CONTENTS

COMPANY INFORMATION

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Iqbal Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Muhammad Nawaz Tishna (NIT)	Director
Mr. Iftikhar Ahmad Bashir (NIT)	Director
Mr. Javaid Anwar (NIT)	Director

Company Secretary
Mr. Abid A. Vazir

Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Iqbal Faruque	Member
Mr. Akbarali Pesnani	Member

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
ABN Amro Bank
Allied Bank Ltd.
Bank Al-Habib Ltd.
Citibank, N.A.
Habib Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Standard Chartered Bank
Soneri Bank Ltd.
Union Bank Ltd.
United Bank Ltd.

Registered Office
Modern Motors House
Beaumont Road
Karachi-75530.

Factory
Village Lakrai
P.O. Box 28
Nowshera.

Sales Office
1st Floor, Betani Arcade
Jamrud Road
Peshawar.

Regional Office
3, Sunder Das Road
Lahore.

Islamabad Office
Mezzanine Floor
Razia Sharif Plaza, 91-Blue Area
Islamabad.

CHERAT CEMENT

CHERAT CEMENT COMPANY LIMITED

Ghulam Faruque Group

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the Company will be held on Friday, October 20, 2006 at 10:30 a.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 24th Annual General Meeting held on October 24, 2005.

2. To receive and consider the audited financial statements of the Company for the year ended June 30, 2006 and the Reports of the Directors and the Auditors thereon.

3. To approve the payment of cash dividend @ 10% (Re. 1/- per share) for the financial year ended June 30, 2006 as recommended by the Board of Directors.

4. To approve the issuance of bonus shares @ 15% i.e. in the ratio of fifteen (15) bonus shares for every one hundred (100) shares held.

5. To elect eight (8) Directors of the Company as fixed by the Board of Directors u/s 178 of the Companies Ordinance 1984. The names of retiring Directors are: (1)Mr. Mohammed Faruque (2) Mr. Iqbal Faruque (3) Mr. Akbarali Pesnani (4) Mr. Azam Faruque (5) Mr. Shehryar Faruque (6) Mr. Muhammad Nawaz Tishna (NIT) (7) Mr. Iftikhar Ahmad Bashir (NIT) and (8) Mr. Javaid Anwar (NIT)

6. To appoint Auditors for the year 2006/07 and to fix their remuneration.

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

By Order of the Board of Directors

Abid A. Vazir
Company Secretary

Karachi: September 15, 2006

NOTES:

1. The register of members of the company will be closed from Friday, October 6, 2006 to Friday, October 20, 2006 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Registered Office of the company at the close of business on Thursday, October 5, 2006 will be treated in time for the entitlement of 10% cash dividend and 15% bonus shares. The payment of dividend will be made on the existing paid-up capital of Rs. 831,130,500/-.

2. A member of the company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the company 48 hours before the Meeting.

3. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Registered Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.

4. Shareholders of the company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original Computerized National Identity Card (CNIC) along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 (as reproduced on the reverse side of the enclosed proxy form) are to be followed.

5. The shareholders of the company are requested to immediately notify the company of any change in their addresses.

6. To comply with the requirements of the SECP in respect of filing of Form A (Annual Return), all shareholders of the company are requested to send copy of their CNICs along with the folio numbers at the Registered Office of the company.

Ordinary Business – Item no. 4

It is proposed that the following resolution be passed with regard to the issuance of bonus shares:

Resolved that a sum of Rs. 124,669,580/- be capitalized out of the un-appropriated profits of the company for the year 2005/06 to issue at par 12,466,958 ordinary shares of Rs. 10 each. Such shares shall be distributed as bonus shares to those members whose names appear in the register of members of the company on October 6, 2006 @ 15% (15 shares for every 100 shares held); that the new shares shall rank pari passu with the existing shares of the company for all purposes; that fraction shares arising thereof shall be disregarded and whole shares representing such fractions shall be disposed off in such manner as the Directors of the company think fit and the proceeds shall be distributed in due proportion among the members of the company entitled thereto in accordance with their respective rights; that the Directors be and are hereby authorized to sign the new share certificates and the common seal of the company may be affixed in the presence of any two Directors; that the Directors be and are hereby authorized to give effect to this resolution and to do all such acts, deeds and things that may be necessary or required for the issuance, allotment or distribution of ordinary shares.

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2006

The Board of Directors is pleased to place before you the financial results of the company along with the audited accounts for the year ended June 30, 2006.

OVERVIEW

Despite October's devastating earthquake, the economy has continued to grow. Positive sentiments about the national economy and ongoing development projects in the country, kept the demand for cement buoyant. Cement sector, being one of the major drivers, contributed significantly towards the growth momentum of the economy. During the year under review, the domestic demand for cement grew at around 15%, while export sales declined by 4% from last year as aggregate cement sales rose to over 18 million tons.

PERFORMANCE OF THE COMPANY

The optimization of production capacity and related plant shutdown for a period of 3 months during the period under review had an impact on company's business due to decline in production and dispatches. However, in spite of the capacity constraints and the resultant decline in dispatches compared to last year, the company earned an after tax profit of Rs. 538 million on net sales of Rs. 2,434 million during the year compared to Rs. 512 million earned on net sales of Rs. 2,400 million last year, reflecting a rise of 5% and 1% respectively over last year.

Production

The production volumes declined during the year under review for reasons stated above. We produced 575,000 tons of clinker and 598,025 tons of cement during the year under review, showing a decline of 174,100 tons and 193,493 tons respectively, from last year.

The comparative production figures of clinker and cement are stated under:

	2005/06 (in tons)	2004/05 (in tons)	Variance
• Clinker	**575,000**	749,100	**(23%)**
• Cement	**598,025**	791,518	**(24%)**

Sales and dispatches

Ongoing construction work on several infrastructural and developmental projects, general improvement in the economic climate of the country along with reconstruction efforts in Afghanistan, increased the demand for cement. However, due to capacity constraints, the sales volume of the company declined by 196,323 tons i.e. 25% during the year. Although company's local dispatches dropped by 206,266 tons, sales to Afghanistan rose by 9,943 tons from last year as we continue to enjoy strong brand loyalty in Afghanistan and were, therefore, able to attract a premium price.

