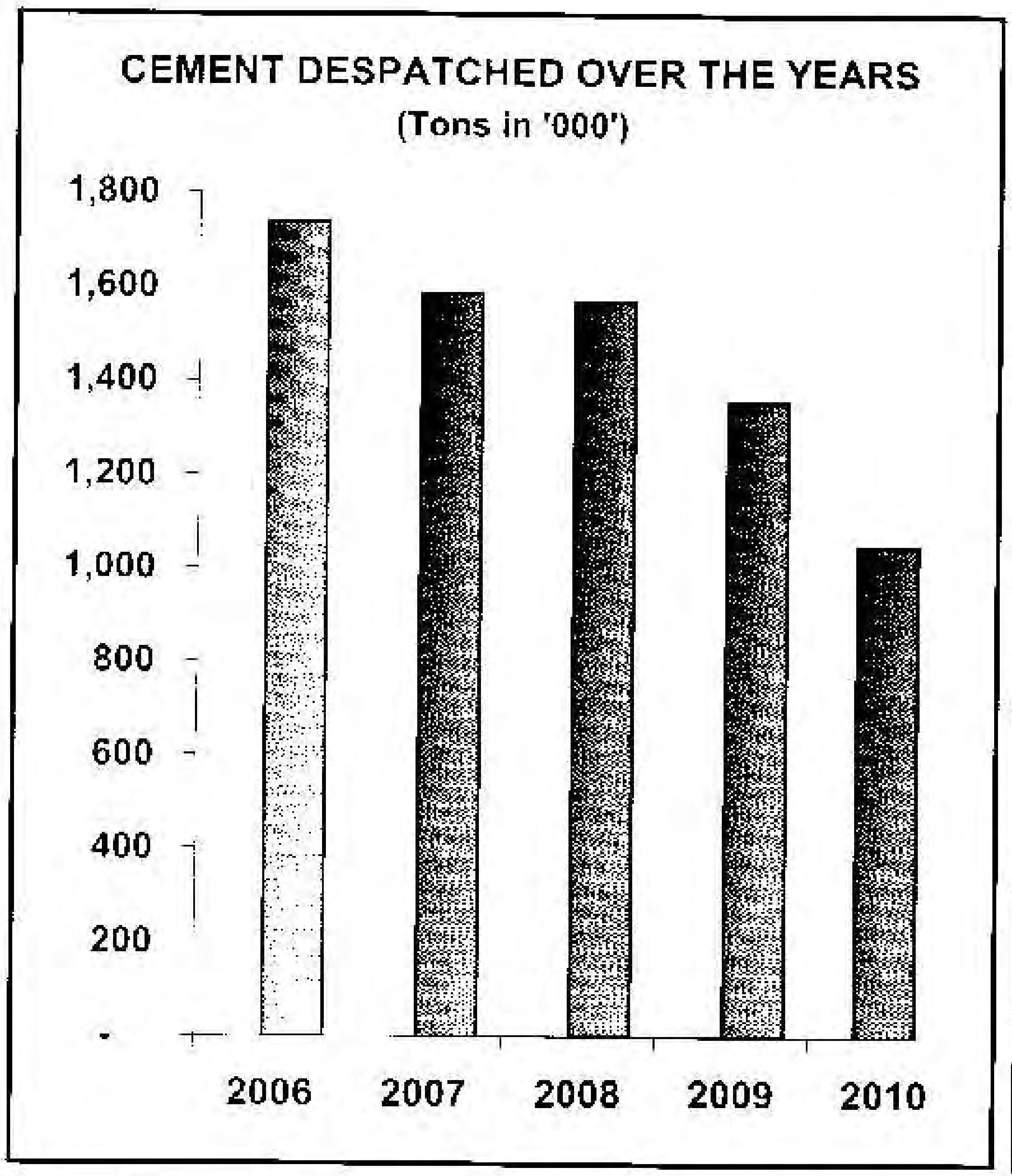
WEALTH GENERATED AND DISTRIBUTED DURING 2008-2009

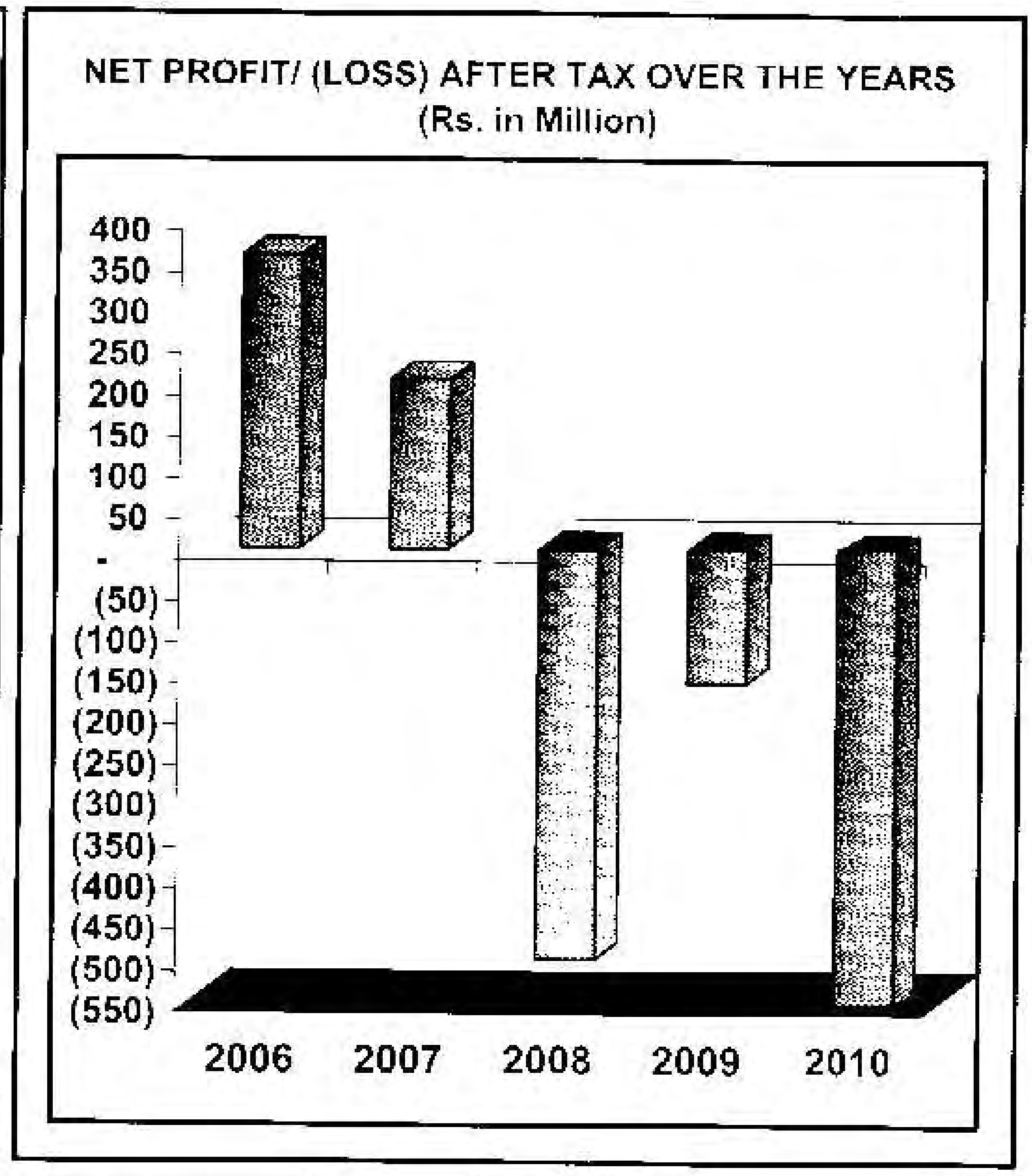


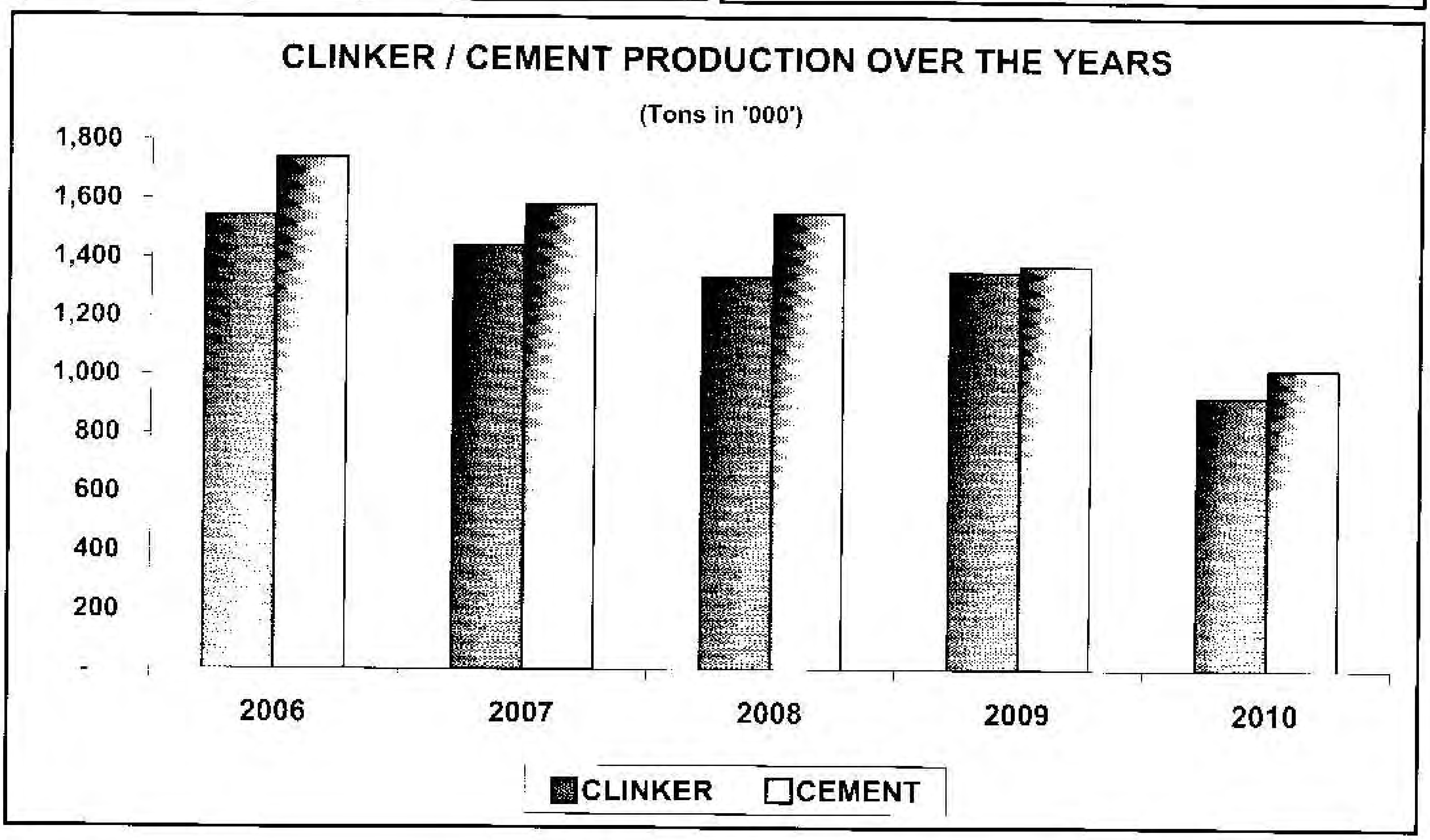
Total Revenue Rs. 7,618.370 million


DEVELOPMENT OF BALANCE SHEET TOTAL OVER THE YEARS
(Rs. in Million)
24,000
22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
2006
2007
2008
2009
2010


