ATTOCK CEMENT
PAKISTAN LIMITED

Sustainable Development

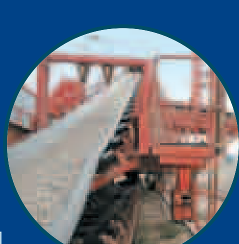
Annual 08 Report

Vision

To be the leading organization continuously providing high quality cement, excelling in every aspect of its business and to remain market leader in Cement Industry.

Mission

To be a premier and reputable cement manufacturing company dedicated to become an industry leader by producing quality products, providing excellent services, enhancing customer satisfaction and maximizing shareholders' value through professionalism and dedicated teamwork.



Sustainable Development

At Attock Cement, our goal is to build a sustainable business and we recognize that the company's continued growth and ability to operate depend on how successfully we reconcile business and financial objectives with environmental protection and community well-being. We accept the fact that our performance will increasingly be evaluated on how we do in all the areas.

Building our business on the principles of sustainability means more than safeguarding the environment, fostering vibrant communities, protecting our employees and serving our customers and shareholders, it also means nurturing the interests of future generations.

Board of Directors

Dr. Ghaith R. Pharaon
Chairman

Laith G. Pharaon

Wael G. Pharaon

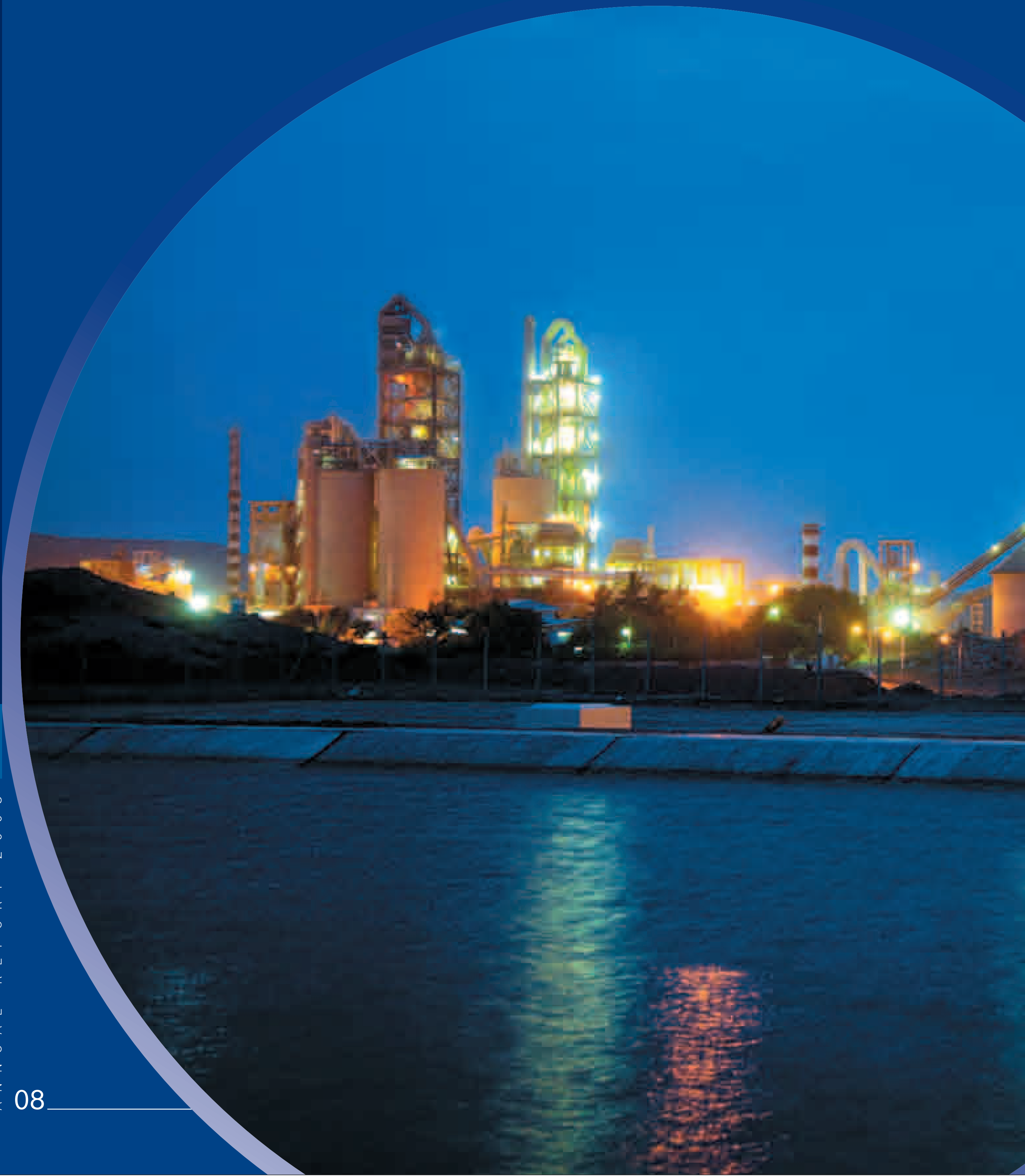
Shuaib A. Malik

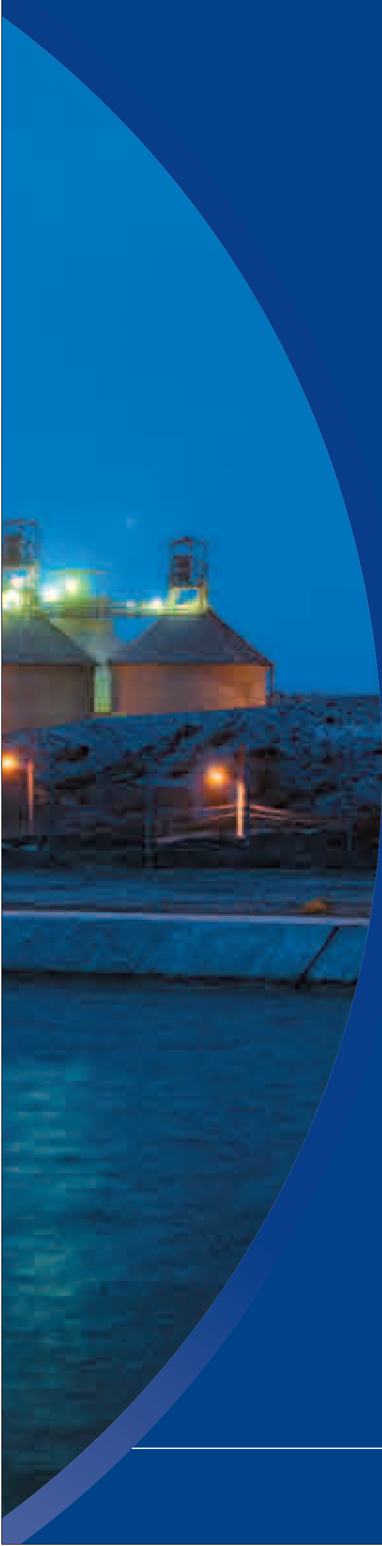
Abdus Sattar

Bashir Ahmad

Babar Bashir Nawaz

Company Information





Board of Directors
Dr. Ghaith R. Pharaon (Chairman)
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Abdus Sattar
Bashir Ahmad
Babar Bashir Nawaz

Chief Executive
Babar Bashir Nawaz

Alternate Directors
Fakhrul Islam Baig
Irfan Amanullah

Audit Committee of the Board

Abdus Sattar	Chairman
Bashir Ahmad	Member
Fakhrul Islam Baig	Member

Company Secretary
Irfan Amanullah

Bankers
Faysal Bank Limited
MCB Bank Limited
Habib Bank Ltd.
National Bank of Pakistan Ltd.
Bank Al-Falah Ltd.
Allied Bank Ltd.
KASB Bank Ltd.
Pak Kuwait Investment Co. (Pvt) Ltd.
Bank of Punjab
Bank Al-Habib
First Women Bank Ltd.
First Credit & Investment Bank Ltd.
Meezan Bank Ltd.
NIB Bank Limited
United Bank Limited
Pak Libya Holding Co. (Pvt) Limited

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Cost Auditors
Siddiqi & Co
Cost & Management Accountants

Registered Office
D-70, Block-4, Kehkashan-5
Clifton, Karachi-75600
Tel: (92-21) 5309773-4
Fax: (92-21) 5309775
Email: acpl@attockcement.com
Website: www.attockcement.com

Plant
Hub Chowki Lasbella
Baluchistan

Legal Advisor
Sattar & Sattar
Attorneys at Law

Share Registrar
Technology Trade (Pvt) Limited
Dagia House 241-C, Block-2
PECHS, Off: Shahrah-e-Quaideen
Karachi.
Tel : (92-21) 4391316-17
Fax : (92-21) 4391318

Core Values

Our core values shape our corporate culture. They are the fundamentals in developing our corporate strategy. They lead us in building relationships with our customers, shareholders, policy makers and other business networks.

Ethics

The Company follows highest standards of ETHICS with special reference to business integrity and process transparency. All our standards and processes can stand the test of scrutiny. We maintain the highest level of integrity both as individuals and as a corporate organization.

Quality

The Company is committed to provide its customers QUALITY products that provide them best value for their money. We promote high standard and timely delivery of quality products.

People

The Company ensures that it operates in a safe environment conducive to efficient productivity. The Company is committed to provide an environment free from discrimination for its people. Open communication, participative decision making approach and nurturing of the leadership qualities are the values followed by the Company. An employee reward system has been developed guided by a transparent system of recognition. We encourage and respect team spirit among our human resources.

Business Excellence

The Company believes in maximizing shareholders' value through strategic investment, sustainable growth and application of best available technology to achieve desired results.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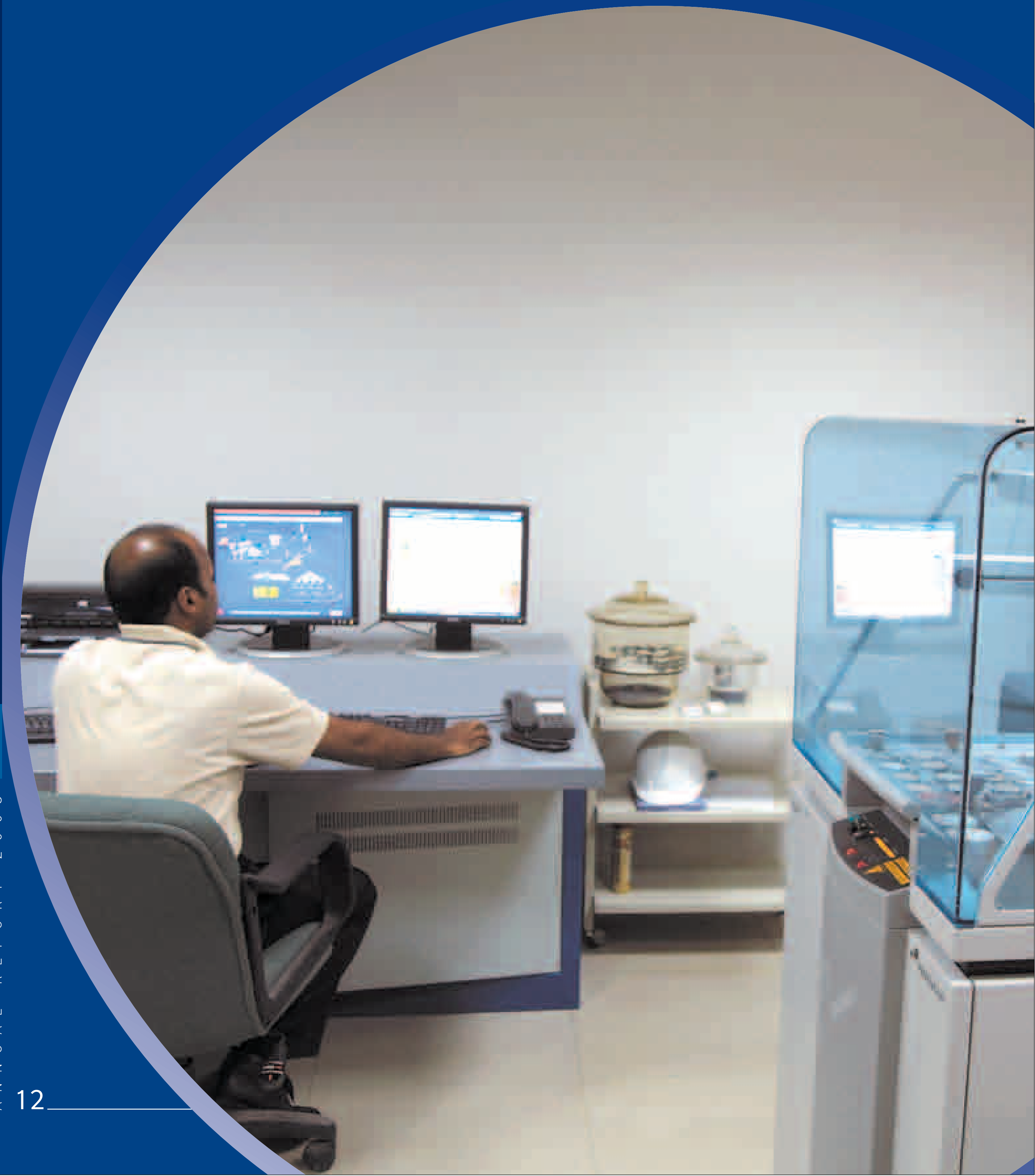
Quality Policy