	2005/06 (in tons)	2004/05 (in tons)	Variance
• Local sales	401,080	607,346	**(34%)**
• Export sales	194,906	184,963	**5%**
	595,986	792,309	**(25%)**

Operating performance

Despite 25% decline in sales volume, the sales revenue of the company increased by approximately Rs. 34 million from last year. Owing to rise mainly in export prices, the gross profitability margin of the company improved from 36% last year to 38% this year. After taking into consideration various expenses and government taxes, the company was able to earn an impressive after tax profit of Rs. 538 million during the year, reflecting a rise of over Rs. 25 million from last year.

Summarized operating performance of the company for the current year and that of last year is as follows:

	2005/06 (Rs. in million)	2004/05 (Rs. in million)	Variance
Net sales	**2,434.51**	2,400.53	**1%**
Cost of sales	**1,488.88**	1,544.12	**(4%)**
Gross profit	**945.63**	856.41	**10%**
Expenses & taxes	**407.85**	344.11	**19%**
Net profit	**537.78**	512.30	**5%**

DIVIDEND FOR THE YEAR

At its meeting held on September 15, 2006, the Board of Directors has proposed a cash dividend @ 10% (Re. 1/- per share) for the year ended June 30, 2006.

Further, the Board of Directors has also proposed the issuance of bonus shares @ 15% i.e. in the ratio of fifteen (15) shares for every one hundred (100) shares held through capitalization of Rs. 124,669,580 out of free reserves of the company. The said bonus shares shall not be entitled for the cash dividend declared for the year ended June 30, 2006.

The approval of members for cash dividend and bonus shares will be obtained at the Annual General Meeting to be held on October 20, 2006.

EXPANSION OF PRODUCTION CAPACITY

By the Grace of Almighty Allah, we are pleased to inform our shareholders that the company has successfully expanded its production capacity. With this expansion, the clinker production capacity of the plant has now risen to 3,300 tons per day. The company is now well positioned to meet the enhanced demand for cement from its loyal customers both domestically and in Afghanistan.

MADIAN HYDRO POWER

We wish to update our shareholders that following the issuance of Letter of Interest (LOI) by the Private Power and Infrastructure Board (PPIB) and the appointment of Owner's Engineers, the consortium comprising of Cherat Cement Company Ltd. and Shirazi Investments (Pvt.) Ltd. is currently in the process of appointing consultants for the project, who would be responsible for preparing its detailed feasibility. The consortium has established an independent company for the project by the name of Madian Hydro Power Ltd.

DONATION FOR EARTHQUAKE VICTIMS

Fully conscious of its social responsibility, the company during the year donated a sum of Rs. ten (10) million for the victims of October's earthquake in the country. Further, the employees of the company also contributed their one day salary for the victims of the earthquake.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the company fairly present its state of affairs, the results of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal controls has been effectively implemented and is continuously reviewed and monitored.
- The company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of Code of Corporate Governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- There is nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2006:

- Provident Fund	Rs. 125.973 million
- Gratuity Fund	Rs. 60.308 million

- During the year, the Board of Directors of the company held seven (7) meetings. The attendance record of each director is as follows

Name of Director	Meetings Attended
Mr. Mohammed Faruque	6 / 7
Mr. Zahid Faruque*	2 / 2
Mr. Iqbal Faruque	6 / 7
Mr. Akbarali Pesnani	3 / 7
Mr. Azam Faruque	7 / 7
Mr. Muhammad Nawaz Tishna	5 / 7
Mr. Iftikhar Ahmad Bashir	7 / 7
Mr. Javaid Anwar	6 / 7
Mr. Shehryar Faruque*	4 / 5

* *Mr. Shehryar Faruque was appointed as Director on January 5, 2006 on the sad demise of Mr. Zahid Faruque.*

- The pattern of shareholding is annexed.
- The Earnings per share (EPS) during the year was Rs. 6.47 as against Rs. 6.16 last year.

FUTURE PROSPECTS

Robust growth of the national economy and initiation of construction work on infrastructural projects and housing schemes bodes well for the future of cement industry. Due to greater focus by the government on the development projects and ongoing reconstruction work in Afghanistan, the current growth trend in the demand for cement is expected to continue in the foreseeable future. However, massive expansion of production capacities by cement manufacturers is a cause of concern as it will saturate the market, which will have serious negative impact on the entire cement sector.

In order to absorb the additional capacity, the government is strongly urged to implement its recent decision on the use of cement for making roads in the country and commence construction on other already announced infrastructure projects. Further, the government is also urged to reduce the excise duty on cement.

AUDITORS

The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

ACKNOWLEDGMENT

We would like to thank all the financial institutions having business relationship with us, our dealers and customers for their continued support, cooperation and trust they have reposed in us. We would also like to share our deepest appreciation for our team of executives, managers, supervisors and other employees, for their dedication, loyalty and hard work.

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: September 15, 2006

VISION STATEMENT

To be a premier manufacturing concern engaged in the nation building through optimum utilization of resources for the benefit of its stakeholders.

MISSION STATEMENT

To build on our core competencies by making regular investment in the field of technology to bring about improvements in the quality of our product. We strive to develop an organization having a strong team of dedicated professionals with satisfied customers and shareholders.

CORE VALUES

- Achieve excellence in business
- Sustain development through technological advancements
- Commitment to quality
- Continuous development of work force
- Compliance to the practices of ISO 9001:2000

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

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present, the Board includes six non-executive directors, of whom three are independent.