FINANCIAL CHARGES OVER THE YEARS
(Rs. in Million)
700
600
500
400
300
200
100
-
2006
2007
2008
2009
2010


CEMENT DESPATCHED OVER THE YEARS
(Tons in '000')
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2006
2007
2008
2009
2010


NET PROFIT/ (LOSS) AFTER TAX OVER THE YEARS
(Rs. in Million)
400
350
300
250
200
150
100
50
-
(50)
(100)
(150)
(200)
(250)
(300)
(350)
(400)
(450)
(500)
(550)
2006
2007
2008
2009
2010


CLINKER / CEMENT PRODUCTION OVER THE YEARS
(Tons in '000')
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2006
2007
2008
2009
2010
CLINKER
CEMENT

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi and Lahore Stock Exchanges 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 three independent non-executive directors including one non-executive director nominated by creditors.

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

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

4. One casual vacancy occurring in the Board during the period under review was filled up by the directors within thirty days thereof.

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

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

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

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

9. The Board comprises senior corporate executives and professionals, who are fully aware of their duties and responsibilities and hence need was not felt by the directors for any orientation course in this regard.

10. The appointments of CFO, Company Secretary and Head of Internal Audit, and their remuneration and terms and conditions of employment have been determined by the CEO and continue to remain approved by the board.

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

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

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

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

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

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

17. The Board has set-up an effective internal audit function.

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

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

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

On behalf of the Board of Directors

Dewan M. Yousuf Farooqui

Dewan M. Yousuf Farooqui
Chairman & Chief Executive

October 04, 2010
Karachi

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

222-A, Karachi Memon Cooperative Housing Society Justice Inamullah Road, Near Hill Park, Karachi-74800.
E-mail: faac@cyber.net.pk

Telephone :(021) 34301966
:(021) 34301967
:(021) 34301968
:(021) 34301969
Fax :(021) 34301965

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Cement Limited** ('the Company') 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 a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price 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.

Dated: October 04, 2010
Place: Karachi
Engagement partner: S. Naseem uz Zaman.

Chartered Accountants

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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:(021) 34301969
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Dewan Cement 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 explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) The company has classified 'advances for investment in term finance certificates' amounting to Rs.3,850 million (refer note 20 to the financial statements) as long term liability for the reason mentioned in said note. We do not concur with the management's assertion regarding its classification as long term liability. In our opinion the entire liability should be classified as current liability as per terms of agreements with the investors.

b) The company has not made provision of markup for the period amounting to Rs. 1,022.682 million (for the year ended June 30, 2009: Rs.443.455 million) (refer note 35.1) on account of restructuring proposal offered to the lenders as described in note 3 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation would have been higher by Rs. 1,022.682 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.1,433.137 million.

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

d) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied; except for the change resulted from initial application of amendment to existing standards, as disclosed in note 5.1.1 to the financial statements, 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 the expenditure incurred during the year were in accordance with the objects of the company;

e) in our opinion and to the best of our information and according to the explanations given to us, except for the matters discussed in paragraph (a) and (b) above, 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 Loss, its cash flows and changes in equity for the year then ended; and

f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

without further qualifying our opinion, we draw attention of the members to note 3 to the financial statements which indicates that the Company incurred a net loss of Rs.622.764 million during the year ended June 30, 2010 and as of that date, the Company's current liabilities exceeded its current assets by Rs.4,575.518 million and majority of the lenders have gone into litigation for recovery of their liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions (refer note 28 to the financial statements). These conditions, along with other matters as set forth in note 3, indicate the existence of material uncertainty which may cast significant doubt about company's ability to continue as going concern therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The amounts of loss and current liabilities reported in said note do not include the effect of matters discussed in para (a) and (b) above. The management is still hopeful that the restructuring proposal offered to the lenders will be accepted in proposed manner and cases will be withdrawn. The going concern assumption used in preparation of these financial statements is largely dependent on the acceptance of restructuring proposal offered to lenders and pending litigations as disclosed in note 28, the ultimate outcome of which cannot be ascertained.

Chartered Accountants

Dated: October 04, 2010
Place: Karachi
Engagement partner: S. Naseem uz Zaman.

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	19,679,623	20,015,133
Long term deposits	7	55,920	70,003
Long term loans	8	1,050	1,587
CURRENT ASSETS			
Stores and spare parts	9	336,016	379,892
Stock in trade	10	120,024	384,169
Trade debts - Unsecured	11	347,983	316,485
Loans and advances - Unsecured	12	146,492	149,209
Trade deposits and short term payments	13	26,109	27,978
Other receivables - Considered good	14	19,959	19,959
Short term investments	15	1,473	2,172
Taxation - Net		74,801	107,826
Cash and bank balances	16	60,016	122,311
		1,132,873	1,510,001
		20,869,466	21,596,724
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
500,000,000 (2009: 500,000,000) Ordinary shares of Rs. 10/- each		5,000,000	5,000,000
Issued, subscribed and paid up capital	17	3,573,750	3,573,750
Reserve - Net		54,349	648,287
		3,628,099	4,222,037
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax	18	4,045,524	4,007,712
NON CURRENT LIABILITIES			
Long term financing	19	1,077,611	1,701,547
Advances for investment in term finance certificates	20	3,850,000	3,850,000
Liabilities against assets subject to finance lease	21	14,408	31,494
Long term deposits and payables	22	922,284	923,029
Deferred taxation	23	1,623,102	1,750,444
		7,487,405	8,256,514
CURRENT LIABILITES			
Trade and other payables	24	1,653,861	1,624,625
Short term borrowings	25	660,875	660,875
Mark up payable	26	1,038,963	1,042,708
Current and overdue portion of long term borrowings	27	2,345,781	1,746,914
Sales tax payable		8,958	35,339
		5,708,438	5,110,461
CONTINGENCIES AND COMMITMENTS	28	--	--
		20,869,466	21,596,724

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

Maudood Ahmad Lodhi
Director

Dewan M. Yousuf Farooqui
Chairman / Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Turnover - Net	29	3,494,784	5,682,571
Cost of sales	30	(3,800,662)	(5,249,197)
Gross profit / (loss)		(305,878)	433,374
Distribution cost	31	(120,332)	(192,475)
Administrative expenses	32	(180,579)	(157,534)
Other operating expenses	33	(4,589)	(27,609)
		(305,500)	(377,618)
Operating profit / (loss)		(611,378)	55,756
Other operating income	34	3,046	30,945
Finance cost	35	(11,153)	(463,191)
		(8,107)	(432,246)
Loss before taxation		(619,485)	(376,490)
Taxation - Net	36	3,279	(213,282)
Loss after taxation		(622,764)	(163,208)
Other comprehensive income for the year:			
Revaluation carried out during the year		(46,509)	--
Related deferred tax		1,570	--
		(44,939)	--
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment		43,021	116,776
Related deferred tax		(14,195)	(40,001)
		28,826	76,775
Component of comprehensive income not reflected in equity		(44,939)	--
Total comprehensive income for the year		(593,938)	(86,433)
Loss per share - Basic and diluted	37	Rs. (1.74)	Re. (0.46)

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

Maudood Ahmad Lodhi
Director

Dewan M. Yousuf Farooqui
Chairman / Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(619,485)	(376,490)
Adjustment for non cash charges and other items		
Depreciation	289,001	467,704
Loss on remeasurement of short term investment	699	2,484
Gain on sale on property, plant and equipment	--	(147)
Finance cost	11,153	463,191
Exchange loss	--	16,398
Reversal of gratuity	--	(22,319)
Cash outflow before working capital changes	(318,632)	550,521
Working capital changes		
(increase)/decrease in current assets		
Stores and spare parts	43,876	17,609
Stock in trade	264,145	(256,367)
Trade debts - Unsecured	(31,498)	399,370
Due from related party	--	10,541
Loans and advances - Unsecured	2,717	(18,494)
Trade deposits and short term payments	1,869	4,311
Other receivables - Considered good	--	19,184
	281,109	176,154
Increase/(decrease) in current liabilities		
Trade and other payables	23,604	(25,134)
Sales tax payable	(26,381)	18,489
	(2,777)	(6,645)
	278,332	169,509
Cash generated from operations	(40,300)	720,030
Income tax paid	15,551	(100,273)
Long term loans - Net	537	(946)
Long term deposits	14,083	(18,244)
Long term deposits and payables	(745)	135
Net cash inflow from operating activities	(10,874)	600,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	--	(406,788)
Sale proceeds of property, plant and equipment	--	1,785
Net cash (used in) investing activities	--	(405,003)

	Note	June 30, 2010	June 30, 2009
		----------(Rupees in '000')----------	
CASH FLOWS FROM FINANCING ACTIVITIES			
Prepayment of debentures - Term Finance Certificates		--	(5,941)
Proceeds from long term financing - Net		--	50,020
Proceeds from short term borrowings		--	(103,544)
Finance cost paid		(9,266)	(126,548)
(Decrease) in liabilities against assets subject to finance lease		(42,155)	(19,947)
Net cash (outflow) from financing activities		(51,421)	(205,960)
Net (decrease) in cash and cash equivalents		(62,295)	(10,261)
Cash and cash equivalents at the beginning of the year		122,311	132,572
Cash and cash equivalents at the end of the year	16	60,016	122,311