- We are committed to produce high quality, FALCON CEMENT which not only meets but exceeds the international quality standards.
- We aim to maintain leadership of our Cement Industry providing premium quality products and excellent services to our consumers.
- We work as a team of dedicated Professionals who achieve excellence through training, development and continuous technological up-gradation.
- We aim to implement and continually improve the effectiveness of our Quality Management System.
- We provide safe and conducive work environment to our staff by ensuring stringent standards of safety and health.
- We make a contribution towards the uplift of our environment and inhabitants of the surroundings.

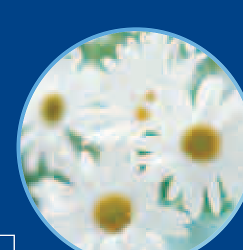
Environmental Policy

- ACPL is committed to produce premium quality Cement while maintaining minimal environmental impact.

- Every endeavor will be made to effectively maintain and continually improve our processes/activities with respect to environment and maintain greenery within and around plant premises.

- As a responsible organization, ACPL will fulfill all the applicable legal, social and moral obligations related to environmental control.

- ACPL aims at contributing generously towards mitigating pollution effects and thus save this world for future generations.



Corporate Social Responsibility (CSR)

We define Corporate Social Responsibility (CSR) as our commitment to work as partners with all our stakeholders to effectively improve the quality of life of the members of our workforce, their families and the local communities around our facilities.

CSR is locally managed and specific responsibilities have been assigned for coordinating local projects, communicating CSR activities internally and to external stakeholders, establishing stakeholders' dialogue and relations, as well as participating in corporate monitoring, evaluation and reporting.

Our CSR approach focuses on six main pillars - business conduct, employment practices, occupational health and safety (OH&S), community involvement, customer and supplier relations, and monitoring and reporting.

Employment practices

Attock Cement counted 674 employees as on June 30, 2008. A large share of this number live in Communities where we are a major employer and source of income.

We pay competitive wages and offer employees numerous benefits, including professional development opportunities through internal training and payment of tuition for approved external programs.

Our workforce is culturally diverse and we fill positions based on merit and qualification.


The focus areas of our donations policy are education, health and community services. Donation decisions are made at Board level.

Occupational Health & Safety

We are committed to provide healthy and safe workplaces. Towards this end, we have embarked on a comprehensive assessment and renewal of our approach to the management of occupational health and safety.

During this reporting period, "Safety First" became our rallying cry. Significant improvements were recorded in our lost time injury frequency rate and we continued to outperform our industry in this important marix. During the year, by virtue of strict compliance of our policy, we have crossed 0.75 million hours without a lost time and our incidence rate is 0.3 only as compared to industry average of 2.77.

The Company operates a 6 bed hospital in the area near its factory premises. The treatment is free for the local communities.

Community relations

We are committed to be responsible neighbours. This means operating in compliance with applicable regulations and being an integral part of the life of our communities. We accomplish this through support for local non-profit organizations, providing access to our properties and engaging in constant dialogue with residents to inform them of our activities, listen and respond to their concerns.

Through these and other actions, we seek to make a difference in our communities.


MEDICAL CENTRE

Our presence has a measurable positive economic impact on our communities

Our products are essential to the construction industry, a key driver of economic activity that generates significant direct and indirect benefits early in the value chain. Because our cement is generally consumed in proximity to their source, their utilization benefits local communities.

Combined with the salaries and benefits, direct and indirect taxes that we pay annually, as well as our capital expenditures, our presence has a measurable positive economic impact not only on our communities but also on the country as a whole.

Education

The Company currently operates a Primary level school that imparts education to children of both plant employees and also those from neighbouring villages.

The company has also signed a Memorandum of Understanding with The Citizen Foundation (TCF) a non- profit organization for the construction of standard two unit - TCF primary and secondary school located near to factory premises, which is close proximity to the surrounding villages.

The school will have 24 classrooms with capacity of over 600 students and will be equipped with all modern facilities. The first phase i.e construction of primary school will be completed by July 2009 and classes will commence by August 2009. While second phase of the project i.e. secondary classes will be commenced by August 2012.

The school will have 24 classrooms with capacity of over 600 students and will be equipped with all modern facilities.

Corporate Strategy

The Company follows a duly approved Corporate Strategy, which consists of the following main points

Corporate Objectives

1. To maintain its position as a leading manufacturer of quality products that surpass both national and international standards.

2. Growth, expansion and sustained profitability are the guiding principles of ACPL's business model. Focusing on the strategic plans to grow the business beyond the borders, while enhancing the market share locally in South.

3. To retain its lines of processes at highest level of operational efficiency.

4. To achieve competitive operating margins with continuous growth both in productivity and profitability.

5. To provide competitive rate of return to its shareholders on their investments.

6. To remain committed in delivering quality and value to its customers and providing high quality cement products suitable for all construction purposes. To embrace consistency in high standards of service delivery.

7. To continue with the commitment to provide a secure and innovative workplace for all its human resources.

8. To remain committed by producing products in an environmentally and socially responsible manner.

To achieve these strategic corporate objectives, the Company generally follows the following broad and approved strategy.

Corporate Strategy

The Company would continue to invest in the product quality by enhancing and upgrading its production and quality facilities through strategic investments in its plant operations and ensure that such investment results in cost-effective operations. To also invest in continuous product development pegged on changing global and national market trends, industrial and hi-tech progression and dynamic customer needs. It's dedication to discover and implement change to achieve continuous customer satisfaction.

The Company would supply its products in diverse markets to achieve a healthy and growth oriented sales mix, casual towards a strong presence of its products in all the markets to achieve dynamic financial results, with maximum returns to all the stakeholders. The Company would continue to invest in projects which ensure a healthy and safer environment for its employees. It would also continue to demonstrate its commitment to better and brighten lives for the community by sponsoring a wide range of community development projects. ACPL has played a major role and it will continue its contribution in building the nation.


DAEWOO

Chairman's Review

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

I welcome you all in the 29th Annual General Meeting of the Company.

Overview of the Economy

The year 2007-2008 was a difficult year for the economy of the country. Several political and economic events both on national and International front occurred unexpectedly affecting the economy adversely. The hard earned macroeconomic stability came under serious threat because of the geo political situation in the region, large slippages from the targets set in budget 2007-2008, adverse rupee dollar parity, disparity between demand and supply of energy, higher interest rates and soaring global oil and commodity prices. All these events affected the key macroeconomic indicators of the country.

Despite all these events the economy posted growth of 5.8%, though lower as compared to the previous year by 1% and lesser as compared to target of 7.2% but still impressive under the circumstances. As compared to last year when all the major components of the economy showed growth this year the growth was not broad based and it mainly came from the service sector.

The confidence of the investors has badly been effected due to the poor law and order situation in the country and the new government will have to take immediate steps to restore the confidence of both local and foreign investors.

Business Review

The country at present has 29 manufacturing units having combined cement production capacity of 37.2 million metric tons. Cement demand side of the equation remained strong due to:

(a) higher Government spending on public sector development program;

(b) construction boom both within the Country and in the region;

(c) reconstruction activities in Afghanistan and Iraq; and

(d) expected construction of large and small water reservoirs in the country.

During the last 2 years Pakistan has emerged on the world map of cement as a large supplier of quality products. Supply shortages in the rocking middle eastern markets have provided a window of opportunity for the Pakistani manufacturers especially those located in South. Your Company is fully aware of this situation and has started making in roads into these markets through quality products and innovative supply mechanism.

The local consumption has shown decent surge of 6.5% over the previous year but export from Pakistan has increased by

During the last 2 years Pakistan has emerged on the world map of cement as a large supplier of quality products.

142%, which is phenomenal. The Company has obtained certificate from Bureau of Indian Standards and is now qualified for export to India, whose markets are also facing supply shortages.

Besides supplying bag cement to regional markets, the Company has also commenced supply in bulk effective from July 2008 and first consignment of 12,100 tonnes of bulk cement has already been sent to a large group of UAE.

Operational and Financial Performance

During the year under review the Company achieved an overall volumetric growth of 11% which is better than the growth witnessed in local demand. However, the Company was unable to explore the export markets aggressively because of the lower than the expected production from Line 2. The Company took up problems being faced in Line 2 with the Chinese supplier who were unable to send its team to Pakistan due to poor law and order situation in the province of Baluchistan. As a result the Company had no option but to rectify the problems through whatever local expertise available. As a result of the factors mentioned above and numerous incidents of electric pylon damages in the area of Hub the overall production and commercial activities remained effected badly throughout the year.

Because of the problems as explained above, the overall production was lower than the original estimate effecting the sales volume accordingly. This coupled with phenomenal increase in input costs effected the overall profitability of the Company.

Acknowledgement

The Company deeply acknowledges and expresses its gratitude for the efforts and dedication of its human resource that has enabled the Management to run the operation seamlessly. The Company also acknowledge the support it has received from CBA on various matters.

We also take this opportunity to express our sincere thanks to the government, our customers and suppliers for their continuing support, cooperation and patronage. All banks and financial institutions that have reposed their confidence in the Company and have extended various financial facilities also deserve our acknowledgement.

Dr. Ghaith R. Pharaon
Chairman

Date: August 31, 2008
Place: Damascus, Syria

Directors' Report

In the name of Allah, The Most Gracious, The Most Benevolent & The Most Merciful.

The Directors take pleasure in presenting their report and the audited accounts of the Company for the financial year 2007-08 together with the Auditors' Report thereon.

Production and Sales

The overall production and sales data is as follows:

	2008	2007
	(in tonnes)	
Clinker production		
- Line 1	**698,860**	740,312
- Line 2	**660,906**	574,354
Total	1,359,766	1,314,666
Cement production		
- Line 1	**600,190**	829,923
- Line 2	**764,321**	404,955
Total	1,364,511	1,234,878
Cement sales		
- Local	**1,269,165**	1,187,165
- Exports	**90,322**	41,628
Total	1,359,487	1,228,793
Clinker sales		
- Local	-	25,000
- Exports	**35,000**	75,628
Total	35,000	100,628

We challenge our own standards for Continuous improvement.

During the year under review the Company achieved overall clinker capacity utilization of 79%. The main reason behind this reduced capacity utilization was the numerous incidents of electric pylon damages in the area of Hub, which badly interrupted the production and reduced production from line 2 because of teething problems being faced by the Company which could not be resolved on timely basis due to poor law and order situation in the province of Baluchistan. This prevented Heifi Cement Research and Design Institute, the Chinese supplier, to send its team to the plant for the rectification of various technical problems.

However in order to ensure optimum efficiency and continuous supply of quality products to our customers a number of technical improvements were put into effect in line 2 with the help of whatever local expertise available. As a result of various measures undertaken by the Company the overall operations of line 2 has been stabilized and the Company is now able to get the rated production from the new line.