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

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

4. A casual vacancy occurring on the Board in December 2005 was filled up within fourteen (14) days thereof.

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

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

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

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

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

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.

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 presently comprises of three members, of whom two are non-executive directors of the company.

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

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

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

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

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

On behalf of the Board of Directors

(MOHAMMED FARUQUE)
Chairman

Karachi: September 15, 2006

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF TRANSFER PRICING

The company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

On behalf of the Board of Directors

(MOHAMMED FARUQUE)
Chairman

Karachi: September 15, 2006

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2006 prepared by the Board of Directors of **Cherat Cement Company Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, the Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 3 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchanges (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to 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 respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended June 30, 2006.

Ford Rhodes Sidat Hyder & Co

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 15, 2006

STATEMENT OF ETHICS & BUSINESS PRACTICES

The business policy of the company is based on the principles of honesty, integrity and professionalism at every stage.

Product Quality

Regularly update ourselves with technological advancements in the field of cement production to produce cement under highest standards and maintain all relevant technical and professional standards.

Dealing with Employees

Provide congenial work atmosphere where all employees are treated with respect and dignity. Recognize and reward employees based on their performance and their ability to meet goals and objectives.

Responsibility to interested parties

To be objective, fair and transparent in our dealings with people who have reposed their confidence in us.

Financial Reporting & Internal Controls

To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders and fulfill the regulatory requirements.

Procurement of Goods & Services

Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any good or service, obtain quotations from various sources.

Conflict of Interest

All the acts and decisions of the management be motivated by the interest of the company and activities and involvements of the directors and employees in no way conflict with the interest of the company.

Adherence to laws of the land

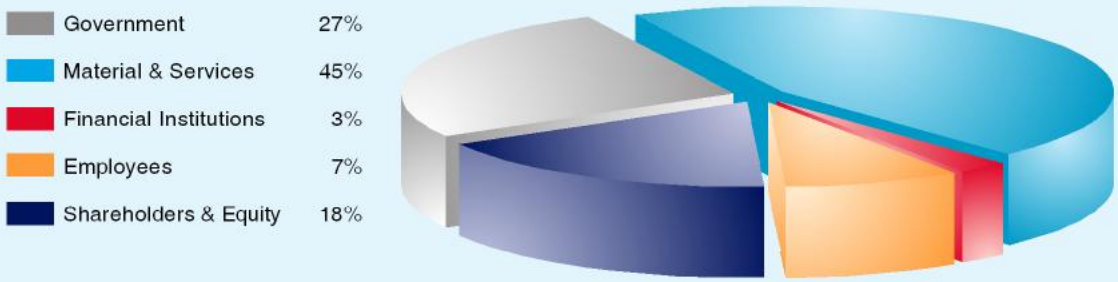
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

Environmental Protection

To protect environment and ensure health and safety of the work force and well-being of the people living in the adjoining areas of our plant.

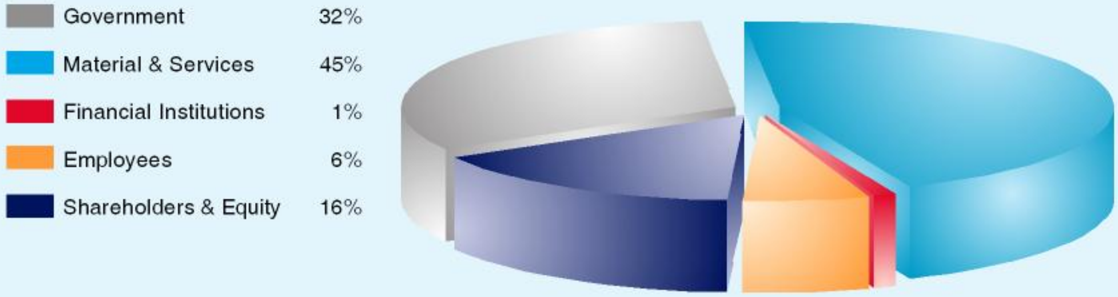
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity and produce and supply cement with care and competence, so that customers receive the quality they truly deserve.