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

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Maudood Ahmad Lodhi
Director

Dewan M. Yousuf Farooqui

Dewan M. Yousuf Farooqui
Chairman / Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid up capital	RESERVES			Total Equity
		CAPITAL	REVENUE		
		Merger reserve	(Accumulated loss) / Unappropriated profit	Total reserves	
	-----------------	-----------------	(Rupees in '000')	-----------------	-----------------
Balance as at June 30, 2008	3,573,750	629,444	105,276	734,720	4,308,470
Total comprehensive income for the year	--	--	(86,433)	(86,433)	(86,433)
Balance as at June 30, 2009	**3,573,750**	**629,444**	**18,843**	**648,287**	**4,222,037**
Total comprehensive income for the year	--	--	(593,938)	(593,938)	(593,938)
Balance as at June 30, 2010	**3,573,750**	**629,444**	**(575,095)**	**54,349**	**3,628,099**

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

Maudood Ahmad Lodhi
Director

Dewan M. Yousuf Farooqui
Chairman / Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1 THE COMPANY AND ITS OPERATIONS

Dewan Cement Limited (the Company / DCL) was incorporated in Pakistan as a public limited company in March, 1980. Its shares are quoted on the Karachi and Lahore Stock Exchanges since June, 1989. The registered office of the Company is situated at 7th Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The principal activity of the Company is manufacture and sale of cement. The Company has two production facilities at Deh Dhando, Dhabeji Karachi, Sindh and Kamilpur Hattar Industrial Estate, district Hattar Khyber Pakhtoonkhuwa.

2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except that certain fixed assets and certain investments have been included at fair values in accordance with the relevant International Financial Reporting Standards (IFRSs).

3 GOING CONCERN ASSUMPTION

The financial statements for the year ended June 30, 2010 reflect loss after taxation of Rs. 622.764 million (2009:163.208 million) and as of that date its current liabilities exceeded its current assets by Rs.4,575.518 million (2009:Rs.3,600.460 million). The company's short term borrowing facilities have expired and not been renewed and the company has been unable to ensure scheduled payments of long term borrowings due to the liquidity problems. Following course, majority of the lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties and certain lenders have also filed winding up petitions. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The liquidity crunch presently faced by the company is due to the fact that the banks / financial institutions did not give due committed support to the company for completion of its line II project in south.

However, the management is of the view that operating cash flows of the company will be positive on account of expected increase in demand of cement and positive margins on account of increasing trend in cement prices, the company as a going concern would be a viable unit. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

(a) All the debt obligations of the company be converted into a Privately Placed TFC of eight years inclusive of grace period of 3 years
(b) Principal to be repaid in equal half-yearly installments with first such payment falling due after six months from the end of grace period; and
(c) Mark up payable as on December 31, 2008 to be freezed and paid quarterly over a period of four years from the date of restructuring.

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders in near future, and court cases will be withdrawn by lenders.

Accordingly, these financial statements have been prepared on a going concern basis.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making the estimates, Company uses the technical resources available with the Company. Any change in the estimates in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on depreciation charge and impairment.

4.2 Stores and spare parts

The Company reviews the net realizable value (NRV) of stores and spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4.3 Stock-in-trade

The Company reviews the NRV of stock-in-trade to asses any diminution in the respective carrying value. NRV is estimated with reference to the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to make the sale.

4.4 Trade debts

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.5 Future estimation of export sales

Provision for deferred tax has been calculated based on an estimate that the future ratio of export sales to total sales will remain at the same level as average of last three years including the current financial year. Any change in the estimate in future years will affect the provision in this regard in those years.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in note 20.1 and 35.1 to the financial statements, for which the management concludes that classification of liabilities into current (note 20.1) and provisioning of markup (note 35.1) would conflict with the overall objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provision or directives of the Companies Ordinance, 1984, shall prevail.

5.1.1 Initial Application of a standard or an Interpretation

During the current year, the Company has adopted the following new and amended IAS as of July 01, 2009, which has resulted in extended disclosures as described below:

IAS 1 - (Revised) *Presentation of Financial Statements' (effective January 1, 2009)*

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other 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). The company does not have any item of income and expenses representing other comprehensive income. Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the company's financial statements and does not require the restatement or reclassification of comparative information.

5.1.2 Standard and interpretations that become effective during the year

The following standards (revised or amended) and interpretations become effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IFRS 3 - Business Combinations (Revised)
IFRS 7 - Financial Instruments: Disclosure (Amended)
IFRS 8 - Operating Segments
IAS 23 - Borrowing Cost (Revised)
IAS 27 - Consolidated and Separate Financial Statements (Revised)
IAS 32 - Financial instruments (Amended of reputable instruments and obligations arising on liquidation)
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)
IFRIC 15 - Agreements 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 - Transfers of Assets from Customers

5.1.3 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations which have been issued but are not yet effective for the current financial year.

		Effective for period beginning on or after
IAS 24 -	Related Party Disclosures (Revised)	January 01, 2011
IAS 32 -	Financial Instruments: Presentation - Amendments Relating to Classification of Rights Issues	February 01, 2010
IFRS 2	Share based Payment: Amendments relating to Group Cash - settled Share-based Payments Transactions	January 01, 2010
IFRIC 14 -	IAS 19 - The Limited on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 01, 2011
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

5.2 Fixed assets and depreciation

5.2.1 Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation or accumulated impairment, if any, except capital work-in-progress which is stated at historical cost and freehold land which is stated at revalued amount.

The value of leasehold land is being amortised over the lease period in equal installments.

Quarry development cost is amortised over its estimated useful life.

Depreciation on additions is charged from the month in which the asset is available for use, whereas on disposals, no depreciation is charged in the month of disposal. Depreciation on all tangible fixed assets, except plant and machinery, is charged to profit and loss account using the reducing balance method at the rates mentioned in note 6.1 to the financial statements. Depreciation on plant and machinery is charged using units of production method.

For revalued assets, valuations are conducted frequently enough to ensure that the fair value of revalued assets do not differ materially from its carrying amount. Surplus arising on revaluation is credited to surplus on revaluation of fixed assets account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit, net of the related deferred tax.

The carrying values of property, plant and equipment are reviewed for impairment on periodic basis. If any indication exists that the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements which increases the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the relevant assets. The are included in the profit and loss account. When revalued assets are sold, the relevant undepreciated surplus is transferred directly by the Company to its unappropriated profit account.

5.2.2 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Fixed Assets account" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year

5.2.3 Assets subject to finance lease

The Company accounts for fixed assets acquired under finance lease by recording the assets and the related liability at the amounts which are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to profit and loss account applying the same basis as for owned assets.

5.2.4 Capital work-in-progress

All expenditure connected with specific assets incurred during development, installation and construction period are carried as capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

5.2.5 Borrowing costs

The Company capitalizes borrowing costs relating to qualifying assets, during the period in which these are acquired and developed for the intended use. Other borrowing costs are charged to profit and loss account.

5.2.6 Intangible assets

Computer software costs that are directly associated with computer and computer controlled machines which cannot operate without the related specific software, are included in the costs of the respective assets. Software which are not an integral part of the related hardware are classified as intangible assets.

5.3 Investments

At fair value through profit or loss

These investments are initially recognized at fair value. Subsequent to initial recognition, these are measured at fair value (generally the quoted market price). All realized and unrealized gains and losses arising from changes in fair value of investments are taken to profit and loss account in the period in which such gains and losses arise.

5.4 Stores and spare parts

These are valued at lower of average cost and net realisable value (NRV). Stores and spare parts in-transit are valued at invoice value plus other charges incurred thereon.

Provision write off, if required, is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

5.5 Stock-in-trade

These are valued at lower of cost and net realisable value (NRV). Cost is determined as follows:

- Raw and packing material	- at average cost
- Work-in-process and finished goods	- at average cost of goods produced

NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessarily to be incurred to make the sale.

5.6 **Trade debts and other receivables**

Trade debts are recognized at invoice value (which is generally the fair value) less provision for uncollectible amounts, if any. Provision for doubtful debts is based on management's assessment of customers' credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

5.7 **Provisions**

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

5.8 **Taxation**

5.8.1 **Current**

Provision for current taxation is based on taxable income at the current rates of taxation or based on turnover at the specified rates, whichever is higher, after taking into account tax credits and rebates available.

5.8.2 **Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

5.9 **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cheques in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

5.10 **Revenue recognition**

Sales are recorded on passage of title to the customers which generally coincides with dispatch of goods to customers.

Dividend income is recognized when right to receive the dividend is established.

Profit on bank deposits, interest income and other revenues are accounted for on accrual basis.

5.11 Employee benefits

5.11.1 Provident fund

The Company operates separate defined contributory provident funds for all its employees who are eligible for the plan. Equal contributions are made by the Company and employees to the funds at the rate of 8.33 percent of basic salary.

5.11.2 Compensated absences

The Company accounts for compensated absences on the basis of unavailed earned leaves balance of each employee at the end of the year using current salary levels.

5.12 Foreign currency translation

Transactions in foreign currencies are converted into Pak Rupees (functional currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using exchange rates prevailing on the balance sheet date. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. All exchange differences are included in the profit and loss account.

5.13 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the government are not financial instruments of the Company.

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

5.14 Related party transactions

All transactions with related parties are priced using the methods prescribed under the Companies Ordinance, 1984 as approved by the Board of Directors of the Company.