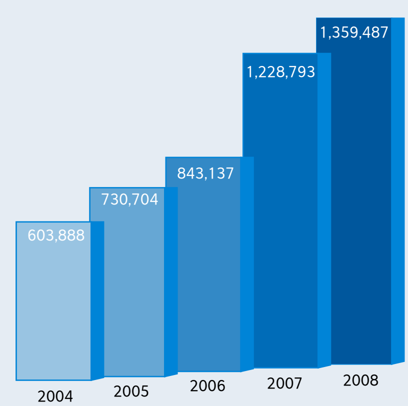
During the year under review the cement industry achieved an overall growth of 24%. However, the main element of this growth generated from exports, which showed a phenomenal growth of 142% as compared to previous year and touched the new peak of 7.7 million tonnes. The domestic growth remained steady at 6.47% and consumption reached at all time high figure of 22.4 million tonnes.

Though the overall dispatches of the Company showed growth of around 11%. However, its sales volume could have been higher had the Company achieved stability in its line 2 operations. As a result of this coupled with numerous incidents of electric pylon damages, the Company had to restrict its sales activities which significantly effected its strategy to arrest the expected downfall of profit.

Financial Performance

Net Sales Revenue

The year 2007-08 proved to be a reasonably good year for the Company. The net sales revenue increased to record level of Rs 4.99 billion (2006-2007: Rs 4.56 billion) exhibiting 9% increase over the previous year mainly due to increase in volume by 11% and marginal increase of 2% in net retention. Despite over supply situation in the local market the Company was able to achieve higher net retention due to better market mix.



Cement Sales

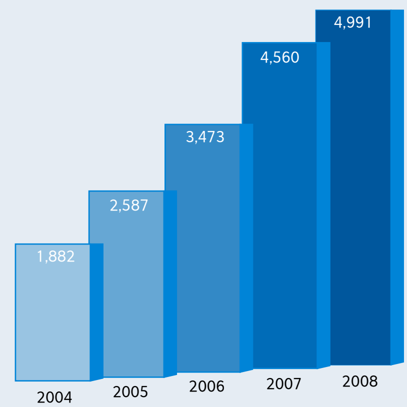
Directors' Report

Profitability

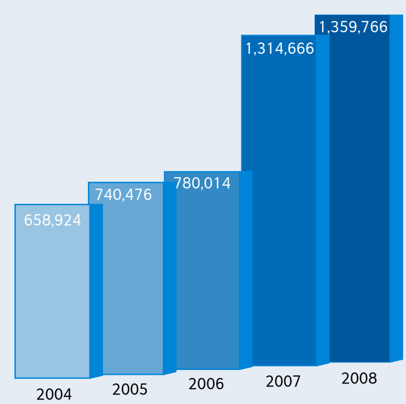
During the year under review the Company earned net profit after tax of Rs. 435.0 million as compared to Rs. 796.4 million earned during the corresponding period, showing a significant reduction of Rs. 361.4 million (45%). Despite volumetric growth of 11% and increase in net retention by Rs. 65 per ton over the corresponding period, the overall margins and net profitability declined due to following reasons:

- Production constraints due to major break down in raw mill gearbox, conditioning tower of Line 2 and numerous incidents of damages to electric pylons;
- Higher input cost on account of increase in electricity charges, paper bag cost and royalty rates;
- Higher prices of coal in international markets. The average increase in coal prices has been recorded at approximately US $ 40 per ton; and
- Higher financial charges due to relatively higher interest rates.

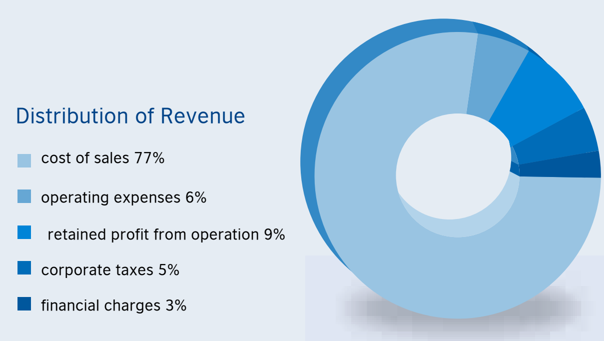
The Company aggressively pursued the issue of arbitrary increase in royalty rates on limestone and shale with the Provincial Government of Baluchistan and as a result of constant follow up the Provincial Government reduced the royalty rates on limestone from Rs. 50 per ton to Rs. 30 per ton and on shale from Rs. 30 per ton to Rs. 20 per ton with effect from April 04, 2008.



Net Sales Revenue Rs. in Million



Clinker Production M. Tonnes



Net Sales increased to Rs. 4.99 billion (2006-2007: Rs 4.56 billion) exhibiting 9% increase over the previous year.

Appropriation

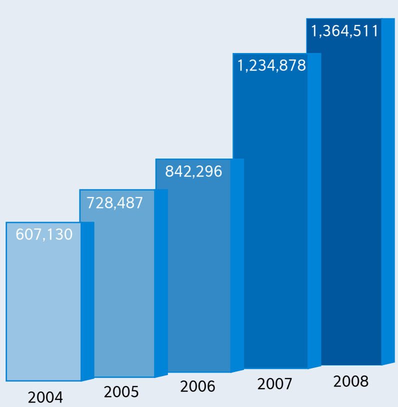
The financial results for the year under review are as follows:

	2008	2007
	(Rupees '000)	
Profit before tax	**674,967**	1,193,377
Taxation	**239,942**	396,944
Profit after tax	**435,025**	796,433
Un-appropriated profit b/f	**2,674,462**	2,238,843
Profit available for appropriation	**3,109,487**	3,035,276

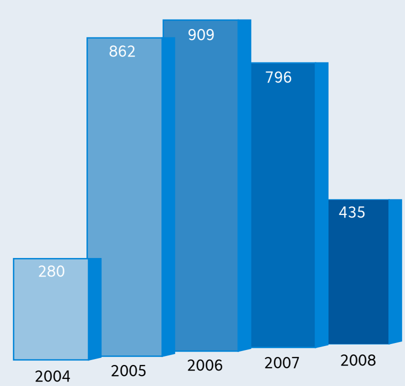
Appropriation:

Final Cash Dividend paid for the year 2007:

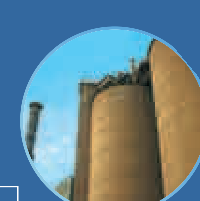
Rs. 4.50 per share (2006:Rs.5.00 per)	**324,733**	360,814
Un-appropriated profit c/f	**2,784,754**	2,674,462



Cement Production M. Tonnes

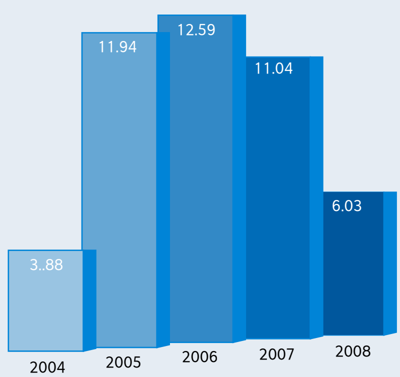


Profit After Tax Rs. in Million



Directors' Report

For the year ended June 30, 2008 the Board in its meeting held on August 31, 2008 has proposed a final cash dividend of Rs. 1.50 per share (15%) amounting to Rs. 108 million.



Earnings Per Share Rupees

Marketing

The Company continued its efforts to reap the benefits of increase in the size of the market and as a result was able to increase its sales in volume by 11% as compared to overall industry growth of about 6.5%. The brand further consolidated its position in the market of South as market leader with 39% share in the local market. The Sales & Marketing team continued to focus on having 'FALCON BRAND' presence in each area of Karachi and thus further consolidating its leadership position in the market of South. The brand remained as a symbol of excellence in the minds of customers, owing to its superior quality. This was only possible because of the availability of increased quantities achieved through the new production line. A sizeable quantity of 125,322 tonnes of cement / clinker was exported in the regional markets.

The Company also analyzed the situation in the regional market and concluded that the market of bagged cement is limited in the mature market of UAE, the biggest consumer of Pakistani cement and therefore has recently started the export of bulk cement in the regional markets. Two lots of 12,100 tonnes and 23,132 tonnes of cement in bulk have been exported to UAE in the months of July and August 2008.

The Company is continuously receiving enquiries from India, East Africa & Middle Eastern markets and is now actively exploring these markets.

Human Resources

HR is about creating a winning organization that achieves outstanding results through

Basic education facilities, medical treatment and provision of potable water remained the focus of acitivity during the year.

its people; who are its main resource. Our success depends on the performance of our people. Endorsing this theory, HR not only emphasizes on the development of people and teams but also manages their capabilities in the best possible manner needed to turn strategies into business results.

The year 2007-08 was a very challenging year from the Human Resources point of view. Due to unprecedented domestic and regional growth in the demand of cement, the demand of quality manpower has also increased. In order to mitigate this risk several medium and long term plans have been introduced in the Company.

The Company's management training programme for young graduates, introduced in the previous year, is running successfully and providing quality manpower to the Company. Similarly an apprenticeship programme has also been introduced to provide quality training to local youths and sons of its employees. The main purpose of initiating such programmes is to ensure availability of trained manpower all the time.

Employee development remained one of the key areas in overall HR management and to enrich the competence level of employees several on the job and for the job training programs were introduced during the year.

We term ATTOCK as a community rather than an organization. The growth of the Company as well as its people goes sideways.

The Management has always given priority to its cordial relations with the CBA and has always taken prosperous steps to benefit the workers in the most effective manner. During the year Company signed Memorandum of Settlement with CBA which would be effective till December 31, 2009.

Corporate Social Responsibility

The Management's policy of continuing and improving the Corporate Social Sector saw an increased activity in supporting the uplift of local community considering them as an integral part of ACPL. Basic education facilities, medical treatment and provision of potable water remained the focus of activity during the year. Three Medical Camps were held in nearby Goths giving general medical treatment and medication

Directors' Report

to sick and needy destitute. The attendance of these Camps was well over 3,000 cases.

Additionally, various Hepatitis Awareness Programmes were held in different Goths. In these indoctrination lectures were held regarding awareness about causes of Hepatitis B & C and precautionary measures to be adopted. Provision of schooling to poor children of nearby Goths continues as per the desire of the sponsors. Being a responsible corporate citizen, the Company, situated in poor and far flung area of Baluchistan, put its best efforts to provide much needed support to the poor population of surrounding Goths in the areas of education, health and drinking water facilities.

In addition to this the Company also provides OPD facilities to the residents of nearby Goths free of costs from company's medical center besides sponsoring a medical dispensary in Sakran.

Provision of help in cash, free transportation for occasions and material help in both edible and non-edible items is taken as our social responsibility and as such adhered to.

TCF School at Sakran

As a part of its overall Corporate Social Action Program, the Board of Directors, in their 75th meeting held on June 16, 2008, approved the construction of a school in the area of SAKRAN at a total cost of Rs. 40 million. A memorandum of understanding to this effect has been signed between ACPL and The Citizen Foundation (TCF) a renowned NGO working to provide quality education in under developed areas of the country. The establishment of this school was announced by our Chairman Dr. Ghaith R. Pharaon on his visit to the plant earlier. This school would comprise of 2 units primary and 2 units secondary school and would commence its educational activities with the start of academic year 2009. With the completion of this school atleast 600 children of this area will get quality education free of cost.

Safety, Health and Environment (SHE)

We, at ATTOCK believe in providing a safe, healthy and accident free working environment to its workforce. The

Management carries ultimate accountability for health and safety of not only its employees, but also of other people of the area. During the year under review the Company crossed 750,000 hours without a lost time accident. In order to meet safety standards of highest level the Company procured one fire tender for its Industrial Safety department to meet emergency situations.