WEALTH GENERATED AND DISTRIBUTED DURING 2005/2006

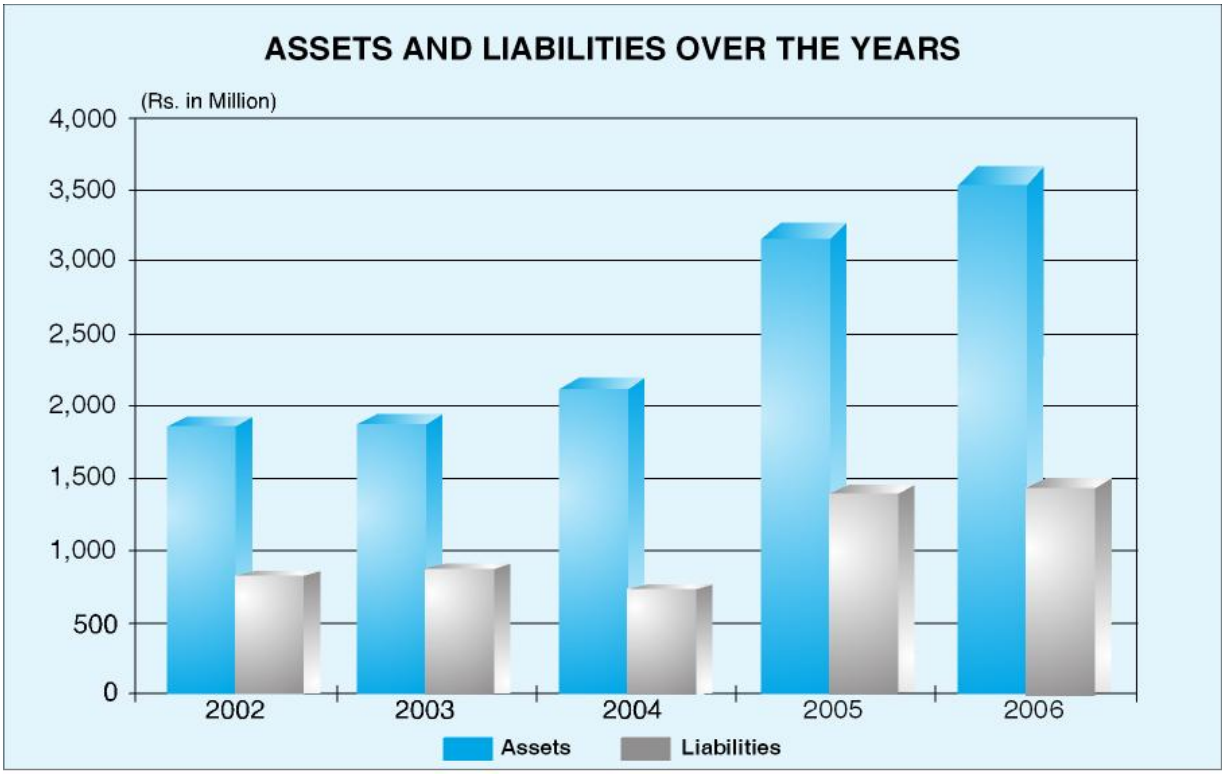


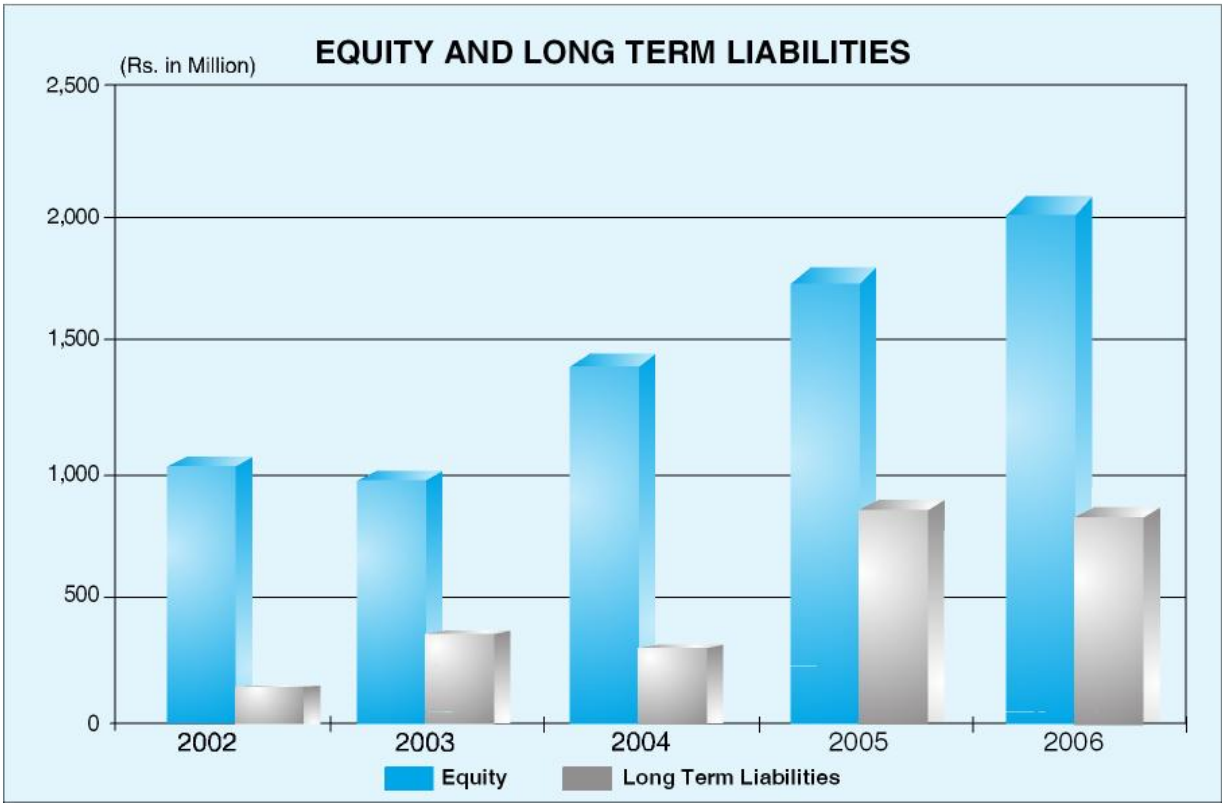
Total revenue Rs. 3,052.040 million

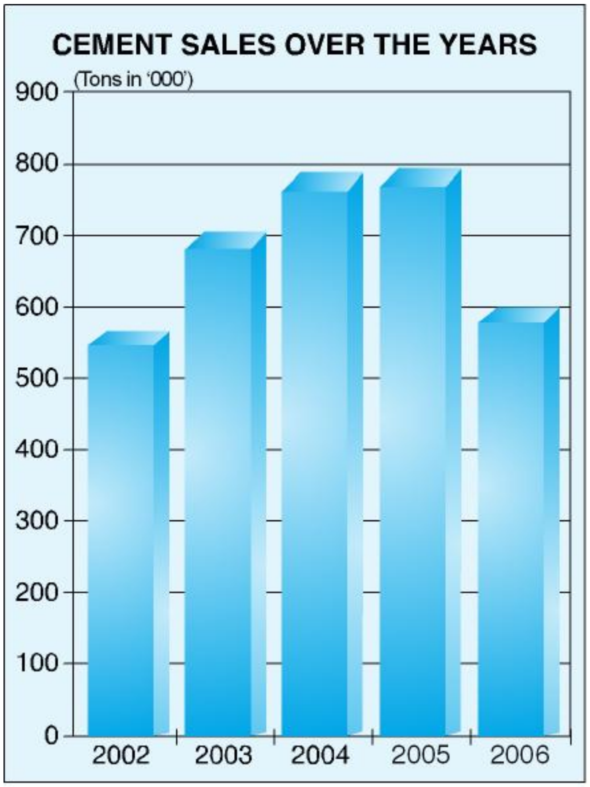
WEALTH GENERATED AND DISTRIBUTED DURING 2004/2005