6 PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Operating assets - Owned	6.1	18,871,447	19,197,236
Assets subject to finance lease	6.2	3,231	12,952
Capital work in progress	6.4	804,945	804,945
		19,679,623	20,015,133

6.1 Operating assets - Owned

	2010									
	COST / REVALUATION				ACCUMULATED DEPRECIATION					
	As at July 01, 2009	Revaluation	Transfers	As at June 30, 2010	As at July 01, 2009	Adjustment for transfers / disposals	for the year	As at June 30, 2010	Book Value as at June 30, 2010	Rate %
	(Rupees in '000')									
Leasehold land	150,000	(25,500)	–	124,500	3,000	–	1,500	4,500	120,000	1
Freehold land	150,521	(16,522)	--	133,999	-	–	–	–	133,999	-
Quarry	915	–	--	915	915	–	--	915	--	-
Buildings on leasehold land and quarry development	845,076	3,617	--	848,693	279,986	–	53,580	333,566	515,127	5 to 10
Buildings and civil works on Freehold land	957,137	63,809	–	1,020,946	459,730	–	49,659	509,389	511,557	5 to 10
Roads	124,966	–	–	124,966	64,186	–	3,039	67,225	57,741	5
Plant and machinery	19,148,270	(71,913)	--	19,076,357	1,461,342	–	165,565	1,626,907	17,449,450	UOP
Electric installation	34,726	-	–	34,726	24,195	–	526	24,721	10,005	5
furniture and fixture	84,354	–	--	84,354	61,224	–	2,324	63,548	20,806	10 to 20
Equipment	20,632	–	--	20,632	9,680	–	1,143	10,823	9,809	10 to 20
Computers	45,273	–	–	45,273	40,158	–	1,600	41,758	3,515	33
Vehicles	108,410	–	14,085	122,495	68,628	6,335	8,094	83,057	39,438	20
	21,670,280	(46,509)	14,085	21,637,856	2,473,044	6,335	287,030	2,766,409	18,871,447	

	2009									
	COST / REVALUATION				ACCUMULATED DEPRECIATION					
	As at July 01, 2008	Additions / (disposals)	Transfers	As at June 30, 2009	As at July 01, 2008	Adjustment for transfers / disposals	for the year	As at June 30, 2009	Book Value as at June 30, 2009	Rate %
	(Rupees in '000')									
Leasehold land	150,000	--	--	150,000	1,500	--	1,500	3,000	147,000	1
Freehold land	150,521		--	150,521	--	--		-	150,521	-
Quarry	915	--	--	915	915		--	915	--	-
Buildings on leasehold land and quarry development	845,076	--	--	845,076	220,624	--	59,362	279,986	565,090	5 to 10
Buildings and civil works on Freehold land	957,137		--	957,137	404,558	--	55,172	459,730	497,407	5 to 10
Roads	124,966	--	--	124,966	60,987		3,199	64,186	60,780	5
Plant and machinery	14,111,284	5,024,486	12,500	19,148,270	1,132,417	545	328,385	1,461,342	17,686,928	UOP
Electric installation	34,726	--		34,726	23,641	--	554	24,195	10,531	5
furniture and fixture	84,354	--	--	84,354	58,639	--	2,585	61,224	23,130	10 to 20
Equipment	20,178	454		20,632	8,411	--	1,269	9,680	10,952	10 to 20
Computers	45,187	86	--	45,273	37,851	--	2,307	40,158	5,115	33
Vehicles	82,382	7,947 (3,280)	21,361	108,410	52,501	10,604 (1,941)	7,464	68,528	39,882	20
	16,606,726	5,032,973 (3,280)	33,861	21,670,280	2,002,039	11,149 (1,941)	461,797	2,473,044	19,197,236	

6.1.1 In June 2010 the Company had revalued its leasehold and freehold land, buildings on leasehold and freehold lands and plant and machinery. The revaluation exercise was carried out by M/s Isotec (The House of Professional Engineers). Such revaluation resulted in net reduction of carrying amounts of such assets by Rs.46.509 million in aggregate, accordingly the carrying amounts of these fixed assets have been reduced by debiting to exisiting surplus on revaluation of fixed assets as follows:

	Carrying Amounts	Revalued Amount	Increase / (Decrease) in Surplus
Leasehold land	145,500	120,000	(25,500)
Freehold land	150,522	134,000	(16,522)
Buildings on leasehold land and quarry development	511,512	515,129	3,617
Buildings and civil works on Freehold land	447,745	511,554	63,809
Plant and machinery	17,521,365	17,449,452	(71,913)
	18,776,644	18,730,135	(46,509)

6.1.2 Had there been no revaluation, the net book value of the specific items of property, plant and equipment would have been as follows:

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
Freehold land	**50,379**	47,313
Leasehold land	**1,735**	1,782
Buildings on leasehold land and quarry development	**263,162**	289,150
Buildings and civil work on freehold land	**694,541**	771,617
Plant and machinery	**12,051,692**	12,176,877
	13,061,509	13,286,739

6.2 Assets subject to finance lease

	COST				ACCUMULATED DEPRECIATION				Book Value	Rate
	As at July 01, 2009	Additions / (disposals)	Transfers	As at June 30, 2010	As at July 01, 2009	on (disposals) / transfer	for the year	As at June 30, 2010	as at June 30, 2010	%
	(Rupees in '000')									
Vehicles	23,385	–	(14,085)	9,300	10,433	(6,335)	1,971	6,069	3,231	20
2010	23,385	–	(14,085)	9,300	10,433	(6,335)	1,971	6,069	3,231	

	COST				ACCUMULATED DEPRECIATION					Rate
	As at July 01, 2008	Additions / (disposals)	Transfers	As at June 30, 2009	As at July 01, 2008	on (disposals) / transfer	for the year	As at June 30, 2009	as at June 30, 2009	%
	(Rupees in '000')									
Plant and machinery	12,500	--	(12,500)	--	545	(545)			--	UOP
Vehicles	44,746	--	(21,361)	23,385	15,130	(10,604)	5,907	10,433	12,952	20
2009	57,246	--	(33,861)	23,385	15,675	(11,149)	5,907	10,433	12,952	

		Note	June 30, 2010	June 30, 2009
6.3	The depreciation charge for the year has been allocated as follows:		-----------(Rupees in '000')-------------	
	Cost of sales - Manufacturing overheads		283,247	460,360
	Distribution cost		443	443
	Administrative expenses		5,311	6,901
			289,001	467,704
6.4	**Movement is as follows:**			
	Opening balance		804,945	5,280,987
	Additions		--	548,447
			804,945	5,829,434
	Less: capitalized during the year	6.4.1	--	5,024,489
			804,945	804,945
	Breakup is as follows:			
	Owned			
	Plant and machinery	6.4.2	773,795	773,795
	Assets subject to finance lease			
	Computers		31,150	31,150
			804,945	804,945

6.4.1 Represents cost of South unit (Line II) capitalized last year thereby enhancing annual capacity by 960,000 metric tons. It includes trial run cost net of sale proceeds as follows:

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-------------	
Cost of manufacturing		
Material consumed	--	35,583
Fuel and power	--	205,140
Salaries, wages and benefits	--	5,916
Stores consumed	--	8,777
Others	--	10,806
	--	266,222
Sales proceeds:		
Gross local sales	--	216,269
Export sales	--	91,378
Less: federal excise duty	--	(42,259)
special excise duty	--	(1,864)
sales tax	--	(36,375)
sales incentives	--	(649)
	--	226,500
Trial run loss capitalized	--	39,722

6.4.2 Includes in-transit plant, machinery and equipment amounting to Rs. 516.545million (2009: Rs. 516.545 million).

6.4.3 Additions to capital work in progress includes borrowing cost capitalized during the year amounting to Rs. Nil (2009: Rs. 150.152 million).

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
7 LONG TERM DEPOSITS			
Lease deposits		14,178	28,261
Electricity and gas deposits		41,546	41,546
Others		196	196
		55,920	70,003
8 LONG TERM LOANS			
Considered good			
Executives	8.1 & 8.2	917	592
Employees	8.2	433	1,342
		1,350	1,934
Less: Due within one year, shown under current loans and advances	12	300	347
		1,050	1,587

8.1 Reconciliation of carrying amount of loans to executives

	Opening Balance	Disbursement	Repayment	Closing Balance
	(Rupees in '000)			
June 30, 2010	592	500	(175)	917
June 30, 2009	988	--	(396)	592

8.2 Represents interest free unsecured loans to executives and employees for purchase of vehicles and house building purposes. These are repayable in lump sum or by way of monthly installments within a period of 5 years or retirement date whichever is earlier. Maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.592 million (2009: Rs. 1.170 million).

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
9 STORES AND SPARE PARTS		
Stores and spare parts - In hand	299,706	373,783
- In transit	37,547	7,346
	337,253	381,129
Less: Provision for obsolescence	1,237	1,237
	336,016	379,892
10 STOCK IN TRADE		
Raw and packing material	26,761	58,599
Work in process	60,598	223,615
Finished goods	32,665	101,955
	120,024	384,169

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
11 TRADE DEBTS - Unsecured			
Considered good		347,983	316,485
Considered doubtful		54,953	54,953
		402,936	371,438
Less: Provision for doubtful debts		54,953	54,953
		347,983	316,485
12 LOANS AND ADVANCES - Unsecured			
Current portion of loans due from:			
Executives	8	300	347
Advances - Unsecured			
Considered good			
Employees - against salaries		879	830
- against expenses		3,899	4,322
		4,778	5,152
Suppliers and contractors		141,414	143,710
Considered doubtful			
Suppliers and contractors		63,631	63,631
Less: Provision for doubtful advances		63,631	63,631
		--	--
		146,539	149,209
13 TRADE DEPOSITS AND SHORT TERM PAYMENTS			
Trade deposits - Considered good			
Short term deposits		1,139	747
Margin against bank guarantees	28.1(b)	12,843	12,843
Others		1,339	1,054
		15,321	14,644
Short term prepayments		9,182	11,728
Sales tax on advances		1,606	1,606
		26,109	27,978
14 OTHER RECEIVALBES - Considered good			
Excise duty recoverable	14.1	2,705	2,705
Furnace oil claim	14.2	764	764
Sales tax claim	14.3	13,502	13,502
Insurance claim		2,988	2,988
		19,959	19,959

14.1 Represents claims of Central Excise Duty (CED) duty filed by the Company before the collector of Central Excise Karachi and large tax payer unit for the different periods.

14.2 Represents claims of refund from the Oil Companies for short supply of furnace oil.

14.3 Represents claims of Sales tax filed before the collector of sales tax and large tax payer unit for the different periods.

15 SHORT TERM INVESTMENTS

At fair value through profit or loss

June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009
Number of shares			(Rupees in '000')	
144,917	144,917	Cherat Cement Limited	1,336	1,961
17,717	17,717	Crescent Standard Investment Bank Limited	40	53
6,930	6,930	Trust Commercial Bank Limited	19	69
2,603	2,603	Royal Bank of Scotland Ltd.	34	44
190	190	Standard Chartered Bank Limited	1	2
92,500	92,500	Zeal Pak Cement Limited	43	43
			1,473	2,172

16 CASH AND BANK BALANCES

	June 30, 2010	June 30, 2009
Cash in hand	13,230	79
With banks:		
on deposit - PLS saving accounts	1,532	1,532
- on current accounts	45,254	120,700
	46,786	122,232
	60,016	122,311

16.1 These represent term deposit accounts and PLS saving accounts with commercial banks carrying profit ranging from 6.2 percent to 8.5 percent (2009: 5.7 percent to 7 percent) per annum. Deposits have a maturity of less than three months.