Compliance with Code of Corporate Governance

The Directors hereby confirm that:

a) The annexed financial statements present fairly the state of the affairs of the Company, the result of its operations, cash flows and changes in equity;

b) Proper books of accounts have been maintained by the Company;

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

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;

e) The system of internal control is sound in design and has been effectively monitored and implemented;

f) There are no significant doubts upon the Company's ability to continue as a going concern;

Directors' Report

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

h) The following is the value of investments of terminal benefit schemes based on their respective latest accounts:

	Rupees	Year Ended
Prvovident Fund (audited)	160,817,142	December 2007
Gratuity Funds (unaudited)	80,819,083	June 2008
Pension Funds (unaudited)	124,045,061	June 2008

i) During the year 6 meetings of the Board of Directors were held. Attendance of Directors and Chief Executive is as follows:

Name of the Directors / Chief Executive	No. of meetings attended
Dr. Ghaith R. Pharaon	6
Mr. Laith G. Pharaon	6
Mr. Wael G. Pharaon	5
Mr. Shuaib A. Malik	6
Mr. Abdul Nayeem	2
Mr. Abdus Sattar	6
Mr. Bashir Ahmad	3
Mr. Babar Bashir Nawaz	6

Leave of absence was granted to a Director who could not attend some of the Board Meetings due to his other preoccupations.

j) The details of shares transacted by Directors, Chief Executive, Chief Financial Officer and Company Secretary and their spouses and minor children during the year 2007-2008 have been given on page 79.

k) The key operating and financial data for the last 6 years is set out on page 77.

Pattern Of Shareholding

The pattern of shareholding of the Company as at June 30, 2008 is given on page 78.

Contribution To National Exchequre

The Company contributed Rs. 1,914 million during the year 2007-2008 to the national exchequer on payments towards Sales Tax, Income tax, Excise duty and statutory levies. An amount of Rs. 92.77 million was also paid as withholding income tax deducted by the Company from shareholders, employees, suppliers and contractors.

Information Technology

On August 19, 2007, a fire broke out in PNSC Building, Karachi, where the office of the Company was situated. Immediately following this event the Company launched its Disaster Recovery Plan due to which the operational and financial impact of this incident was bare minimum.

The Company's EDP department at a short notice of 12 hours reorganized all the data, not a single day's sale was lost and the Company started to operate from a remote location. The Company continued its policy to invest more in information technology in order to keep itself at par with modern established practices.

Changes In Board Of Directors

On October 22, 2007, Mr. Abdul Nayeem, resigned from his office and Mr. Babar Bashir Nawaz joined the Board in his place. The Board appreciates the valuable contribution made by Mr. Abdul Nayeem during his tenure towards the overall growth of the Company.

Auditors

The retiring auditors, Messers. A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the 29th Annual General Meeting and offer themselves for reappointment. The Audit Committee has recommended their reappointment.

Audit Committee

The Board of Directors has established an Audit Committee in compliance with the Code of Corporate Governance with the following members:

Abdus Sattar	Chairman	Non-Executive Director
Bashir Ahmad	Member	Non-Executive Director
F. I. Baig	Member	Executive Alternate Director

Directors' Report

Terms of Reference

1. Determination of appropriate measures to safeguard the assets.

2. Review of preliminary announcements of results prior to publication.

3. Review of quarterly, half yearly and annual financial statements prior to the approval by the Board of Directors, major focus on:

- Judgmental areas;
- Significant adjustments resulting from the audit;
- Going concern assumption;
- Changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with the listing regulations and other statutory and regulatory requirements.

4. Review of management letter issued by external auditors and management response thereto.

5. Ensuring coordination between the internal and external auditors.

6. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed.

7. Consideration of major findings of internal investigations and management's response thereto.

8. Ascertaining that the internal control system includes financial and operational controls, accounting system and reporting structure are adequate and effective.

9. Review of statement on internal control systems prior to the endorsement by the Board of Directors.

10. Instituting special projects, value for money studies or other investigations on any matters specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

11. Determination of compliance with relevant statutory requirements.

12. Consideration of any other issue or matter as may be assigned by the Board of Directors.

13. External Auditors

- Recommendations regarding the appointment of External Auditors.
- Resignation and removal of External Auditors.
- Audit fees.
- Provision by external auditors of any services to the Company in addition to the audit of the Financial Statements.
- Facilitating external audit and discussion with external auditors of major observations arising from interim and final audits and any other matter that auditors wish to highlight.

Future Outlook

A visible slow down has been observed in the local demand which at once was reached at 3.5x multiplier of GDP to now almost 1.1x multiplier of GDP during the year 2007-2008. The main reasons behind this slow-down was the poor law and order situation and political turmoil in the country. Another significant reason for this slowdown is increase in overall construction cost due to higher inflation.

It is anticipated that higher inflation on account of rising coal prices and significant slide of rupee against US $ would continue to effect the local construction sector and therefore a further slow down in local cement demand cannot be ruled out. Moreover, the extremely poor law and order situation in two provinces of the country and lack of political stability would also effect the investors' confidence resulting lower demand of cement in the fiscal year 2008-09.

The key positive factor is the strong demand in the regional markets especially in UAE, Qatar and India. Your Company is now evenly poised with competitors for export of cement in regional markets due to reliability in Line-2 operations, availability of Bureau of Indian Standards (BIS) certification and having the resources to move bulk cement.

The management is fully aware of the challenges, which lie ahead and would have to be faced by the cement industry with special reference to rising energy prices, significant depreciation of Pak rupee against US $ and higher construction cost due to inflation and is devising strategies to meet the challenges through better market mix and adopting suitable risk management plan.

On behalf of the Board

BABAR BASHIR NAWAZ
Chief Executive

Date: August 31, 2008
Place: Damascus, Syria

Notice of the Twenty-Ninth (29th) Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting of Attock Cement Pakistan Limited will be held on Thursday, October 20, 2008 at 3:00 p.m. at Hotel Marriott, Karachi to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2008 together with the Report of Auditors and the Directors thereon.

2. To declare final cash dividend of 15% (Rs.1.5 per share) as recommended by the Board of Directors for the year ended June 30, 2008.

3. To appoint auditors for the financial year 2008-2009 and to fix their remuneration.

4. To elect seven (7) Directors of the Company as fixed by the Board of Directors in its meeting held on June 16, 2008, for a period of three (3) years. The name of retiring directors are;

   i) Dr. Ghaith Rashad Pharaon
   ii) Mr. Laith Ghaith Pharaon
   iii) Mr. Wael Ghaith Pharaon
   iv) Mr. Shuaib Anwer Malik
   v) Mr. Abdus Sattar
   vi) Mr. Bashir Ahmad
   vii) Mr. Babar Bashir Nawaz

The retiring directors are eligible for re-election.

By Order of the Board

IRFAN AMANULLAH
Company Secretary

Karachi: September 26, 2008

Notes:

1. The register of members and share transfer books of the Company will remain closed from Friday October 10, 2008 to Monday October 20, 2008 (both days inclusive).

2. Only those members whose names appear in the register of members of the Company as on October 09, 2008 are entitled to attend and vote at the meeting.

3. A member entitled to attend and vote may appoint any other person as his / her proxy to attend and vote on his / her behalf. Proxies must be received at the Registered Office of the Company duly signed not later than 48 hours before the time of holding the meeting. Form of proxy is enclosed herewith.

4. Members who desire to stop deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law.

5. Members are requested to provide by mail or fax their Computerised National Identity Card (CNIC) number or passport number, if foreigner (unless it has been provided earlier) to enable the Company to comply with relevant laws.

6. Members are requested to notify any changes in their addresses immediately.

CDC Account Holders will have to further follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan:-

A. For attending the meeting:

i) In case of individuals, the account holder or sub-account holder shall authenticate his / her original CNIC at the time of attending the meeting.

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

B. For appointing Proxies:

i) In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirements.

ii) The proxy from shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners 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 specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement of Compliance with the Code of Corporate Governance

For The Year Ended June 30, 2008

This statement is being presented to comply with the code of corporate governance contained in listing regulation # 37 of the Karachi Stock Exchange in Pakistan 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 six non-executive directors and one executive director.

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 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. A casual vacancy occurring in the Board during the year was duly filled up by the Directors.

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

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

7. All the powers of the Board have been duly exercised and decision 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. 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 had conducted orientation course for its resident directors to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, who is also Company Secretary, including his remuneration and terms and conditions of employment, as determined by the CEO. The Company believes that there are reasonable grounds that the same person can act as CFO and Company Secretary.

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 of three 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 in 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 outsourced the internal audit function to M/s Ford Rhodes Sidat Hayder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

19. The statutory auditors or the person associated with them has 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

Babar Bashir Nawaz
Chief Executive

Karachi
Dated: September 03, 2008

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Attock Cement Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, 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 aspects with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: September18, 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of Attock Cement Pakistan Limited as at June 30, 2008 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 purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984. As mentioned in note 35 to the financial statements, the records for the period July 1, 2007 to August 19, 2007 which form part of the year ended June 30, 2008 destroyed by fire that took place at company's registered office have been retrieved and regenerated;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

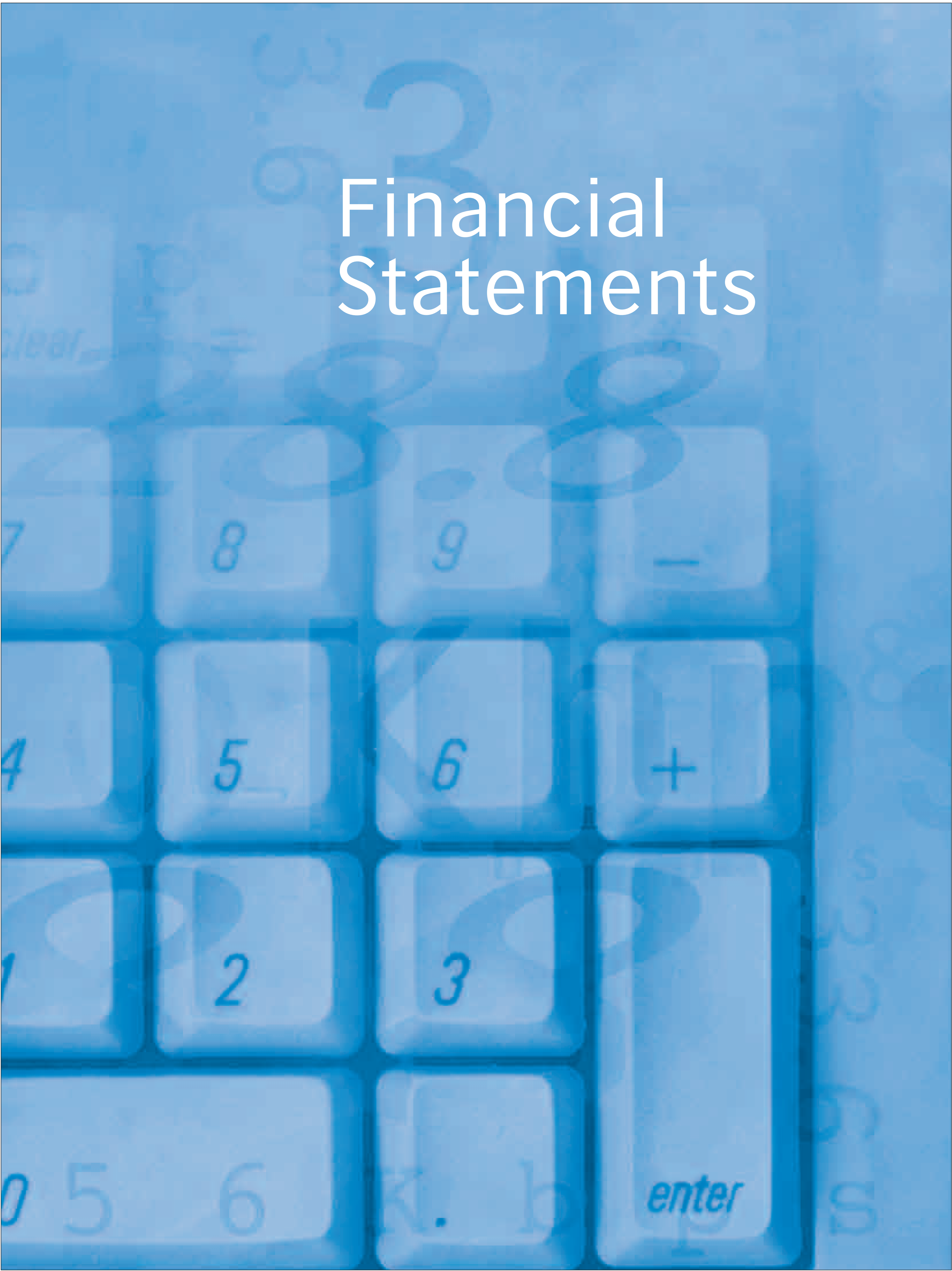
(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: September 18, 2008