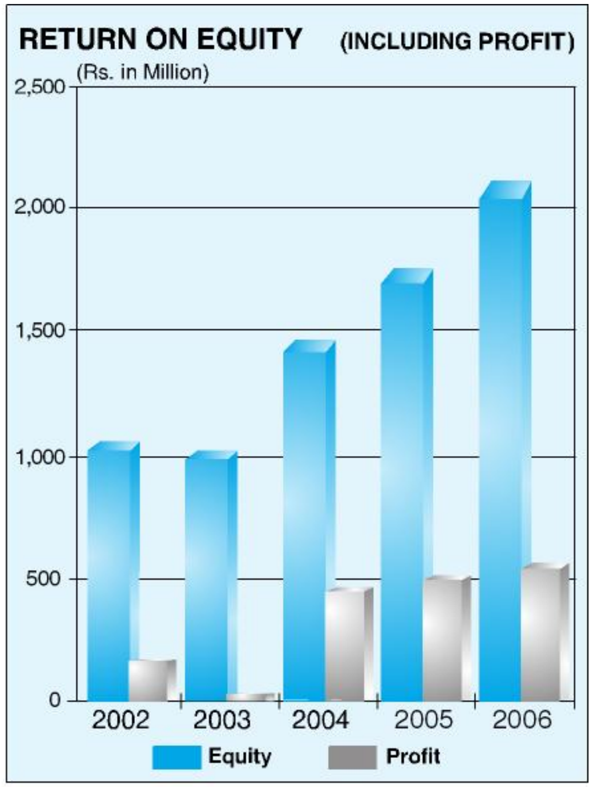


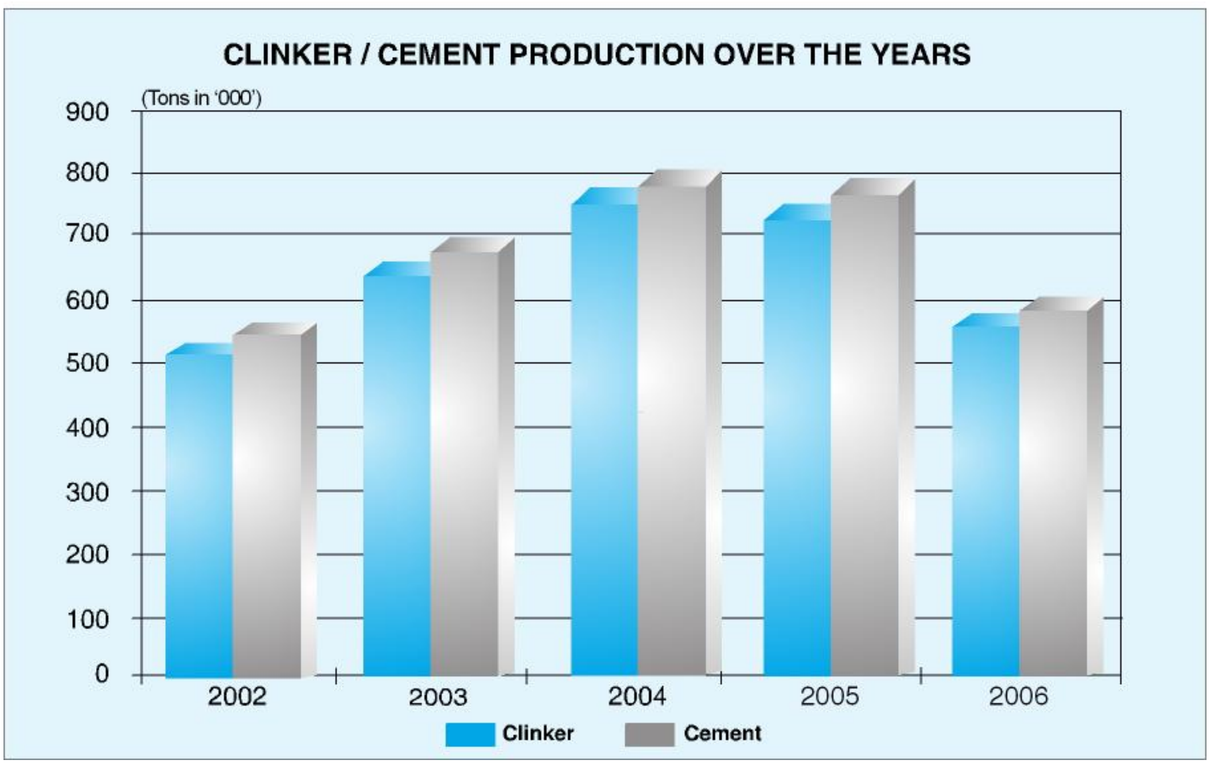
Total revenue Rs. 3,230.196 million


ASSETS AND LIABILITIES OVER THE YEARS
(Rs. in Million)
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2002
2003
2004
2005
2006
Assets
Liabilities


EQUITY AND LONG TERM LIABILITIES
(Rs. in Million)
2,500
2,000
1,500
1,000
500
0
2002
2003
2004
2005
2006
Equity
Long Term Liabilities


CEMENT SALES OVER THE YEARS
(Tons in '000')
900
800
700
600
500
400
300
200
100
0
2002
2003
2004
2005
2006


RETURN ON EQUITY (INCLUDING PROFIT)
(Rs. in Million)
2,500
2,000
1,500
1,000
500
0
2002
2003
2004
2005
2006
Equity
Profit