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
336,125,000 (2009: 336,125,000) Ordinary shares of Rs.10 each fully paid in cash	3,361,250	3,361,250
21,250,000 (2009: 21,250,000) Ordinary shares of Rs.10 each issued as bonus shares	212,500	212,500
	3,573,750	3,573,750

17.1 148,307,273 (2009: 148,307,273) shares are held by associated companies.

18 SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax

	June 30, 2010	June 30, 2009
Gross surplus		
Opening balance	5,758,156	5,874,932
Surplus arising due to revaluation of Property, plant and equipment	(46,509)	--
Transfer to unappropriated profit in respect of incremental depreciation charged during the current year	(43,021)	(116,776)
	5,668,626	5,758,156

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-----------	
Less: Related deferred tax		
Opening balance	1,750,444	1,859,992
depreciation charged during the year	(14,195)	(40,001)
effect of fresh revaluation	(1,570)	--
Effect of reduction in effective tax rate on account of a portion of the income of the Company being assessed under Final Tax Regime	(111,577)	(69,547)
	1,623,102	1,750,444
	4,045,524	4,007,712

18.1 The balance of surplus on revaluation of fixed assets is not available for distribution to shareholders.

19 LONG TERM FINANCING

	Note	June 30, 2010	June 30, 2009
		-----------(Rupees in '000')-----------	
Long-term loan financial institution - Secured			
Long term loan - I	19.1	93,333	93,333
Long term loan - II	19.2	70,000	70,000
Long term loan - III	19.3	200,000	200,000
Long term loan - IV	19.4	300,000	300,000
Long term loan - V	19.5	75,000	75,000
Long term loan - VI	19.6	310,369	310,369
Long term loan - VII	19.7	500,000	500,000
Long term loan - VIII	19.8	350,000	350,000
Long term loan - IX	19.9	165,000	165,000
Long term loan - X	19.10	250,000	250,000
		2,313,702	2,313,702
Less: Current maturity		(623,936)	(623,936)
Over due portion		(1,057,377)	(433,441)
		632,389	1,256,325
Unsecured			
From sponsors	19.12	317,383	317,383
From investors (former DHCL)	19.13	26,553	26,553
Others	19.14	101,286	101,286
		445,222	445,222
		1,077,611	1,701,547

19.1 Represents loan obtained from a Development Financial Institution (DFI) carrying mark-up at the rate of KIBOR plus 2.5% with sales price of Rs. 120 million and purchase price of Rs. 234.4 million. The loan is repayable in 9 equal semi-annual installments commencing one year after the date of disbursement of loan i.e. April 26, 2006. The loan is secured by way of hypothecation ranking charge over fixed assets to be converted in to first pari passu charge within 90 days from the date of disbursement.

19.2 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 2.5% with sales price of Rs. 80 million and purchase price of Rs. 137.254 million. The loan is repayable in 8 equal semi-annual installments commencing eighteen months after the date of disbursement of loan i.e. June 28, 2006. The loan is secured by way of first pari passu charge on fixed assets of the Company including land, building and machinery with 25% margin on facility amount.

19.3 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 3.25% with sales price of Rs. 200 million and purchase price of Rs. 289.375 million. The loan is repayable in 8 equal semi-annual installments starting two years after the date of disbursement of loan i.e. November 1, 2006. The loan is secured by way of ranking charge convertible to a first pari-passu charge within ninety days of the disbursement of the facility over all present and future fixed assets of the Company with a margin of 25 percent.

19.4 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 4.5% with sales price of Rs. 300 million and purchase price of Rs. 637.685 million. The loan is repayable in 6 equal semi-annual installments commencing thirty months after the date of disbursement of loan i.e. November 7, 2006. The loan is secured by way of first pari-passu charge over all present and future fixed assets of the Company and corporate guarantees provided by certain group companies.

19.5 Represents loan obtained from a DFI carrying mark up at the rate of KIBOR plus 3% with sales price of Rs. 75 million and purchase price of Rs. 117.729 million. The loan is repayable in 8 equal semi-annual installments commencing two years after the date of disbursement of loan i.e. July 28, 2006. The loan is secured by way of hypothecation ranking charge over all present and future fixed assets of the Company with 25 percent margin to be converted in to first pari-passu charge in favour of the DFI within 120 days from the date of first drawdown of the facility.

19.6 Represents disbursed amount of loan facility amounting to Rs. 320 million obtained from a commercial bank carrying mark up at the rate of KIBOR plus 2.9% with sales price of Rs. 320 million and purchase price of Rs. 563.200 million. The loan is repayable in 10 equal semi-annual installments commencing thirty months after the date of disbursement of loan i.e. October 31, 2006 The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 426.667 million in favour of the bank, creation of first pari-passu charge by way of mortgage by deposit of title deeds in respect of the mortgaged properties in the sum of Rs. 426.667 million in favour of the bank and execution of a demand promissory note of Rs. 563.200 million in favour of the bank.

19.7 Represents loan obtained from a commercial bank carrying mark up at the rate of KIBOR plus 2.5% with sales price of Rs. 500 million and purchase price of Rs. 975.562 million. The loan is repayable in 10 equal semi-annual installments commencing 30 months after the date of disbursement of loan i.e. October 31, 2006. The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 666.667 million in favour of the bank and creation of first pari-passu charge by way of mortgage by deposit of title deeds in respect of the mortgaged properties in the sum of Rs. 666.667 million in favour of the bank.

19.8 Represents long-term financing obtained from a commercial bank disbursed on June 06, 2006 with sale price of Rs. 500 million and purchase price of Rs. 700 million. The loan is repayable in 10 equal semi-annual installments which commenced from December 2006. This carries mark-up at the rate of KIBOR plus 2.5 percent per annum. The loan is secured by creating first pari passu hypothecation charge over present and future plant and machinery and creation of first pari passu equitable mortgage charge over all land and building.

19.9 Represents loan obtained from a commercial bank carrying mark up at the rate of 3 months KIBOR plus 2% with sales price of Rs. 165 million and purchase price of Rs. 239.309 million. The loan is repayable in 13 equal quarterly installments beginning one year after the date of restructuring of terms of loan i.e. June 28, 2008. The loan is secured by creating first pari-passu charge by way of hypothecation over the hypothecated assets in the sum of Rs. 240 million in favour of the bank. Initially a ranking charge is created which will be upgraded to 1st pari passu charge with in 120 days of draw down.

19.10 Represent medium term finance obtained from a commercial bank carrying markup @ three months KIBOR plus 2% per annum with sales price of Rs.250 million and purchase price of 353.136 million. The loan is repayable in eight equal quarterly installments commencing from the fifth quarter from date of disbursement. The financing is secured by ranking hypothecation charge and equitable mortgage over fixed assets of the company valuing 333.33 million with 25% margin. The charge was to be converted into first pari passu within 180 days from date of disbursement.

19.11 All of the lenders have gone into litigation with the company as more fully explained in note 28.1(d) to the financial statements.

19.12 This represents interest / mark-up free unsecured loan from sponsors of the Company and repayable after twelve months.

19.13 These are unsecured, interest / mark-up free borrowings from an investor as a long-term finance. The specific terms, conditions and security arrangements have not yet been finalized.

19.14 Represents unsecured interest-free borrowing from certain individuals and are expected to be due after one year. The terms and conditions for repayment are yet to be finalized.

	Note	June 30, 2010	June 30, 2009
		-----------(Rupees in '000')------------	
20 ADVANCES FOR INVESTMENT IN TERM FINANCE CERTIFICATES			
Secured	20.1	3,850,000	3,850,000

20.1 It represents private placement (Pre-IPO) investment of Rs. 3,850 million received as advanced against issue of rated, listed and secured term finance certificates out of total issue of Rs. 5,000 million for a tenure of six years. The company was required to complete the public offering on or before 270 days of signing of the respective agreements, i.e. October 05, 2008. The company was unable to complete the requisite formalities of public offering due to the factors beyond its control (Force Majure) i.e. global recession and unforeseen shut down of stock exchanges. Following course, certain investors have filed suits and winding up petitions in Hon'able High Court of Sindh as more fully explained in note 28.1(c). Till the matter is resolved suitably with investors, management has decided to classify the same as long term liabilities which is a departure from the requirements of IAS-1 "presentation of financial statements".

The principal terms and conditions for the proposed issue of rated, listed and secured Term Finance Certificates (TFCs) were as follows:

a) The tenor was six years inclusive of a grace period of 18 months.

b) Profit payments payable semiannually in arrears on the outstanding principal amount and calculated on a 365-days year basis. The first profit payment will fall due six months from the issue date and subsequently every six months thereafter.

c) Carries a floating rate of return of KIBOR plus 2 percent per annum.

d) Will be redeemed in nine equal semi annual installments starting from the twenty-fourth month of the issue.

e) Secured by first pari passu charge over plant and machinery and land and buildings.

21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

21.1 Represents finance leases entered into with leasing companies for lease of vehicles and machinery. Total lease rentals due under various lease agreements aggregate Rs. 86.746 million (2009: Rs. 133.878 million) payable in monthly / quarterly installments latest by January 2012. Overdue rental payments are subject to an additional charge upto 3 percent per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates ranging from 17.76 percent to 20.57 percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, paying 10 percent of the leased amount. The movement in the finance lease liability is as follows:

	2010 Lease Payments		2009 Lease Payments	
	Minimum	Present Value	Minimum	Present Value
	------------------ (Rupees in '000') ------------------			
Less than one year	72,319	72,169	100,578	97,238
Within one to five years	14,427	14,408	33,300	31,494
Total	86,746	86,577	133,878	128,732
Less: Financial charges allocated to the future periods	169	--	5,146	--
present value of minimum lease payments	86,577	86,577	128,732	128,732
Less: Current and overdue portion	72,169	72.169	97,238	97,238
	14,408	14,408	31,494	31,494

22 LONG TERM DEPOSITS AND PAYABLES

	Note	June 30, 2010	June 30, 2009
		-----------(Rupees in '000')-------------	
Security deposits		747,537	748,282
Retention money		64,947	64,947
Provision in respect of supplier's credit	22.1	109,800	109,800
		922,284	923,029

22.1 Represents bills payable in respect of plant and machinery imported. In respect of such liability, in prior years, a memorandum of understanding was signed alongwith a repayment plan. However in view of certain disputes, this amount is still appearing as payable. The matter is currently under litigation and the amount that would actually be payable and its timing are now considered to be uncertain. In view of litigation and dispute in respect of amount involved, as well as, the expected time that litigation would entail, the management is confident that this provision is not payable within the next twelve months and has, accordingly, been included in non current liabilities.