Financial Statements



Balance Sheet
as at June 30, 2008

	Note	2008	2007
		Rupees '000	
SHARE CAPITAL AND RESERVES			
Authorised capital			
125,000,000 ordinary shares of Rs 10 each		1,250,000	1,250,000
Issued, subscribed and paid-up capital	3	721,629	721,629
Unappropriated profit		2,784,754	2,674,462
Hedging reserve		25,196	(47)
		3,531,579	3,396,044
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	4	-	109
Long term murabaha	5	622,500	822,500
Deferred taxation	6	736,449	554,213
		1,358,949	1,376,822
CURRENT LIABILITIES			
Trade and other payables	7	767,579	819,785
Accrued markup		12,731	14,413
Current maturity of liabilities against assets subject to finance leases	4	109	1,076
Current maturity of long term murabaha	5	200,000	177,500
		980,419	1,012,774
CONTINGENCIES AND COMMITMENTS	9		
		5,870,947	5,785,640

	Note	2008	2007
		Rupees '000	
NON-CURRENT ASSETS			
Fixed assets	10	4,333,363	4,443,222
Long term investment	11	4,500	4,500
Long-term loans and advances	12	9,775	9,912
Long-term deposits	13	42,980	42,980
CURRENT ASSETS			
Stores, spares and loose tools	14	622,758	348,714
Stock-in-trade	15	409,498	276,428
Trade debts - considered good		49,799	19,897
Loans and advances	16	21,213	35,099
Short-term deposits and prepayments	17	10,351	2,894
Interest accrued		2,154	2,154
Other receivables	18	49,403	23,489
Taxation		183,950	107,073
Investments - at fair value through profit or loss	19	20,246	203,502
Cash and bank balances	20	110,957	265,776
		1,480,329	1,285,026
		5,870,947	5,785,640

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

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Profit and Loss Account
For the year ended June 30, 2008

	Note	2008	2007
		Rupees '000	
Net sales	21	4,991,451	4,560,402
Cost of sales	22	3,887,147	3,005,726
Gross profit		1,104,304	1,554,676
Distribution cost	23	114,845	83,360
Administrative expenses	24	133,582	110,701
Other operating expenses	25	54,841	88,465
Other operating income	26	27,840	23,299
Operating profit		828,876	1,295,449
Finance cost	27	153,909	102,072
Profit before taxation		674,967	1,193,377
Taxation	28	239,942	396,944
Profit after taxation		435,025	796,433
Earnings per share - Basic and diluted	29	Rs 6.03	Rs 11.04

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

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Cash Flow Statement

For the year ended June 30, 2008

	Note	2008	2007
		Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	727,872	1,824,978
Finance cost paid		(155,591)	(131,845)
Income tax paid		(134,583)	(123,910)
Increase in long-term loans and advances		137	3,162
Net cash from operating activities		437,835	1,572,385
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(302,993)	(552,607)
Sale proceeds on disposal of fixed assets		8,184	7,466
Purchase of open ended mutual fund units		(95,000)	(200,000)
Proceeds from sale of open ended mutual fund units		287,362	-
Interest received		12,817	8,142
Net cash used in investing activities		(89,630)	(736,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term murabaha		(177,500)	-
Payments made under finance leases		(1,076)	(5,579)
Dividend paid		(324,448)	(360,713)
Net cash used in financing activities		(503,024)	(366,292)
Net (decrease) / increase in cash and cash equivalents		(154,819)	469,094
Cash and cash equivalents at the beginning of the year		265,776	(203,318)
Cash and cash equivalents at the end of the year	20	110,957	265,776

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

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Statement of Changes in Equity
For the year ended June 30, 2008

	Share capital	Unappropriated profit	Hedging reserve	Total
	Rupees '000			
Balance as at July 1, 2006	721,629	2,238,843	(7,242)	2,953,230
Final dividend for the year ended June 30, 2006	-	(360,814)	-	(360,814)
Reversal of loss arising on fair value of interest rate swap under cash flow hedge	-	-	7,195	7,195
Profit after taxation for the year ended June 30, 2007	-	796,433	-	796,433
Balance as at June 30, 2007	721,629	2,674,462	(47)	3,396,044
Final dividend for the year ended June 30, 2007	-	(324,733)	-	(324,733)
Net gain arising on fair value of interest rate swap under cash flow hedge	-	-	25,243	25,243
Profit after taxation for the year ended June 30, 2008	-	435,025	-	435,025
Balance as at June 30, 2008	721,629	2,784,754	25,196	3,531,579

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

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Notes to the Financial Statements
For the year ended June 30, 2008

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Karachi Stock Exchange. Its main business activity is manufacturing and sale of cement. The company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are provision for taxation, deferred taxation, provision for slow moving and obsolete stores and spares and provision for staff retirement benefits.

Accounting standards, amendments and interpretations effective in 2007

Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures is mandatory for the company's accounting periods beginning on or after January 1, 2007. It introduces new disclosures relating to company's objectives, policies and processes for managing capital. Adoption of this amendment only impacts the format and extent of the disclosures presented in note 34 to the financial statements.

The other new standards, amendments and interpretations are considered not relevant or have no significant effect to the company's financial statements.

New standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective

Following amendments to existing standards or interpretations have been published that are mandatory for the company's accounting periods beginning on the dates mentioned below:

IAS 23 - Borrowing cost	effective from January 1, 2009

Adoption of this standard is considered not to have any significant effect on the company's financial statements.

IAS 1, 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires, apart from changing the name of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the comprehensive income statement. The revised standard will be effective from January 1, 2009.

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments. The revised standard will be effective for accounting periods beginning on or after April 28, 2008.

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.3 Staff retirement benefits

Defined benefit plans

The company operates approved funded gratuity and pension schemes for its management and non-management employees. Contributions to the schemes are based on actuarial valuations.

The latest actuarial valuations of the schemes have been carried out as at June 30, 2008 using the Projected Unit Credit method. Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the greater of the present value of the obligations and the fair value of the respective fund's assets are amortised over the average remaining working lives of the employees.

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under the schemes.

Defined contribution plan

The company also operates an approved provident fund for its permanent employees. Equal monthly contributions are made, both by the company and the employees, at the rate of 10% of basic salary.

2.4 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid for goods and services.

2.5 Provisions

Provisions are recognised in the balance sheet when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.6 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates available, if any, and adjustments for prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account.

2.7 Fixed Assets

These are stated at cost less accumulated depreciation / amortisation and impairment losses except freehold land, capital work-in-progress and stores held for capital expenditures which are stated at cost.

Depreciation is charged using the reducing balance method. Depreciation on acquisition is charged from the month of addition whereas no depreciation is charged in the month of disposal.

Assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Company accounts for impairment, where indications exist, by reducing its carrying value to the estimated recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets are included in income currently.

2.8 Borrowings and their cost

Borrowings are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of that asset. Borrowings payable within next twelve months are classified as current liabilities.

2.9 Finance leases

The company accounts for fixed assets acquired under finance leases by recording the assets and related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Finance charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Finance cost is charged to the profit and loss account.

2.10 Investments

The company determines the appropriate classification of its investment at the time of purchase.

Long-term investments

The investment in associated company is stated at cost. Impairment losses are recognised whenever the carrying amount of investment exceeds its recoverable amount. An impairment loss is recognised in income currently. The equity method of accounting has not been followed as the effect of applying this method is immaterial.

Investments - at fair value through profit or loss

Investments held for trading are classified as at fair value through profit or loss account. These are measured at fair value which is re-assessed at each reporting date. In the case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

2.11 Stores, spares and loose tools

These are valued at monthly weighted average cost less provision for slow moving and obsolete stores, spares and loose tools. Items in transit are stated at cost.

2.12 Stock-in-trade

Stocks are valued at the lower of cost and net realisable value except goods-in-transit which is stated at cost. Raw and packing materials, work-in-process and finished goods are valued at the weighted average cost. Cost of work-in-process and finished stocks comprised of direct costs and appropriate portion of production overheads.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and costs necessarily to be incurred in order to make the sale.

2.13 Trade debts

Trade debts are stated initially at fair value and subsequently measured at amortised cost less an estimate made for doubtful debts, if any, based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprised of cash and cheques in hand and in transit, balances with banks on current and deposit accounts and finance under mark-up arrangements.

2.15 Foreign currencies

Transactions in foreign currencies are recorded in rupees at the rates approximating those prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees using the exchange rates approximating those prevailing at the balance sheet date. Exchange differences are included in income currently.

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

2.16 Revenue recognition

Sales are recorded on despatch of goods to customers and in case of export when the goods are shipped.

Return on deposits is recognised using the effective interest method.

Dividend is recognised as income when the right of receipt is established.

2.17 Derivative financial instruments and hedging activities

Company uses derivative financial instruments for hedging purposes only. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently re-measured at their fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity through statement of changes in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

2.18 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

Financial assets and liabilities are set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.19 Dividend

Dividend distribution to shareholders is accounted for in the period in which the dividend is declared.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008	2007		2008	2007
Ordinary shares of Rs 10 each			Rupees '000	
29,747,965	29,747,965	Shares allotted for consideration paid in cash	297,480	297,480
4,132,510	4,132,510	Shares allotted for consideration other than cash - plant and machinery	41,325	41,325
38,282,391	38,282,391	Shares allotted as bonus shares	382,824	382,824
72,162,866	72,162,866		721,629	721,629

As at June 30, 2008 and 2007 Pharaon Investment Group Limited (Holding) S.A.L, Lebanon and its nominees held 60,662,866 ordinary shares of Rs 10 each.

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The amounts of the future lease payments and the periods in which these payments will become due are:

	2008	2007
	Rupees '000	
Payable during:		
2007 - 2008	-	1,131
2008 - 2009	112	112
	112	1,243
Less: Finance charge not due	3	58
	109	1,185
Less: Current maturity shown under current liabilities	109	1,076
	-	109
Present value of finance lease liabilities		
Not later than one year	109	1,076
Later than one year and not later than 3 years	-	109
	109	1,185

4.1 Liabilities against assets subject to finance leases represent liabilities for vehicles acquired. Finance charge ranging from 7.75% to 14.75% (2007: 7.75% to 14.75%) per annum have been used as discounting factor.

Notes to the Financial Statements
For the year ended June 30, 2008

	Note	2008	2007
		Rupees '000	
5. LONG TERM MURABAHA - SECURED			
Murabaha finance	5.1 - 5.4	822,500	1,000,000
Less: Current maturity of long term murabaha		(200,000)	(177,500)
Long term portion		622,500	822,500

5.1 This represents murabaha finance obtained from various banks and other financial institutions under syndicate murabaha finance agreement for Rs 2.5 billion.

5.2 Each murabaha obtained is repayable in 20 quarterly instalments by August 2012. Mark-up is payable quarterly at the rate of 1.4% above six months KIBOR, at the date of disbursement and will subsequently be revised on semi-annual basis. The loan is secured by way of hypothecation against present and future fixed assets of the company to the extent of Rs 3.50 billion, equitable mortgage over land and building of the company to the extent of Rs 300 million and lien over all balances in collection accounts.

5.3 The company has entered into two 5 years interest rate swap agreements aggregating Rs 1 billion with a bank for notional amount of Rs 500 million each. Under the agreements, the company will receive 1.40% above six months KIBOR on notional amounts of Rs 500 million of each agreement and will pay 11.10% and 12.32% respectively on notional amounts which will be settled semi-annually. Parties to the agreements have option to unwind the swap transaction after two years from effective date and semi-annually thereafter with prior notice.

5.4 The gain on fair valuation of above swap as at June 30, 2008 of Rs 25.2 million has been taken to hedging reserve in statement of changes in equity and other receivables.