CLINKER / CEMENT PRODUCTION OVER THE YEARS
(Tons in '000')
900
800
700
600
500
400
300
200
100
0
2002
2003
2004
2005
2006
Clinker
Cement

YEAR-WISE STATISTICAL SUMMARY

	2006	2005	2004	2003	2002	2001	2000
							(Tons in '000')
Clinker production	575	749	774	656	528	538	498
Cement production	598	792	802	693	555	566	521
Cement dispatched	596	792	789	706	555	564	523
ASSETS EMPLOYED							**(Rs. in million)**
Tangible fixed assets	2,270	1,773	1,252	1,276	1,135	881	973
Investment, long-term loan, advances and deposits	33	18	17	19	101	12	12
Derivative financial assets	41	28	-	-	-	-	-
Current assets	1,268	1,384	913	601	664	713	742
Total assets employed	**3,612**	**3,203**	**2,182**	**1,896**	**1,900**	**1,606**	**1,727**
FINANCED BY							
Shareholders equity	2,113	1,742	1,432	1,007	1,063	908	929
Long-term liabilities	664	829	210	312	66	35	73
Deferred liabilities	319	167	170	170	175	178	188
Derivative financial liabilities	-	15	-	-	-	-	-
Current liabilities	516	450	370	407	596	485	537
Total funds invested	**3,612**	**3,203**	**2,182**	**1,896**	**1,900**	**1,606**	**1,727**
TURNOVER & PROFIT							
Turnover (net)	2,435	2,401	2,085	1,508	1,423	1,342	2,153
Operating profit/(loss)	799	718	592	59	202	130	328
Profit before taxation	719	684	574	25	177	124	287
Profit after taxation	538	512	426	10	138	75	162
Cash dividend	83	199	213	66	120	96	120
Bonus shares	125	166	133	-	-	-	-
Transfer to reserves	-	-	-	-	5	-	25
Transfer from reserves	-	-	-	30	-	-	-

RATIO ANALYSIS ON ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2006

		2006	2005
	Profitability:		
1	Gross Profit (percentage)	38.84	35.68
2	Operating Profit (percentage)	32.82	29.91
3	Profit Before Tax (percentage)	29.52	28.49
4	Net Profit After Tax (percentage)	22.09	21.34
5	Net Profit to average Share Holders' Equity (percentage)	27.89	32.27
6	E.P.S (before tax)	8.64	10.29
7	E.P.S (after tax)	6.47	7.70
8	Net Profit to Total Assets (average after tax) (percentage)	14.54	14.64
9	Increase in Sales (net percentage)	1.42	15.14
10	Raw & Packing Material % of Net Sales	8.50	9.75
11	Labour % of Net Sales	7.30	5.68
12	Other Cost of Sales Expenses % of Net Sales	45.36	48.90
13	Raw & Packing Material as % of Cost of Sales	13.89	15.15
14	Administrative Expenses % of Net Sales	3.15	2.63
15	Distribution Cost % of Net Sales	2.39	1.92
16	Tax % of Net Sales	7.43	7.15
17	Finance Cost % of Net Sales	3.30	1.42
	Short Term Solvency:		
1	Working Capital Ratio	2.46	3.08
2	Acid Test Ratio	2.17	2.88
3	Working Capital Turnover (Net Sales) times	3.24	2.57
4	Inventory Turnover / Times	12.74	18.34
	Overall Valuation and Assessment:		
1	Number of Times Interest Cover (before tax profit)	9.94	21.10
2	Return on Equity after tax (average in percentage)	27.89	32.27
3	Book Value Per Share	25.42	26.21
4	Long Term Debts to Equity Ratio (in percentage)	23.90	32.21

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CHERAT CEMENT COMPANY LIMITED** as at **June 30, 2006** 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;

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, 2006** 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.

Ford Rhodes Sidat Hyder & Co.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi: September 15, 2006

BALANCE SHEET AS AT JUNE 30, 2006

	Note	2006	2005
		---------- (Rupees `000) ----------	
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets – Property, plant and equipment	3	**2,269,848**	1,773,455
Long-term investments	4	**22,211**	7,694
Long-term loans and advances	5	**8,742**	6,510
Long-term security deposits		**1,660**	2,601
Derivative financial assets	6	**41,478**	28,045
		2,343,939	1,818,305
CURRENT ASSETS			
Stores, spare parts and loose tools	7	**404,237**	523,169
Stock-in-trade	8	**145,227**	88,498
Loans and advances	9	**159,446**	9,739
Trade deposits and short-term prepayments	10	**2,798**	7,885
Other receivables	11	**1,989**	4,362
Short-term investments	12	**152,102**	-
Taxation – net		**18,642**	-
Cash and bank balances	13	**383,509**	750,842
		1,267,950	1,384,495
TOTAL ASSETS		**3,611,889**	3,202,800
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
150,000,000 (2005: 150,000,000) ordinary shares of Rs. 10/- each		**1,500,000**	**1,500,000**
Issued, subscribed and paid-up capital	14	**831,131**	664,905
Reserves	15	**1,281,795**	1,077,566
		2,112,926	1,742,471
NON-CURRENT LIABILITIES			
Long-term financings	16	**650,000**	812,500
Liabilities against assets subject to finance lease	17	**-**	1,172
Long-term deposits	18	**13,756**	14,221
Deferred taxation	19	**318,763**	167,372
Derivative financial liabilities	6	**-**	15,241
		982,519	1,010,506
CURRENT LIABILITIES			
Short-term running finance	20	**60,000**	-
Trade and other payables	21	**281,501**	249,281
Current maturity of long-term liabilities	22	**163,672**	80,641
Provision for taxation – net		**-**	109,045
Unpaid and unclaimed dividend		**11,271**	10,856
		516,444	449,823
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		**3,611,889**	3,202,800

The annexed notes from 1 to 41 form an integral part of these financial statements.