23 DEFERRED TAXATION

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-------------	
Deferred taxation comprises temporary difference relating to:		
Accelerated tax depreciation	2,148,165	1,912,551
Surplus on revaluation of fixed assets	1,913,359	1,929,123
Provisions and others	(37,935)	(71,557)
	4,023,589	3,770,117
Effect of reduction in effective tax rate on account of transfer of income of the company being assessed under Final Tax Regime	(610,379)	(349,196)
	3,413,210	3,420,921
Accumulated tax losses	(1,790,108)	(1,670,477)
	1,623,102	1,750,444

23.1 The company has not recognized deferred tax asset amounting to Rs.1,061.888 million arising due to available tax losses, as sufficient future taxable profits may not be available against which the said asset could be utilized. The deferred tax liability carried in the financial statements represents the related deferred tax liability arising due to surplus on revaluation of property, plant and equipment.

24 TRADE AND OTHER PAYABLES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Creditors	24.1	714,592	699,900
Book debts		16,115	67,835
Accrued liabilities		275,732	255,017
Advance from customers		385,237	333,638
Custom duty		39,175	39,175
Creditors for capital expenditure		25,842	24,060
Excise duty and royalty payable		103,767	117,724
Workers' profits participation fund	24.2	43,177	37,545
Retention money		--	5,213
Dividend payable		12,929	12,929
Tax deducted at source		10,452	5,201
Workers' Welfare Fund		3,368	3,368
Unpaid and unclaimed dividend		1,780	1,780
Security deposits		270	270
Compensated absences		19	19
Others		21,406	20,951
		1,653,861	1,624,625

24.1 Included an aggregate amount of Rs. 351.866 million (2009: Rs. 351.866 million) representing overdue letters of credit which carry markup @ 15.50 % (2009: 14.76%).

24.2 Workers' profits participation fund (WPPF)

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Opening balance		37,545	32,648
Allocation for the year		--	--
		37,545	32,648
Payments made during the year		--	--
Interest charged during the year		5,632	4,897
		43,177	37,545

25 SHORT TERM BORROWINGS

	Note	June 30, 2010	June 30, 2009
Running finance under markup arrangement	25.1	189,875	189,875
Export refinance			
- Export refinance	25.2	100,000	100,000
- Export refinance	25.3	121,000	121,000
		221,000	221,000
Bridge finance			
- From syndicate	25.4	250,000	250,000
		660,875	660,875

25.1 Represents utilized portion of facility of Rs. 200 million (2009: Rs. 200 million). The finance carries mark up at six months KIBOR plus 3% (2009: six months KIBOR plus 3%), payable quarterly in arrears. The facility is secured by way of first pari passu charge of Rs. 234 million (2009: Rs. 234 million) on Company's stocks/book debts. This facility was valid upto 30 June 2009. The facility has expired and not been renewed by the bank.

25.2 The finance carries mark up at 7.5% per annum, payable quarterly. The facility is secured by way of ranking charge on present and future current assets of the Company of Rs. 133 million. This facility is valid upto 24 August 2008 which has not been renewed by the bank. These financing arrangement has expired and not been renewed by the bank.

25.3 The finance carries mark up at 7.5% per annum, payable quarterly. The facility is secured by way of pari passu charge of Rs. 237 million on stocks and book debts of the Company. These financing arrangement has expired and not been renewed by the bank.

25.4 The syndicated finance facility was obtained from two banks having share of Rs. 150 million and Rs. 100 million respectively. The syndicated loan carries mark up at six months KIBOR plus 2% per annum payable after six months. The facility is secured by way of first pari passu of Rs. 333.33 million on the Company's fixed assets. The facility was valid upto 12 September 2008 and has not been renewed by the banks.

25.5 All of the lenders have gone into litigation with the company as more fully explained in note 28.1(d) to the financial statements.

	Note	June 30, 2010	June 30, 2009
26 MARK-UP PAYABLE		(Rupees in '000')	
Advances for investment in term finance certificates	20	**464,491**	464,491
Debentures - Term finance certificates		**178,636**	178,636
Long term financing		**344,182**	347,927
Short term borrowings		**51,654**	51,654
		1,038,963	1,042,708

27 CURRENT AND OVERDUE PORTION OF LONG TERM BORROWINGS

	Note	June 30, 2010	June 30, 2009
Debentures - Term finance certificates	27.1		
Old TFCs - Series A		**554,268**	554,268
Old TFCs - Series B		**38,031**	38,031
Liabilities against assets subject to finance lease	21	**72,169**	97,238
Long term financing	19	**1,681,313**	1,057,377
		2,345,781	1,746,914

27.1 During the financial year June 30, 2008, a meeting of the old TFCs holders was held in which it was resolved that prepayment by the Company of entire outstanding principal amount with respect to series "A" and series "C" TFCs along with mark up for the period starting from July 15, 2007 to the date of prepayment and present value of series "B" TFCs calculated by using discount rate of 12.43% be made. Accordingly, on March 13, 2008 the Company made early repayment of Rs. 3,806.531 million in respect of old TFCs out of total prepayment amount of Rs. 4,404.772 million and Rs.5.942 million were paid during the last financial year.

28 CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

(a) The Company is a party to legal proceedings pending in various courts and agencies in which it appears as defendant and plaintiff aggregating to Rs.378.311 million (2009: Rs. 378.311 million), the outcome of which cannot be established at this stage. The management, based on the strength of its cases and the advice of its lawyers, believes that no additional liability will arise out of these proceedings; hence no provision has been made in these financial statements.

(b) Guarantees amounting to Rs. 1.2 million (2008: Rs. 1.2 million) have been furnished in favour of the Ministry of Commerce, in respect of import license fee on import of machinery and equipment. The guarantees have expired and the matter is presently pending under dispute with the said ministry. The recovery of an equivalent amount included in "trade deposits and short-term prepayments" as margin against bank guarantees is also dependent on the outcome of the above matter. The management anticipates a favourable outcome of the dispute.

(c) In respect of liabilities towards banks / financial institutions disclosed in note 19, 20, 21, 24.1 and 25 to the financial statements, certain banks / financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 7,775 million, out of total suits amount certain Banks / Financial institutions having suits to the extent of Rs.1,203 million have also filed winding up petition u/s 305 of the Companies Ordinance, 1984.

The default of the Company is attributable to the Arrangers of the proposed Term Finance Certificates [TFCs] as they took the Company towards engineered default. The Company withdrew the foreign currency Convertible Bond issue which was completed with regard to the investors and approvals from SECP and SBP were also in place in all respect; and converted this into local TFCs under the firm commitment of major banks of the Company that it would be closed within a few weeks. Unfortunately, the TFC issue has so far not been closed.

The management has disputed the claim and is strongly contesting the case. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

(d) On August 27, 2009, The Competition Commission of Pakistan has imposed a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 345 million on the company. The company has filed a petition against the order in the Honorable Lahore High Court on legal and factual grounds and a hearing is scheduled on October 13, 2009. Further, the Competition Ordinance, 2007 will require reconsideration and approval of National Assembly in line with the judgment of Honorable Supreme Court of Pakistan dated July 31, 2009. in view of above, management is hopeful that there will be no adverse outcome for the company. Accordingly, no liability has been accounted for in the books of the company.

(e) On January 03, 2008, the Company has filed a refund claim for the period from June 1, 1994 to April 18, 1999, amounting to Rs. 608.015 million before Collector of Sales Tax and Federal Excise (the department) in view of Supreme Court judgment regarding the value of goods for the purpose of imposition of excise duty, under section 4(2) of the Central Excise Act, 1944 (the "1944 Act"). In the Supreme Court judgment it has been categorically held that no excise duty could be added to the retail price for levying excise duty under section 4(2) of the 1944 Act.

The department had filed petition for review of the judgment of the Supreme Court of Pakistan. Our refund application was returned with the comments that since the cases are subjudiced in review, the decision on refund will be taken after fate of review petitions is decided. On January 26, 2009, these petitions are dismissed as withdrawn by the Honorable Supreme Court of Pakistan. Subsequent to the balance sheet date company has again approached the Department for processing of refund. on account of inherent uncertainties involved in refund verification and processing, as a matter of prudence the company has not accounted for the above refund in the books of account of the Company.

(f) Guarantees issued by commercial banks on behalf of the company amounting to Rs. 108.289 million.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
28.2 Commitments			
(a) Capital expenditure contracted for but not incurred		--	126,671

29 TURNOVER - Net

Turnover - Local		4,094,375	6,597,833
Less: Federal excise duty		566,637	980,811
Special excise duty		29,408	46,344
Sales tax		557,627	894,337
Sales incentives		11,878	14,307
		1,165,550	1,935,799
		2,928,825	4,662,034
Turnover Export		565,959	1,020,537
		3,494,784	5,682,571

30 COST OF SALES

	Note		
Raw and packing materials consumed			
Opening stock		58,599	31,404
Purchases		442,314	711,353
		500,913	742,757
Closing stock		(26,761)	(58,599)
Manufacturing overheads		474,152	684,158
Stores and spares consumed		253,841	167,592
Fuel and power		2,189,113	3,765,873
Salaries, wages and benefits	30.1	184,902	179,124
Repairs and maintenance		87,152	82,914
Depreciation	6.3	283,247	460,360
Insurance		18,572	44,599
Laboratory chemicals and quality control		1,005	3,044
Travelling and conveyance		11,557	12,730
Transportation		10,055	10,608
Vehicle running expense		3,582	4,449
Consultancy		7,716	6,809
Printing and stationery		814	1,184
Communication		566	692
Rates and taxes		179	1,615
Handling charges		10,381	13,735
Equipment hire charges		--	34
Others		31,521	38,849
		3,094,203	4,794,211
Manufacturing cost		3,568,355	5,478,369

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
Work in process - Opening	223,615	85,680
Work in process - Closing	(60,598)	(223,615)
	163,017	(137,935)
Cost of goods manufactured	3,731,372	5,340,434
Finished goods - Opening	101,955	10,718
Finished goods - Closing	(32,665)	(101,955)
	69,290	(91,237)
	3,800,662	5,249,197

30.1 This includes Rs. 6.301 million (2009: Rs. 5.77 million) in respect of the Company's contribution for provident funds and Rs. 1.54 million (2009: Rs. 1.76 million) recognised against contribution to Employees Old Age Benefits Institution (EOBI).