	2008	2007
	Rupees '000	
6. DEFERRED TAXATION		
Credit balances arising in respect of:		
- Accelerated tax depreciation allowances	738,279	751,467
- Finance lease arrangements	164	498
	738,443	751,965
Debit balances arising in respect of provision for:		
- Slow moving and obsolete stores and spares	(1,916)	(1,676)
- Carry forward tax losses	-	(178,198)
- Carry forward turnover tax	-	(17,800)
- Doubtful other receivables	(78)	(78)
	(1,994)	(197,752)
	736,449	554,213

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008	2007
		Rupees '000	
7. TRADE AND OTHER PAYABLES			
Creditors	7.1	243,195	103,737
Accrued liabilities		171,227	214,010
Sales tax payable		3,053	22,398
Excise duty payable		88,437	-
Advances from customers		76,135	114,960
Retention money	7.2	116,796	255,217
Security deposits		6,994	5,398
Workers' Profits Participation Fund	7.3	36,288	64,107
Workers' Welfare Fund		17,048	26,953
Payable to Gratuity Fund		-	1,954
Fair value of interest rate swap	5.4	-	47
Taxes deducted at source and payable to statutory authorities		-	2,234
Unclaimed dividend		488	203
Others	7.1	7,918	8,567
		767,579	819,785

7.1 Creditors and Other liabilities include Rs 2.27 million (2007: Rs 1.64 million) and Rs 6 million (2007: Rs 5.16 million) respectively in respect of amounts due to related parties.

7.2 These include retention money of Rs 113.94 million (2007: Rs 236.47 million) payable to Hefei Cement Research and Design Institute China.

7.3 Workers' Profits Participation Fund

	Note	2008	2007
		Rupees '000	
At the beginning of the year		64,107	14,837
Allocation for the year	25	36,288	64,107
		100,395	78,944
Interest on funds utilised in company's business	27	51	302
		100,446	79,246
Less: Amount paid to the Fund		64,158	15,139
		36,288	64,107

8. SHORT TERM BORROWINGS

8.1 The facilities for short term loan and export refinance available amounted to Rs 1.3 billion (2007: Rs 700 million). The rate of mark-up is three months KIBOR plus 1% (2007: three months KIBOR plus 2%) and 1% above the State Bank of Pakistan Export Refinance rate (2007: 1%) per annum respectively. The arrangement is secured by equitable mortgage over factory land and building.

8.2 The facilities for short term running finance available amounted to Rs 800 million (2007: Rs 300 million). The rates of mark-up range from one month KIBOR plus 0.85% to three months KIBOR plus 0.9% (2007: three months KIBOR plus 1.5%) per annum. The arrangement is secured by way of first pari-passu charge over stocks and book debts of the company.

8.3 The facilities for opening letters of credit and guarantee as at June 30, 2008 amounted to Rs 1.47 billion (2007: Rs 625 million) of which unutilised balance at year end amounted to Rs 1.17 billion (2007: Rs 68.87 million).

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

The Taxation Officer while finalising the re-assessment for the assessment year 1999-2000 had raised additional demand of Rs 35.77 million on account of enhanced gross profit. Upon company's appeal, the Commissioner of Income Tax (Appeals) (CITA) maintained the additional demand. The company has filed an appeal to the Income Tax Appellate Tribunal (ITAT) against the order of the CITA. The company's tax consultant and the management are hopeful that the ultimate decision will be in favour of the company, therefore, no provision has been made, in respect of aforementioned additional tax demand in these financial statements.

9.2 Commitments

Commitments for capital expenditure outstanding as at June 30, 2008 amounted to Rs 27.89 million (2007: Rs 12.33 million).

	Note	2008	2007
		Rupees '000	

10. FIXED ASSETS

	Note	2008	2007
Property, plant and equipment	10.1	4,054,932	4,308,194
Capital work-in-progress	10.5	1,025	13,269
Stores held for capital expenditure		277,406	121,759
		4,333,363	4,443,222

10.1 Property, Plant and Equipment

	Cost as at July 1, 2007	Additions / (Disposals) / Transfers*	Cost as at June 30, 2008	Accumulated depreciation as at July 1, 2007	Depreciation for the year / (on disposals) / on transfers*	Accumulated depreciation as at June 30, 2008	Book value as at June 30, 2008	Rate of depreciation %
	Rupees '000							
Freehold land	4,554	-	4,554	-	-	-	4,554	-
Buildings and roads on freehold land	969,171	996	970,167	99,768	43,489	143,257	826,910	5
Plant and machinery	5,379,009	106,441	5,485,450	2,075,937	337,574	2,413,511	3,071,939	10
Quarry transport and equipments	179,229	20,077	199,306	122,194	6,737	128,931	70,375	10 - 20
Furniture and fittings	13,007	6,845	13,534	7,494	702	5,646	7,888	20
		(6,318)			(2,550)			
Office equipments	64,009	11,152	61,054	30,750	4,222	26,570	34,484	10 - 25
		(14,107)			(8,402)			
Vehicles	60,645	14,079	72,742	28,000	8,190	34,570	38,172	20
		(7,941)			(5,751)			
		5,959*			4,131*			
Assets subject to finance leases								
Vehicles	7,816	-	1,857	5,103	275	1,247	610	20
		(5,959)*			(4,131)*			
June 30, 2008	6,677,440	159,590	6,808,664	2,369,246	401,189	2,753,732	4,054,932	
		(28,366)			(16,703)			
June 30, 2007	3,016,699	3,677,144	6,677,440	2,011,666	367,191	2,369,246	4,308,194	
		(16,403)			(9,611)			

10.2 Reconciliation of opening and closing Net Book Value (NBV)

	Cost	Accumulated depreciation	NBV	Cost of additions / transfers*	NBV of disposals	Depreciation / transfers for the year*	NBV as at June 30, 2008
	As at July 1, 2007			Rupees '000			
Freehold land	4,554	-	4,554	-	-	-	4,554
Buildings and roads on freehold land	969,171	99,768	869,403	996		43,489	826,910
Plant and machinery	5,379,009	2,075,937	3,303,072	106,441	-	337,574	3,071,939
Quarry transport and equipments	179,229	122,194	57,035	20,077	-	6,737	70,375
Furniture and fittings	13,007	7,494	5,513	6,845	(3,768)	702	7,888
Office equipments	64,009	30,750	33,259	11,152	(5,705)	4,222	34,484
Vehicles	60,645	28,000	32,645	14,079	(2,190)	8,190	38,172
				5,959*		4,131*	
Assets subject to finance leases							
Vehicles	7,816	5,103	2,713	-	-	275	610
				(5,959)*		(4,131)*	
June 30, 2008	6,677,440	2,369,246	4,308,194	159,590	(11,663)	401,189	4,054,932

10.3 The following fixed assets were disposed of during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceed	Mode of disposal	Particulars of purchaser
	Rupees '000					
Vehicles	3,800	2,721	1,079	786	Tender	Mr. Abdul Rauf Awan Flat # A-701, Mehran Height Block 8, Clifton, Karachi
	27	26	1	350	Tender	National Transport Company Room #09, Mezzanine Floor Ibrahim Trade Tower, Plot #01 Block 7 & 8, Maqbool Cooperative Housing Society, Shara-e-Faisal Karachi
	499	377	122	315	Tender	Mr. Abid Hussain Khan Durrani House # R-402, Sector # 15-A-3 Buffer Zone, North Karachi Karachi
	509	379	130	236	Tender	Mr. Mirza Ali Hayder Baig 5A-10-20, Paposh Nagar Nazimabad, Karachi.
	509	385	124	262	Negotiation	Mr. Azmat Ali Khan Executive
	509	407	102	232	Negotiation	Mr. Ghulam Muhammad Executive
	760	454	306	306	Company policy	Mr. Z. U. Babar Executive
	765	605	160	160	Company policy	Mr. Murtaza Ali Suterwala Executive
	509	394	115	115	Company policy	Mr. Awais Bilal Executive
	54	3	51	49	Insurance claim	EFU General Insurance Limited 8th Floor, Business Plaza Mumtaz Hassan Road Off: I. I. Chundrigar Road, Karachi
Loss due to fire						
Furniture and fittings	6,318	2,550	3,768	2,289	-do-	-do-
Office equipments	14,107	8,402	5,705	3,084	-do-	-do-
	20,425	10,952	9,473	5,373		
	28,366	16,703	11,663	8,184		

Notes to the Financial Statements
For the year ended June 30, 2008

		Note	2008	2007
			Rupees '000	
10.4	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	22	395,937	358,029
	Distribution cost	23	597	72
	Administrative expenses	24	4,655	9,090
			401,189	367,191
10.5	Capital Work-in-progress			
	Building and roads on freehold land		1,025	-
	Plant and machinery		-	12,375
	Furniture and fittings		-	358
	Office Equipment		-	536
			1,025	13,269

11. LONG-TERM INVESTMENT

Investment in related party (associated company)

	2008	2007
Attock Information Technology Services (Private) Limited 450,000 (2007: 450,000) fully paid ordinary shares of Rs 10 each	4,500	4,500
	4,500	4,500

11.1 The Company holds 10% (2007: 10%) of the investee's total equity.

		Note	2008	2007
			Rupees '000	
12.	LONG-TERM LOANS AND ADVANCES – Considered good			
	Chief executive		294	1,468
	Directors		-	804
	Executives		2,931	1,560
	Other employees		18,790	18,044
			22,015	21,876
	Recoverable within one year	16	(12,240)	(11,964)
	Long term portion		9,775	9,912

12.1 Reconciliation of the carrying amount of loans and advances to Chief Executive, Directors and Executives:

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees '000					
Opening balance	1,468	2,644	804	2,637	1,560	4,138
Disbursements	-	-	-	-	4,209	1,946
Repayments	(1,174)	(1,176)	(804)	(1,833)	(2,838)	(4,524)
	294	1,468	-	804	2,931	1,560

12.2 Amounts receivable from Chief Executive, Directors and Executives represent advances given for house rent according to the company's service rules. Executives and other employees are also provided with car, motor cycle, marriage and welfare loans. These loans and advances are recoverable in twelve to sixty monthly instalments and are interest free.

12.3 The maximum amount due from Chief Executive, Directors and Executives at the end of any month during the year was Rs 1.37 million (2007: Rs 2.55 million), Rs 0.76 million (2007: Rs 2.50 million) and Rs 2.93 million (2007: Rs 2.89 million) respectively.

13. LONG TERM DEPOSITS

These are security deposits held with The Karachi Electric Supply Corporation Limited (KESC) and carry interest at the rate of 5% (2007: 5%) per annum.

14. STORES, SPARES AND LOOSE TOOLS

	2008	2007
	Rupees '000	
Bricks	30,543	18,357
Stores and spares	472,507	296,682
Loose tools	995	1,011
Stores-in-transit	124,572	37,802
	628,617	353,852
Less: Provision for slow moving and obsolete items	5,859	5,138
	622,758	348,714

15. STOCK-IN-TRADE

	2008	2007
Raw and packing materials	116,511	90,898
Work-in-process	215,161	129,824
Finished goods	77,826	55,706
	409,498	276,428

	Note	2008	2007
		Rupees '000	
16. LOANS AND ADVANCES - Considered good			
Current portion of long-term loans and advances			
Chief Executive, Directors and Executives		2,581	3,148
Other employees		9,659	8,816
		12,240	11,964
Other advances - employees		507	703
Advances to suppliers		8,466	22,432
		21,213	35,099
17. SHORT-TERM DEPOSITS AND PREPAYMENTS			
Deposits - considered good		4,465	2,301
Prepayments		5,886	593
		10,351	2,894
18. OTHER RECEIVABLES			
Due from pension funds	18.1	12,737	17,858
Due from provident fund		2,288	2,077
Due from gratuity fund	18.1	1,277	-
Excise duty refundable		-	1,077
Insurance claim receivable		5,431	-
Fair value of interest rate swap	5.4	25,196	-
Due from related parties		2,223	2,679
Less: Provision against doubtful receivables		(223)	(223)
		2,000	2,456
Others		474	21
		49,403	23,489

18.1 Retirement benefits

18.1.1 Movement in liability / (asset)

	2008 Pension funds	2008 Gratuity funds	2007 Pension funds	2007 Gratuity funds
	Rupees '000			
Balance at July 1	(17,858)	1,954	(2,639)	431
Charge / (Reversal) for the year (note - 18.1.4)	5,121	6,178	(5,073)	9,863
Payments to the fund	-	(9,409)	(10,146)	(8,340)
Balance at June 30	(12,737)	(1,277)	(17,858)	1,954