AZAM FARUQUE
CHIEF EXECUTIVE

IQBAL FARUQUE
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		---------- (Rupees `000) ----------	
Turnover – net	24	**2,434,513**	2,400,530
Cost of sales	25	**(1,488,882)**	(1,544,122)
Gross profit		**945,631**	856,408
Distribution cost	26	**(58,292)**	(46,202)
Administrative expenses	27	**(76,657)**	(63,023)
Other operating expenses	28	**(53,088)**	(53,864)
Other operating income	29	**41,517**	24,718
Operating profit		**799,111**	718,037
Finance cost	30	**(80,364)**	(34,030)
Profit before taxation		**718,747**	684,007
Taxation			
Current			
- for the year		**(47,552)**	(178,408)
- prior years		**11,697**	-
Deferred			
- for the year		**(145,107)**	6,701
	31	**(180,962)**	(171,707)
Profit after taxation		**537,785**	512,300
Earnings per share – Basic and diluted (restated)	32	**Rs. 6.47**	Rs. 6.16

The annexed notes from 1 to 41 form an integral part of these financial statements.

AZAM FARUQUE
CHIEF EXECUTIVE

IQBAL FARUQUE
DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		---------- (Rupees `000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**718,747**	684,007
Adjustment for:			
Depreciation	3.1.2 & 3.2.2	**162,700**	143,019
Return on loan to related party	29	**(4,212)**	(293)
Return on investments	29	**(334)**	-
Gain on disposal of property, plant and equipment	3.1.3 & 29	**(601)**	(2,304)
Finance cost	30	**80,364**	34,030
Exchange loss – net		**63**	210
Dividend income	29	**(576)**	(1,296)
Write down of inventories to NRV	25	**21,357**	101
Assets held for disposal written-off		**-**	489
		258,761	173,956
Operating profit before working capital changes		**977,508**	857,963
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**97,575**	(101,923)
Stock-in-trade		**(56,729)**	(8,567)
Loans and advances		**(149,707)**	(525)
Trade deposits and short-term prepayments		**5,087**	4,498
Other receivables		**822**	(730)
		(102,952)	(107,247)
		874,556	750,716
Increase in current liabilities			
Short-term running finance		**60,000**	-
Trade and other payables		**26,489**	30,556
		86,489	30,556
Cash generated from operations		**961,045**	781,272
Income tax paid		**(163,542)**	(128,956)
Net cash generated from operating activities		**797,503**	652,316
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	3.1.1	**(1,126,154)**	(211,488)
Sale proceeds of operating property, plant and equipment	3.1.3	**2,914**	4,691
Capital work-in-progress	3.3	**464,748**	(455,666)
Long-term loans and advances		**(2,232)**	85
Investments made – net		**(146,042)**	(308)
Dividend received	29	**576**	1,296
Long-term security deposits		**941**	460
Net cash used in investing activities		**(805,249)**	(660,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financings – net		**(75,000)**	625,000
Finance lease payments	17	**(5,641)**	(25,719)
Long-term deposits		**(465)**	(949)
Dividend paid		**(199,056)**	(210,630)
Finance cost paid		**(79,425)**	(14,656)
Net cash (used in) / generated from financing activities		**(359,587)**	373,046
Net (decrease) / increase in cash and cash equivalents		**(367,333)**	364,432
Cash and cash equivalents at the beginning of the year		**750,842**	386,410
Cash and cash equivalents at the end of the year		**383,509**	750,842

The annexed notes from 1 to 41 form an integral part of these financial statements.

AZAM FARUQUE
CHIEF EXECUTIVE

IQBAL FARUQUE
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2006

		RESERVES							
			REVENUE RESERVES						
	Issued subscribed and paid – up capital	Capital Reserve	General reserve	Unrealised gain on hedging instruments	Fair value gain / (loss) on available-for-sale securities	Unappro-priated profit	Sub-total	Total	Total
	(Rupees '000)								
Balance as at July 01, 2004	531,924	50,900	420,000	-	-	429,594	849,594	900,494	1,432,418
Cash dividend for the year ended June 30, 2004 @ Rs. 4 per share	-	-	-	-	-	(212,769)	(212,769)	(212,769)	(212,769)
Bonus shares issued during the year @ 25% i.e. 1 share for every 4 shares held	132,981	-	-	-	-	(132,981)	(132,981)	(132,981)	-
Effect of recognition of fair value of derivative financial instruments net of deferred tax	-	-	-	10,522	-	-	10,522	10,522	10,522
Profit after taxation for the year	-	-	-	-	-	512,300	512,300	512,300	512,300
Balance as at June 30, 2005	664,905	50,900	420,000	10,522	-	596,144	1,026,666	1,077,566	1,742,471
Balance as at July 01, 2005	**664,905**	**50,900**	**420,000**	**10,522**	**-**	**596,144**	**1,026,666**	**1,077,566**	**1,742,471**
Cash dividend for the year ended June 30, 2005 @ Rs. 3 per share	**-**	**-**	**-**	**-**	**-**	**(199,471)**	**(199,471)**	**(199,471)**	**(199,471)**
Bonus shares issued during the year @ 25% i.e. 1 share for every 4 shares held	**166,226**	**-**	**-**	**-**	**-**	**(166,226)**	**(166,226)**	**(166,226)**	**-**
Effect of recognition of fair value of derivative financial instruments net of deferred tax	**-**	**-**	**-**	**17,661**	**-**	**-**	**17,661**	**17,661**	**17,661**
Fair value changes on available-for-sale securities	**-**	**-**	**-**	**-**	**14,480**	**-**	**14,480**	**14,480**	**14,480**
Profit after taxation for the year	**-**	**-**	**-**	**-**	**-**	**537,785**	**537,785**	**537,785**	**537,785**
Balance as at June 30, 2006	**831,131**	**50,900**	**420,000**	**28,183**	**14,480**	**768,232**	**1,230,895**	**1,281,795**	**2,112,926**

The annexed notes from 1 to 41 form an integral part of these financial statements.