31 DISTRIBUTION COST

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Salaries, wages and benefits	31.1	9,975	8,715
Export expenses	31.2	99,418	172,062
Rent, rates and taxes		6,858	4,999
Postage		925	1,160
Advertisement		201	151
Insurance		887	995
Repairs and maintenance		517	354
Depreciation	6.3	443	443
Traveling and conveyance		14	14
Communication		84	12
Others		1,010	3,570
		120,332	192,475

31.1 These include Rs. 0.291 million (2009: Rs. 0.393 million) in respect of the Company's contribution for provident funds and Rs. 0.058 million (2009: Rs. 0.067 million) recognized against contribution to EOBI.

31.2 Represents freight and handling charges and commission on cement exported during the year.

32 ADMINISTRATIVE EXPENSES

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
Salaries, wages and benefits	32.1	58,859	53,138
Legal and professional charges		25,857	22,800
Repairs and maintenance		37,576	24,390
Insurance		2,730	3,466
Depreciation	6.3	5,311	6,901
Rent, rates and taxes		9,747	6,119
Fee and subscription		615	943
Vehicle running expenses		12,026	11,649
Communication		5,714	6,265
Utilities		3,602	3,340
Newspaper and periodicals		143	554
Travelling, conveyance and cartage		4,178	3,455
Printing and stationery		2,189	2,174
Entertainment		507	893
Security service charges		3,344	3,382
Other expenses		8,181	8,065
		180,579	157,534

32.1 This includes Rs. 2.85 million (2009: Rs.1.736 million) in respect of the Company's contribution for provident funds and Rs. 0.344 million (2009: Rs. 0.284 million) recognized against contribution to EOBI.

	Note	June 30, 2010	June 30, 2009
		(Rupees in '000')	
33 OTHER OPERATING EXPENSES			
Auditors' remuneration	33.1	3,875	3,820
Un realised loss on remeasurement of short term investments		699	2,484
Donations	33.2	15	4,907
Exchange loss - Net		--	16,398
		4,589	27,609

33.1 Auditors' remuneration

Audit fee	2,600	2,600
Review of half-yearly interim condensed financial statements	900	900
Review of Code of Corporate Governance	300	300
Out of pocket expenses	75	20
	3,875	3,820

33.2 Interest of the directors or their spouses in the donations made during the year is as follows:

Dewan Farooque Trust - related party	--	4,900

- Dewan M. Yousuf Farooqui- Chairman Board of Trustees
- Dewan Abdullah Ahmed - Trustee
- Dewan Abdul Baqi Farooqui - Trustee
- Aziz ul Haq - Trustee
- Mrs. Hina Yousuf - Trustee (Spouse of Director)

34 OTHER OPERATING INCOME

Income from financial assets		
Profit on bank deposits	1,454	3,522
Income from non financial assets / others		
Gain on sale of fixed assets	--	447
Gratuity written back	--	22,319
Others	1,592	4,657
	3,046	30,945

35 FINANCE COST

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-------------	
Advances for investment in term finance certificates	--	291,235
Mark-up on long-term financing	--	169,057
	--	460,292
Less: finance cost capitalized	--	150,152
	--	310,140
Mark-up on short-term borrowings	--	71,246
Bill discounting charges	--	58,606
Interest on workers' profits participation fund	5,632	4,897
Finance lease charges	236	1,554
Bank charges	5,077	10,014
Commission on bank guarantees	208	6,734
	11,153	463,191

35.1 Company has not made the provision of mark-up for the year amounting to Rs.1,022.682 million (for the year ended June 30, 2009: Rs.443.455 million) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 3. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the year would have been higher by Rs. 1,022.682 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs. 1,466.137 million. The said non provisioning is a departure from the requirements of IAS-23 'Borrowing Costs"

36 TAXATION

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-------------	
Current	17,474	10,205
Deferred	(14,195)	(223,487)
	3,279	(213,282)

36.1 Relationship between accounting loss and tax expense for the year

Provision for current taxation is based on minimum tax liability at the rate of 0.5% of the turnover, therefore the relationship between accounting loss and tax expense for the year cannot be given.

37 LOSS PER SHARE - Basic and Diluted

37.1 Basic

	June 30, 2010	June 30, 2009
	-----------(Rupees in '000')-------------	
(Loss) after taxation	(622,764)	(163,208)
	(Number of shares '000')	
Weighted average ordinary shares in issue during the year	357,375	357,375
Loss per share - Basic (Rupees)	Rs. (1.74)	Re. (0.46)

37.2 Diluted

There was no dilution effect on the basic earnings per share as the company had no such outstanding commitments during the year.

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees in '000							
Remuneration	4,299	3,821	5,422	5,219	38,072	38,651	47,793	47,691
House rent	1,934	1,719	2,440	2,348	17,132	17,393	21,506	21,460
Bonus	--	--	--	--	--	--	--	--
LFA	--	--	290	196	1,213	1,541	1,503	1,737
Leave encashment	--	--	--	--	--	--	--	--
Medical	--	--	385	434	3,349	2,836	3,734	3,270
Retirement benefits	--	--	452	522	3,008	3,162	3,460	3,684
Utilities	430	382	542	223	3,807	3,865	4,779	4,470
Others	4	4	7	6	259	275	270	285
	6,667	5,926	9,538	8,948	66,840	67,723	83,045	82,597
Number of persons	1	1	2	2	64	61	67	64

Few directors and certain executives are also provided with free use of Company owned and maintained cars and other benefits in accordance with their entitlements as per rules of the Company.

39 RELATED PARTY DISCLOSURES

Related parties comprise related group companies, associate, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions and balances with related parties are given below:

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
Employee benefit fund		
Contributions during the year	17,773	16,249
Other related parties - associates		
Shared expenses	497	7,606
Sales	302	5,179
Purchases	-	7,947
Donations	-	4,900

40 CAPACITY - Clinker

	June 30, 2010	June 30, 2009
	(In Metric Tonnes)	
Annual installed capacity		
- South unit (Line I)	900,000	900,000
- South unit (Line II)	960,000	720,000
- North unit (Line I)	540,000	540,000
- North unit (Line II)	540,000	540,000
	2,940,000	2,700,000
Actual production for the year		
- South unit (Line I)	159,645	456,700
- South unit (Line II)	480,194	298,200
- North unit (Line I)	109,508	292,966
- North unit (Line II)	85,566	247,117
	834,913	1,294,983

The under utilization of capacity was due to certain technical problems of plant, which are being addressed.

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

41.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	June 30, 2010	June 30, 2009
	(Rupees in '000')	
Loans	1,350	1,934
Deposits	71,241	84,647
Trade debts	347,983	316,485
Short term investment	1,473	2,172
Cash and bank balances	60,016	122,311
	482,063	527,549

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as its customers are credit worthy and dealing banks posses good credit ratings.

The provision for debts considered doubtful has already been made and management believes that no further provision is necessary. Further credit risk in respect of trade debts is mitigated by the security deposits amounting to Rs. 747.537 million (2009: Rs.748.147 million). The credit quality of the company's receivable can be assessed with their past performance of nominal defaults. The credit quality of the company's banks can be assessed by their external credit ratings:

Name of Bank	Rating Agency	Rating Short term	Rating Long term
Habib Bank Limited	JCR VIS	A-1+	AA
United Bank Limited	JCR-VIS	A-1	AA-
Allied Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+

41.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. At present the company is facing liquidity problems and have been unable to make timely repayment of its liabilities resulting in overdues, further, the short term finance facilities have expired and not been renewed by the lenders. However, the company has offered a restructuring proposal to its lenders as explained in note 3 to the financial statements, which the management expects that the same will be accepted by lenders in the proposed manner. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	--------------------	--------------------	--------(Rupees in '000')--------	--------------------	--------------------	--------------------
Financial Liabilities - Recognized						
Long term financing	2,758,924	2,961,647	904,327	903,631	1,069,214	84,475
Term Finance Certificates & advances	4,442,299	4,442,299	4,442,299	--	--	--
Short term borrowing	660,875	701,829	701,829	--	--	--
Lease liabilities	86,577	86,746	36,160	36,160	14,427	--
Long term deposits and payables	922,284	922,284	--	--	--	922,284
Trade and other payables	1,653,861	1,653,861	1,653,861	--	--	--
Mark up payable	1,038,963	1,038,963	1,038,963	--		
Total 2010	11,563,783	11,807,629	8,777,438	939,791	1,083,641	1,006,759
Financial Liabilities - Recognized						
Long term financing	2,758,924	3,183,563	1,139,168	339,963	1,098,481	605,953
Term Finance Certificates & advances	4,442,299	4,141,235	4,141,235	--	--	--
Short term borrowing	660,875	660,875	660,875	--	--	--
Lease liabilities	128,732	133,878	89,403	13,309	2,905	28,261
Long term deposits and payables	923,029	923,029	--	--	--	923,029
Trade and other payables	1,125,519	1,125,519	1,125,519			--
Mark up payable	1,042,708	1,042,708	1,042,708	--	--	--
Total 2009	11,082,086	11,210,809	8,198,908	353,272	1,101,386	1,557,243

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at June 30, however the company's restructuring proposal offered to the lenders have not been taken into account in determination of contractual cash flows.

41.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company is exposed to currency risk and interest rate risk only.

41.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exists due to transactions in foreign currencies. The company's financial instruments are in its functional currency therefore it is not exposed to any significant currency risk.

41.3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following.

	June 30, 2010	June 30, 2009
	----------(Rupees in '000')----------	
Fixed rate instruments at carrying amounts:		
Financial Assets		
Balance with banks	1,532	1,532
Variable rate instruments at carrying amounts:		
Financial liabilities		
Advances for investment in term finance certificates	3,850,000	3,850,000
Loans	2,313,702	2,313,702
Lease liabilities	86,577	128,732
Short term borrowings	660,875	660,875
Trade payables	351,866	351,866
	7,263,020	7,305,175

Fair value sensitivity analysis for fixed rate instruments:
The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:
Since the company has not made provision of markup on its borrowings on account of restructuring proposal offered to lenders, therefore sensitivity analysis cannot be given.

	June 30, 2010	June 30, 2009
	----------(Rupees in '000')------------	
Effect on loss / profit due to change of 100 BPs		
Increase	-	17,276
Decrease	-	17,276

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

41.1 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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

41.2 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on **October 04, 2010** by the Board of Directors of the Company.