	2008		2007	
	Pension funds	Gratuity funds	Pension funds	Gratuity funds
	Rupees '000			

18.1.2 Balance sheet reconciliation as at June 30

Present value of obligations	112,246	89,322	110,439	82,287
Less: Fair value of assets	(127,091)	(82,557)	(118,460)	(73,643)
	(14,845)	6,765	(8,021)	8,644
Unrecognised actuarial gain / (loss)	855	(8,124)	(12,375)	(6,854)
Unrecognised past service cost	1,253	82	2,538	164
	(12,737)	(1,277)	(17,858)	1,954

18.1.3 Movement in the present value of defined benefit obligation and fair value of plan assets

The movement in the present value of defined benefit obligation during the year is as follows:

Balance at July 1	110,439	82,287	104,004	67,052
Current service cost	6,838	5,395	7,127	5,036
Past service cost - vested	-	-	(13,171)	(4,808)
Past service cost - unvested	-	-	(6,294)	(164)
Interest cost	11,044	8,229	10,400	6,705
Actuarial (gains) / losses	(14,160)	16	9,554	13,202
Benefits paid	(1,915)	(6,605)	(1,181)	(4,736)
Balance at June 30	112,246	89,322	110,439	82,287

The movement in the fair value of plan assets during the year is as follows:

Balance at July 1	118,460	73,643	96,953	62,738
Expected return on plan assets	11,846	7,364	9,695	6,273
Actuarial (losses) / gains	(1,300)	(1,254)	2,847	1,028
Employer contributions	-	9,409	10,146	8,340
Benefits paid	(1,915)	(6,605)	(1,181)	(4,736)
Balance at June 30	127,091	82,557	118,460	73,643

18.1.4 Charge for the year

Current service cost	6,838	5,395	7,127	5,036
Interest cost	11,044	8,229	10,400	6,705
Expected return on assets	(11,846)	(7,364)	(9,695)	(6,273)
Net actuarial loss / (gain) recognised	370	-	(23)	9,203
Past service cost recognised	(1,285)	(82)	(12,882)	(4,808)
	5,121	6,178	(5,073)	9,863

18.1.5 Actual return on plan assets	10,546	6,110	12,542	7,301

Notes to the Financial Statements

For the year ended June 30, 2008

	2008 Pension funds	2008 Gratuity funds	2007 Pension funds	2007 Gratuity funds
18.1.6 Principal actuarial assumptions				
Expected return on plan assets (% per annum)	11	11	10	10
Expected rate of increase in salaries (% per annum)	9	9	8	8
Discount factor used (% per annum)	11	11	10	10
Retirement age (years)	60	60	60	60

As per actuarial recommendation, the expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

	2008 Pension funds %	2008 Gratuity funds %	2007 Pension funds %	2007 Gratuity funds %
18.1.7 Plan assets				
Plan assets are comprised of the following:				
Equity	26.60	27.01	19.31	31.51
Bonds	45.39	34.90	76.39	67.28
Others	28.01	38.09	4.30	1.21
	100	100	100	100

18.1.8 For the year ending June 30, 2009 expected contribution to pension funds would be Rs 3.64 million and expected contribution to gratuity funds would be Rs 6.09 million.

18.1.9 Comparison for five years

	2008	2007	2006	2005	2004
	Rupees '000				
Pension funds					
Fair value of plan assets	127,091	118,460	96,953	87,838	75,538
Present value of defined benefit obligation	(112,246)	(110,439)	(104,004)	(85,773)	(79,878)
Surplus / (Deficit)	14,845	8,021	(7,051)	2,065	(4,340)
Experience gain / (loss) on plan liabilities	14,160	(9,554)	(4,897)	12,941	(6,097)
Experience gain / (loss) on plan assets	(1,300)	2,847	(1,333)	(3,700)	(2,998)
Gratuity funds					
Fair value of plan assets	82,557	73,643	62,738	53,756	40,537
Present value of defined benefit obligation	(89,322)	(82,287)	(67,052)	(52,570)	(34,676)
Surplus / (Deficit)	(6,765)	(8,644)	(4,314)	1,186	5,861
Experience gain / (loss) on plan liabilities	(16)	(13,202)	(7,435)	(3,853)	(2,472)
Experience gain / (loss) on plan assets	(1,254)	1,028	1,373	(1,649)	3,118

Notes to the Financial Statements
For the year ended June 30, 2008

2008 (Units)	2007 (Units)		2008 (Rupees '000)	2007 (Rupees '000)

19. INVESTMENTS - at fair value through profit or loss

2008 Units	2007 Units		2008 Rupees '000	2007 Rupees '000
393,720	984,405	AKD income fund	20,246	50,957
-	454,703	AMZ Plus income fund	-	50,990
-	2,295,663	NAFA cash fund	-	25,421
-	229,232	KASB liquid fund	-	25,449
-	500,000	Faysal savings growth fund	-	50,685
			20,246	203,502

19.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2008 as quoted by the respective Asset Management Company.

20. CASH AND BANK BALANCES

	Note	2008 Rupees '000	2007 Rupees '000
Cash at bank			
- On deposit accounts	20.1	36,372	79,256
- On current accounts	20.2	74,413	186,499
Cash and cheques in hand		172	21
		110,957	265,776

20.1 At June 30, 2008 the mark-up rates on deposit accounts range from 1.5% to 7.5% per annum (2007: 6.5% to 8.7%).

20.2 This includes Rs 7 million (2007: Rs 5.4 million) maintained in a separate bank account for security deposits obtained as required under section 226 of the Companies Ordinance, 1984.

21. NET SALES

	2008 Rupees '000	2007 Rupees '000
Sales	6,770,750	6,237,210
Less: Excise duty and sales tax	(1,779,299)	(1,676,808)
	4,991,451	4,560,402

		Note	2008	2007
			Rupees '000	
22.	COST OF SALES			
	Raw materials consumed		371,432	356,545
	Packing materials consumed		340,157	245,202
	Cement packaging and loading charges		10,516	9,463
	Salaries, wages and benefits	22.1	351,431	304,770
	Electricity and water		729,174	649,915
	Fuel		1,487,462	943,004
	Stores and spares consumed		154,819	111,793
	Repairs and maintenance		66,139	35,255
	Insurance		22,196	22,140
	Vehicle running and maintenance		42,229	37,230
	Travelling and entertainment		3,186	2,201
	Communication		785	926
	Printing and stationary		3,120	2,336
	Security expenses		12,478	8,854
	Depreciation	10.4	395,937	358,029
	Provision for slow moving and obsolete stores, spares and loose tools		721	231
	Other expenses		2,822	12,323
			3,994,604	3,100,217
	Add: Opening work-in-process		129,824	56,775
	Less: Closing work-in-process		(215,161)	(129,824)
	Cost of goods manufactured		3,909,267	3,027,168
	Add: Opening stock of finished goods		55,706	34,264
			3,964,973	3,061,432
	Less: Closing stock of finished goods		(77,826)	(55,706)
			3,887,147	3,005,726

22.1 Salaries, wages and benefits include Rs 8.38 million and Rs 8.49 million (2007: Rs 2.96 million and Rs 7.32 million) in respect of defined benefit plans and contributory provident fund respectively.

		Note	2008	2007
			Rupees '000	
23.	DISTRIBUTION COST			
	Salaries, wages and benefits	23.1	20,959	19,603
	Export expenses		78,947	52,478
	Advertisement and sales promotion		2,083	3,213
	PSI marking fee		3,984	2,889
	Carriage outward		6,285	3,179
	Travelling and entertainment		357	745
	Vehicle running and maintenance		688	651
	Depreciation	10.4	597	72
	Printing and stationary		480	333
	Communication		167	107
	Other expenses		298	90
			114,845	83,360

23.1 Salaries, wages and benefits include Rs 0.77 million and Rs 0.63 million (2007: Rs 0.58 million and Rs 0.62 million) in respect of defined benefit plans and contributory provident fund respectively.

24. ADMINISTRATIVE EXPENSES

	Note	2008	2007
		Rupees '000	
Salaries, wages and benefits	24.1	79,779	68,928
Travelling and entertainment		4,216	2,915
Vehicle running and maintenance		5,446	5,538
Depreciation	10.4	4,655	9,090
Rent, rates and taxes		7,158	6,453
Utilities		2,654	1,549
Communication		2,565	2,176
Insurance		2,696	1,054
Repairs and maintenance		7,910	1,904
Printing and stationary		3,318	1,670
Advertising		2,330	1,134
Subscription		1,265	1,292
Legal and professional charges		5,608	4,365
Auditors' remuneration	24.2	1,455	1,095
Donations	24.3	204	40
Training		407	110
Other expenses		1,916	1,388
		133,582	110,701

24.1 Salaries, wages and benefits include Rs 2.14 million and Rs 2.12 million (2007: Rs 1.05 million and Rs 1.94 million) in respect of defined benefit plans and contributory provident fund respectively.

24.2 Auditors' remuneration

	2008	2007
	Rupees '000	
Audit fee	750	520
Fee for limited review of half yearly financial statements and special certifications	575	455
Out-of-pocket expenses	130	120
	1,455	1,095

24.3 None of the Directors or their spouses had their interest in donees.

Notes to the Financial Statements
For the year ended June 30, 2008

	Note	2008	2007
		Rupees '000	
25. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund	7.3	36,288	64,107
Workers' Welfare Fund		14,453	24,358
Loss of fixed assets due to fire		4,100	-
		54,841	88,465
26. OTHER OPERATING INCOME			
Income from financial assets			
Mark-up income on:			
- deposit accounts		10,668	5,889
- security deposit with KESC		2,149	2,986
Gain on re-measurement of fair value of open ended mutual fund units		246	3,502
Gain on sale of open ended mutual fund units		8,860	-
Income from non-financial assets			
Gain on disposal of fixed assets		621	674
Others			
Scrap sale		4,626	9,377
Others		670	871
		27,840	23,299
27. FINANCE COST			
Mark-up on long term murabaha		109,468	88,833
Mark-up on short term loan		10,270	4,161
Mark-up on running finance		3,557	2,985
Mark-up on export refinance		-	1,419
Finance lease charges		44	430
Bank charges and commission		6,207	3,942
Exchange loss		24,312	-
Interest on Workers' Profits Participation Fund - note 7.3		51	302
		153,909	102,072
28. TAXATION			
Current - for the year		57,706	22,802
- for prior years		-	(8,000)
		57,706	14,802
Deferred		182,236	382,142
		239,942	396,944

Notes to the Financial Statements

For the year ended June 30, 2008

		2008	2007
		Rupees '000	
28.1	Relationship between tax expense and accounting profit		
	Profit before taxation	674,967	1,193,377
	Tax at the applicable rate of 35%	236,238	417,682
	Effect of final tax regime	5,507	(9,184)
	Tax effect of permanent differences	1,384	(2,328)
	Tax effect of income exempt from tax	(3,187)	(1,226)
	Prior years' tax	-	(8,000)
		239,942	396,944
29.	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after taxation	435,025	796,433
	Number of ordinary shares outstanding at the end of year (in thousands)	72,163	72,163
	Basic and diluted earnings per share	Rs. 6.03	Rs. 11.04
30.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	674,967	1,193,377
	Add / (Less): Adjustments for non-cash charges and other items		
	Depreciation	401,189	367,191
	Gain on disposal of fixed assets	(621)	(674)
	Loss of fixed assets due to fire	4,100	-
	Gain on re-measurement of fair value of open ended mutual fund units	(246)	(3,502)
	Gain on sale of open ended mutual fund units	(8,860)	-
	Mark-up income	(12,817)	(8,875)
	Finance cost	153,909	102,072
		536,654	456,212
	Profit before working capital changes	1,211,621	1,649,589
	Effect on cash flow due to working capital changes		
	(Increase) / Decrease in current assets		
	Stores, spares and loose tools	(274,044)	(90,243)
	Stock-in-trade	(133,070)	(109,257)
	Trade debts	(29,902)	3,227
	Loans and advances	13,886	(17,198)
	Short term deposits and prepayments	(7,457)	349
	Other receivables	(718)	(14,817)
		(431,305)	(227,939)
	(Decrease) / Increase in trade and other payables	(52,444)	403,328
		(483,749)	175,389
	Cash generated from operations	727,872	1,824,978

Notes to the Financial Statements

For the year ended June 30, 2008

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration to the Chief Executive, Directors and Executives of the company are as follows:

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees '000					
Managerial remuneration	6,599	5,866	7,895	6,523	32,174	26,392
Housing allowance	2,310	2,053	2,859	2,362	12,026	9,845
Utility allowance	880	782	545	450	2,388	1,955
Bonus	2,607	1,955	2,999	2,249	11,209	9,775
Retirement benefits	1,210	566	1,497	651	6,566	2,829
Others	739	700	930	785	4,852	4,106
	14,345	11,922	16,725	13,020	69,215	54,902
Number of person(s)	1	1	2	2	28	24

The Chief Executive, working Directors and executives are provided with free use of company maintained cars. The Chief Executive, working Directors and executives are also provided with medical facilities in accordance with their entitlements.