43 GENERAL

43.1 Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

Maudood Ahmad Lodhi
Director

Dewan M. Yousuf Farooqui
Chairman / Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	5	148,307,273	41.50%
2.	NIT and ICP	6	10,101,487	2.83%
3.	Directors, CEO, their Spouses & Minor Children	4	79,791,291	22.33%
4.	Executives	4	5,125	0.00%
5.	Public Sector Companies & Corporations	95	30,751,766	8.60%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	42	15,358,201	4.30%
7.	Individuals	6,046	73,059,857	20.44%
	TOTAL	6,202	357,375,000	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies			
1.1	Dewan Motors (Pvt.) Limited	1	18,125,000	5.07%
1.2	Dewan Mushtaq Motors Company (Pvt) Ltd.	1	18,125,000	5.07%
1.3	Dewan Development (Private) Limited	1	30,000,000	8.39%
1.4	Dewan Farooque Motors (Pvt.) Limited	1	44,650,273	12.49%
1.5	Dewan Automotive Engineering Limited	1	37,407,000	10.47%
		5	148,307,273	41.50%
2.	NIT and ICP			
2.1	INVESTMENT CORPORATION OF PAKISTAN	1	2,150	0.00%
2.2	IDBP (ICP UNIT)	1	1,000	0.00%
2.3	National Bank of Pakistan	1	5,042,909	1.41%
2.4	National Investment Trust Limited	1	123,604	0.03%
2.5	National Bank of Pakistan, Trustee Deptt. NI(U)T Fund	1	4,921,424	1.38%
2.6	National Bank of Pakistan, Trustee Deptt.	1	10,400	0.00%
		6	10,101,487	2.83%
3.	Directors, CEO, their Spouses & Minor Children			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	72,924,375	20.41%
3.2	Dewan Abdullah Ahmed Swaleh Farooqui	1	3,334,708	0.93%
3.3	Dewan Abdul Baqi Farooqui	1	3,334,708	0.93%
3.4	Mr. Haroon Iqbal	1	1,375	0.00%
3.5	Syed Muhammad Ali Khan	1	1,375	0.00%
3.6	Mr. Aziz-ul-Haque	1	1,375	0.00%
3.7	Mr. Maudood Ahmed Lodhi	1	1,000	0.00%
3.8	Mr. Wajahat A. Baqai	Nominee of Creditors		
		7	79,598,916	22.27%
	Spouses of Directors and CEO			
3.9	Mrs. Heena Yousuf	1	197,500	0.06%
	Minor Children of Directors and CEO	-	-	-
		8	79,796,416	22.33%

SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Names	Number of Shareholders	Number of Shares held	% of Shareholding
Dewan Muhammad Yousuf Farooqui	1	72,924,375	20.41%
Dewan Farooque Motors Limited	1	44,650,273	12.49%
Dewan Automotive Engineering Limited	1	37,407,000	10.47%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.

4. PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

Number of Shareholders	Shareholdings			Total Shares Held
757	1		100 Shares	39,716
1614	101	-	500 Shares	598,418
796	501	-	1,000 Shares	717,500
1644	1,001	-	5,000 Shares	4,780,880
530	5,001	-	10,000 Shares	4,343,088
185	10,001		15,000 Shares	2,394,790
126	15,001	-	20,000 Shares	2,340,289
113	20,001	-	25,000 Shares	2,679,925
51	25,001	-	30,000 Shares	1,432,037
34	30,001	-	35,000 Shares	1,130,150
28	35,001	-	40,000 Shares	1,089,089
17	40,001	-	45,000 Shares	736,904
55	45,001	-	50,000 Shares	2,727,748
25	50,001		55,000 Shares	1,323,061
17	55,001	-	60,000 Shares	1,000,800
5	60,001	-	65,000 Shares	305,525
9	65,001	-	70,000 Shares	613,750
17	70,001		75,000 Shares	1,251,885
13	75,001	-	80,000 Shares	1,010,569
9	80,001	-	85,000 Shares	753,786
3	85,001	-	90,000 Shares	265,279
2	90,001		95,000 Shares	186,326
29	95,001	-	100,000 Shares	2,891,242
5	100,001	-	105,000 Shares	516,301
8	105,001	-	110,000 Shares	865,452
3	110,001	-	115,000 Shares	336,956
5	115,001	-	120,000 Shares	585,105
7	120,001	-	125,000 Shares	866,616
1	125,001	-	130,000 Shares	126,000
2	130,001	-	135,000 Shares	263,694
4	135,001	-	140,000 Shares	549,925
2	140,001	-	145,000 Shares	286,122
3	145,001	-	150,000 Shares	450,000
2	150,001	-	155,000 Shares	305,710
2	155,001	-	170,000 Shares	339,100
[illegible]	170,001	-	175,000 Shares	174,000
[illegible]	175,001	-	180,000 Shares	179,500
[illegible]	180,001	-	185,000 Shares	185,000
[illegible]	185,001	-	190,000 Shares	190,000
10	190,001	-	200,000 Shares	1,997,500
3	200,001	-	215,000 Shares	637,948
2	215,001	-	225,000 Shares	449,865
1	225,001		230,000 Shares	229,399
1	230,001	-	235,000 Shares	231,000
1	235,001	-	250,000 Shares	250,000
1	250,001	-	270,000 Shares	265,500

Number of Shareholders	Shareholdings			Total Shares Held
1	270,001	-	280,000 Shares	278,668
1	280,001	-	290,000 Shares	290,000
2	290,001	-	300,000 Shares	599,768
3	300,001	-	325,000 Shares	966,223
2	325,001	-	330,000 Shares	657,000
1	330,001	-	335,000 Shares	335,000
1	335,001		345,000 Shares	345,000
1	345,001	-	370,000 Shares	366,000
1	370,001	-	375,000 Shares	373,500
2	375,001	-	415,000 Shares	826,588
1	415,001	-	420,000 Shares	418,000
1	420,001	-	450,000 Shares	448,500
1	450,001	-	460,000 Shares	458,000
1	460,001		470,000 Shares	467,136
2	470,001	-	500,000 Shares	1,000,000
1	500,001	-	590,000 Shares	590,000
1	590,001	-	600,000 Shares	596,500
1	600,001	-	630,000 Shares	629,180
1	630,001		660,000 Shares	658,626
1	660,001	-	675,000 Shares	675,000
2	675,001	-	685,000 Shares	1,362,000
1	685,001	-	755,000 Shares	750,750
2	755,001		1,000,000 Shares	2,000,000
1	1,000,001	-	1,005,000 Shares	1,000,045
1	1,005,001	-	1,030,000 Shares	1,027,047
1	1,030,001	-	1,090,000 Shares	1,089,500
1	1,090,001		1,095,000 Shares	1,093,322
1	1,095,001	-	1,105,000 Shares	1,100,250
1	1,105,001	-	1,125,000 Shares	1,122,500
1	1,125,001	-	1,345,000 Shares	1,341,068
1	1,345,001		1,620,000 Shares	1,619,500
1	1,620,001	-	3,005,000 Shares	3,005,000
1	3,005,001	-	3,165,000 Shares	3,160,688
3	3,165,001	-	3,335,000 Shares	10,002,750
1	3,335,001		4,925,000 Shares	4,921,424
1	4,925,001	-	5,045,000 Shares	5,042,909
1	5,045,001	-	5,500,000 Shares	5,500,000
1	5,500,001	-	10,090,000 Shares	10,086,523
1	10,090,001	-	11,585,000 Shares	11,580,053
1	11,585,001	-	13,465,000 Shares	13,464,884
2	13,465,001	-	18,125,000 Shares	36,250,000
1	18,125,001	-	30,000,000 Shares	30,000,000
1	30,000,001	-	37,410,000 Shares	37,407,000
1	37,410,001		44,655,000 Shares	44,650,273
1	44,655,001	-	72,925,000 Shares	72,924,375
6202	**TOTAL**			**357,375,000**

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	79,796,416	22.33%
5.2	Associated Companies, undertakings and related parties	148,307,273	41.50%
5.3	NIT and ICP	10,101,487	2.83%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	14,453,222	4.04%
5.5	Insurance Companies	739,729	0.21%
5.6	Modarabas and Mutual Funds	165,250	0.05%
5.7	Shareholders holding 10%	154,981,648	43.37%
5.8	<u>General Public</u>		
	a. Local	73,059,857	20.44%
	b. Foreign		0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	30,751,766	8.60%

FORM OF PROXY

I/We--------------------------------of-------------------------------- being member(s) of Dewan Cement Limited and holder of--------------------Ordinary Shares as per Share Register Folio No.---------- and/or CDS Participant I.D. No. --------------------------------------and Sub Account No.---------------- hereby appoint---of--------------------------- or failing him/her--of-------------------------as my proxy to vote for me and on my behalf at the 31st Annual General Meeting of the company to be held on Friday, October 29, 2010 at 10:30 a.m. and / or any adjournment there of.

Signed this--------------------day of------------------------2010

1. Signature:-----------------------------------
   Witness: -------------------------------------
   Name: --
   Address: ------------------------------------

   C.N.I.C. No: ---------------------------------
   Passport No.: -------------------------------

Signature on Five Rupees Revenue Stamp

The Signature should agree with the specimen registered with the company

2. Signautre:-----------------------------------
   Witness: -------------------------------------
   Name: --
   Address: ------------------------------------

   C.N.I.C. /Passport No.:------------------

NOTES:

A member of the Company entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company, duly completed at our shares registrar transfer agent BMF Consultants Pakistan (Private) Limited, 4th Floor, A-14, Trade Centre Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350 not less than 48 hours before the meeting. CDC account holders will further have the following guidelines as laid down by the Securities & Exchange Commission of Pakistan.

a. For Attending Meeting:
   i. In case of individual, the account holder of sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC) or original passport at the time or attending the meeting.
   ii. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

b. For Appointing Proxies.
   i. In case of individual, the account holder of sub-account holder and/or the person whose securities are in group account and their registration detail are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
   ii. Two persons, whose names, addresses and CNIC numbers shall be mentioned on the form to witness the proxy.
   iii. Attested copies of CNIC or passport of the benefical owners and proxy shall be furnished with the proxy form.
   iv. The proxy shall produce his/her original CNIC or original passport at the time of meeting.
   v. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with the specimen signature of the nominee shall be produced (unless it has been provided earlier) alongwith the proxy form of the Company.