A sum of Rs 0.92 million (2007: Rs 0.92 million) was paid to two non-executive Directors in respect of advisory services.

32. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the year are as follows:

	2008	2007
	Rupees '000	
Holding company		
Recovery of expenses from holding company	8,094	4,204
Dividend paid	272,983	303,314
Other related parties		
Purchases of goods	80,563	55,015
Reimbursement of expenses to related party	6,803	3,881
Recovery of expenses from related party	5,294	9,275
Reimbursement of staff cost on secondment to related party	327	284
Recovery of staff cost on secondment from related party	1,485	1,477
Payment made to retirement benefit funds	20,652	28,263

Notes to the Financial Statements
For the year ended June 30, 2008

	2008	2007
	Rupees '000	

32.1 Key management compensation

	2008	2007
Salaries and other short-term employee benefits	36,780	31,126
Post-employment benefits	3,544	1,607
	40,324	32,733

The related party status of outstanding balances as at June 30, 2008 is included in other receivables, loans and advances and trade and other payables.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial assets and liabilities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	Rupees '000						
Financial Assets							
Long term investment	-	-	-	4,500	-	4,500	4,500
Loans and advances	-	-	-	12,747	9,775	22,522	22,522
Deposits	-	42,980	42,980	4,465	-	4,465	47,445
Trade debts	-	-	-	49,799	-	49,799	49,799
Interest accrued	-	-	-	2,154	-	2,154	2,154
Other receivables	-	-	-	7,905	-	7,905	7,905
Investments	-	-	-	20,246	-	20,246	20,246
Cash and bank balances	36,372	-	36,372	74,585	-	74,585	110,957
As at June 30, 2008	36,372	42,980	79,352	176,401	9,775	186,176	265,528
As at June 30, 2007	79,256	42,980	122,236	429,518	14,412	443,930	566,166
Financial Liabilities							
Liabilities against assets subject to finance leases	109	-	109	-	-	-	109
Long term murabaha	200,000	622,500	822,500	-	-	-	822,500
Trade and other payables	-	-	-	529,315	-	529,315	529,315
Accrued mark-up	-	-	-	12,731	-	12,731	12,731
As at June 30, 2008	200,109	622,500	822,609	542,046	-	542,046	1,364,655
As at June 30, 2007	178,576	822,609	1,001,185	591,256	-	591,256	1,592,441

Off Balance Sheet items

Letters of credit	275,838
June 30, 2007	520,939
Letters of guarantee	30,440
June 30, 2007	35,192

Notes to the Financial Statements
For the year ended June 30, 2008

(i) Interest / mark-up rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has no significant interest bearing assets. Company's liabilities against finance leases and short term borrowings are at fixed and variable rates respectively. In case of long term borrowings, taking view of rising interest rates in the economy, company has hedged the future cash flows relating to the interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the company agrees with other parties to exchange, at specified intervals (mainly semi-annually) the difference between fixed contract rates and floating interest rate calculated by reference to the agreed notional principal amount.

The effective mark-up rates for the financial assets and liabilities are mentioned in the respective notes.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. The company believes that it is not exposed to major concentration of credit risk.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks included in trade and other payables as at June 30, 2008 amounted to Rs 113.94 million (2007: Rs 236.47 million).

(iv) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The company manages liquidity risk by maintaining sufficient cash and the availability of financing through banking arrangements.

(v) Fair values of financial instruments

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

34. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2008 the company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2008 was as follows:

	2008	2007
	Rupees '000	
Total Borrowings	822,500	1,000,000
Cash and bank	(110,957)	(265,776)
Net debt	711,543	734,224
Total equity	3,531,579	3,396,044
Total capital	4,243,122	4,130,268
Gearing ratio	17%	18%

The company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

35. SIGNIFICANT EVENT

On August 19, 2007 a fire broke out at PNSC building and as a result the company's registered office was gutted. Besides the loss of furniture and fixtures, computers and other office equipments, the fire incident also resulted in the destruction of various documents and records of the company maintained at the registered office.

Financial and accounting records and data were lost although the electronic data remained intact. Subsequently data / records gathering exercise was initiated and in this regard duplicate documents were arranged from the company's employees, customers, suppliers, bankers and regulatory authorities which were destroyed in the fire and the company has been able to reconstruct the records relating to the period July 1 to August 19, 2007 which form part of period covered by the current reported financial year except for certain records which are insignificant to the overall accounting records and maintenance of proper books of account.

Notes to the Financial Statements
For the year ended June 30, 2008

36. CORRESPONDING FIGURES

Corresponding figures have been reclassified for the purpose of comparison and better presentation. There have been no significant reclassifications in these financial statements.

37. CAPACITY AND PRODUCTION

	2008	2007
	(Metric tons)	
Production capacity		
- Clinker	1,710,000	1,710,000
- Cement	1,795,500	1,795,500
Actual production		
- Clinker	1,359,766	1,314,666
- Cement	1,364,511	1,234,878

Actual production is lower than plant maximum capacity due to certain teething / operational problems in line 2 operation.

38. DIVIDEND

The Board of Directors in their meeting held on August 31, 2008, proposed a cash dividend of Rs 1.5 per share amounting to Rs 108.24 million (2007: Rs 4.5 per share amounting to Rs 324.73 million).

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 31,2008 by the Board of Directors.

Babar Bashir Nawaz
Chief Executive & Director

Abdus Sattar
Director

Six Years at a Glance

Rupees in million unless otherwise stated

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
PRODUCTION AND SALES						
CLINKER PRODUCTION (IN TONNES)	1,359,766	1,314,666	780,014	740,476	658,924	527,678
CAPACITY UTILIZATION %	80%	77%	108%	103%	92%	73%
CEMENT PRODUCTION (IN TONNES)	1,364,511	1,234,878	842,296	728,487	607,130	539,127
CEMENT SALES (IN TONNES)	1,359,487	1,228,793	843,137	730,704	603,888	540,550
PROFIT & LOSS						
NET SALES	4,991	4,560	3,473	2,587	1,882	1,443
COST OF SALES	3,887	3,006	1,808	1,560	1,269	1,188
GROSS PROFIT	1,104	1,554	1,665	1,027	613	255
OTHER INCOME	28	23	9	385	33	44
OPERATING PROFIT	829	1,295	1,419	1,172	466	175
PROFIT BEFORE TAX	675	1,193	1,393	1,161	457	196
PROFIT AFTER TAX	435	796	909	862	280	132
BALANCE SHEET						
PAID-UP CAPITAL	722	722	722	722	722	722
UNAPPROPRIATED PROFIT	2,785	2,674	2,239	1,420	649	369
LONG TERM & DEFERRED LIABILITIES	1,359	1,377	1,173	731	198	158
CURRENT LIABILITIES	980	1,013	745	554	281	241
FIXED ASSETS LESS DEPRECIATION	4,333	4,443	4,236	2,547	1,109	888
OTHER LONG TERM ASSETS	57	57	61	23	22	15
CURRENT ASSETS	1,480	1,285	575	837	719	586
KEY FINANCIAL RATIOS						
GROSS PROFIT %	22.12	34.10	47.90	39.70	32.60	17.70
OPERATING PROFIT %	16.61	28.40	40.90	45.30	24.80	12.10
NET PROFIT %	8.72	17.46	26.20	33.30	14.90	9.10
CURRENT RATIO (TIMES)	1.51	1.27	0.74	1.50	2.60	2.40
GEARING RATIO (%)	17	18	29	15	-	-
SHARES AND EARNINGS						
MARKET VALUE/SHARE AS AT JUNE 30 (Rs.)	77	122	91	68	50	33
EARNINGS PER SHARE (Rs.)	6.03	11.04	12.59	11.94	3.88	1.83

Pattern of Shareholding

As on June 30, 2008

No. of Shareholders	Shareholdings From	To	Total Shares Held
67	1	100	4,499
261	101	500	113,110
88	501	1000	81,021
118	1001	5000	325,802
18	5001	10000	157,400
10	10001	15000	119,579
4	15001	20000	73,200
3	20001	25000	62,800
7	25001	30000	201,338
1	40001	45000	44,000
1	45001	50000	47,500
2	50001	55000	105,362
1	55001	60000	55,500
1	65001	70000	69,600
5	85001	90000	443,300
1	90001	95000	91,000
2	95001	100000	200,000
1	110001	115000	114,500
2	120001	125000	244,500
1	135001	140000	139,200
1	155001	160000	160,000
1	170001	175000	175,000
1	190001	195000	193,800
1	195001	200000	200,000
1	200001	205000	200,500
1	335001	340000	337,000
1	370001	375000	370,600
2	495001	500000	999,400
1	515001	520000	519,100
1	590001	595000	591,100
1	595001	600000	597,700
1	760001	765000	764,000
1	800001	805000	805,000
1	860001	865000	861,500
1	930001	935000	930,200
1	1100001	1105000	1,101,900
1	60660001	60665000	60,662,855
612			72,162,866

	Categories of shareholder	Shares held	Percentage
1	DIRECRTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDERN	8	0.00
2	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	-	-
3	NIT AND ICP	80,500	0.11
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS	402,900	0.56
5	INSURANCE COMPANIES	1,540,300	2.13
6	MODARABA AND MUTUAL FUNDS	5,637,900	7.81
7	SHAREHOLDERS HOLDING 10% OR MORE	60,662,855	84.06
8	GENERAL PUBLIC		
	a. Local		
	Individual	2,028,302	2.81
	Joint Stock Companies	1,025,901	1.42
	Investment Companies	499,900	0.69
	b. Foreign	117,500	0.16
9	OTHERS (TO BE SPECIFIED)		
	Charitable Trust	-	-
	Education Foundation	122,700	0.17
	Pension Fund	44,100	0.06

Shareholders holding Ten Percent or more voting interest in the listed Company

Total Paid-up capital of the Company	72,162,866 Shares
10% of the paid-up Capital of the Company	7,216,286 Shares

Name of Shareholder	Description	No. of shares held	Percentage
Pharaon Investment Group Limited Holding S.A.L. Beirut, Lebanon	Falls in Category # 7	60,662,855	84.06

No shares were transacted by the Chief Executive, Directors, Executives and their spouses and minor children from July 01, 2007 to June 30, 2008 in the shares of the Company.

Form of Proxy

I/We..
of..
being a member(s) of Attock Cement Pakistan Limited holding...
ordinary shares as per share register folio No. ....or CDC participant ID No. and
sub-account No. .... hereby appoint ....
of .... Or failing him / her ....of
.... as my / our Proxy in my / our absence to attend and vote
for me / us and on my / our behalf at the 29th Annual General Meeting of the Company to be held on
October 20, 2008 and at any adjournment thereof.

Signed this .... day of .... 2008.

Signature
(Signature must agree with
the specimen signature
registeredwith the Company)

Witness:

1. Name: ....
Address: ....
CNIC / Passport No. ....

2. Name: ....
Address: ....
CNIC / Passport No. ....

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, D-70, Block-4, Kehkashan-5, Clifton, Karachi-75600, not less than 48 hours before the time of holding the meeting and must be duly signed and witnessed.

2. A Proxy need not be a member of the Company.

3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

3. The proxy shall produce his/her original passport at the time of the meeting.

4. In case of Government of Pakistan, State Bank of Pakistan, Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

Attock Cement Pakistan Limited
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Website: www.attockcement.com