AZAM FARUQUE
CHIEF EXECUTIVE

IQBAL FARUQUE
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. CORPORATE INFORMATION

The Company was incorporated in Pakistan as a public company limited by shares in the year 1981. Its main business activity is manufacturing, selling and marketing of cement. The Company started commercial production in May 1985 and is listed on Karachi, Lahore and Islamabad Stock Exchanges.

The registered office of the Company is situated at Modern Motors House, Beaumont Road, Karachi.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

2.1. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2. Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for certain inventories which are valued at net realisable value, derivatives and investment which are valued at fair value.

2.3. Significant accounting judgements and estimates

Estimates and judgements are continually evaluated by management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Following are the significant judgements and estimates made by the management:

2.3.1 Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 21.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

2.3.2 Property, plant and equipment

The Company has made certain estimations with respect to residual values, depreciation method and depreciable lives of property, plant and equipment. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

2.3.3 Classification of investments

The management has utilised its judgement in respect of classification of investments as disclosed in note 4.1 to the financial statements. Any change in such judgement might materially affect the accounting policy applied in respect of such investment.

2.3.4 Future estimation of export sale

Deferred tax calculation has been made based on an estimate of future ratio of export and local sales.

2.3.5 Interest rate swaps

The Company has entered into various interest rate swap arrangements. The calculation involves use of estimates with regard to interest rates which fluctuate with the market forces.

Other areas where estimates and judgements are involved are described in respective policies and notes to the financial statements.

2.4. Property, plant and equipment

2.4.1 Owned assets

Operating fixed assets except land and capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method except for computers, which are depreciated by using the straight-line method.

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

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

The Company previously had a practice to charge full year's depreciation in the year of addition / capitalisation and no depreciation charge was made in the year of disposal. In the light of Institute of Chartered Accountants of Pakistan's circular No. 10/2002, for depreciation on the additions to the fixed assets, a company may charge depreciation on daily / weekly / quarterly basis. In view of the same, the Company has reconsidered the said practice and has decided that on all significant additions, depreciation charge will commence from the quarter of the year in which addition / capitalisation occurred in order to reflect a more fair depreciation charge. Similarly, no depreciation will be charged in the quarter in which an asset is disposed off. Such change has been considered a change in accounting estimate and has resulted in decrease in depreciation charge for the year by Rs. 81.307 million.

2.4.2 Assets subject to finance lease

Assets subject to finance lease are initially stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated on the same basis as per owned assets.

2.5. Investments

2.5.1 Available-for-sale securities

Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These investments are initially measured at fair value plus transaction costs and subsequently carried at fair value. Changes in fair value are taken to a separate component of equity.

2.5.2 Held-to-maturity investments

These represent investments with fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These investments are carried at amortised cost.

2.5.3 Designated investments at fair value through profit or loss

Designated investments at fair value through profit or loss are initially recognised at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to profit and loss account.

2.6. Stores, spare parts and loose tools

These are valued at lower of average cost and estimated net realisable value (NRV) except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

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

2.7. Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated NRV.

Cost signifies in relation to:

Raw and packing material	-	Purchase cost on average basis
Finished goods and work-in-process	-	Cost of direct material, labour and proportion of manufacturing overheads.

NRV signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

2.8. Trade debts

Trade debts are recognised at invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of customer's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

2.9. Financial Instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

2.10. Foreign currency translations

Transactions in foreign currencies are translated to Pak Rupees (functional currency) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pak Rupee at the foreign exchange rate ruling at that date.

2.11. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current, PLS and deposit accounts with commercial banks.

2.12. Revenue recognition

2.12.1 Sale of goods

Revenue from sales is recognised upon passage of title to the customers that generally coincides with physical delivery.

2.12.2 Other operating income

Return on held-to-maturity investments is recognised on accrual basis using effective yield method.

Dividend income is recognised when the right to receive such income is established.

Other revenues are accounted for on accrual basis.

2.13. Staff retirement benefits

2.13.1 Gratuity scheme

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of previous reporting period. These gains or losses are recognised over the expected remaining working lives of the employees participating in the scheme.

2.13.2 Provident fund

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal contributions are made by the Company and the employees to the fund at the rate of 8.33 percent of basic salary.

2.14. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.15. Taxation

2.15.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of 0.5% of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.15.2 Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

2.16. Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge its risks associated with foreign currency borrowings and effects on cash flows of any fluctuations in interest rates. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is estimated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is estimated by reference to estimated market value for similar instruments.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

When the hedged commitment results in the recognition of an asset or a liability, then, the associated gains or losses previously recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of an asset or a liability. Effect of remaining period of hedge, if material, is taken to profit and loss account, being considered fair value hedge.

Hedge accounting is discontinued when the hedging instrument is expired or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity is kept until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.17. Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred.

2.18. Related party transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

	Note	2006	2005
		-------------(Rupees '000)-------------	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	3.1	**2,198,977**	1,227,052
Assets subject to finance lease	3.2	**2,126**	12,910
Capital work-in-progress	3.3	**68,745**	533,493
		2,269,848	1,773,455

3.1. Operating property, plant and equipment

3.1.1 Following is a statement of operating assets:

2006 Description	Cost as at July 01, 2005	Additions/ (Deletions) / *Transfers	Cost as at June 30, 2006	Accumulated depreciation as at July 01, 2005	Adjustment for depreciation on (Disposals) / *Transfers	Depreciation for the year	Accumulated depreciation as at June 30, 2006	Book value as at June 30, 2006	Rate % per annum
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	6,255	600	6,855	-	-	-	-	6,855	-
Building on leasehold land	312,615	5,447	318,062	226,873	-	8,459	235,332	82,730	5-10
Plant and machinery	2,603,908	1,076,053	3,679,961	1,524,679	-	134,824	1,659,503	2,020,458	10
Power and other installations	42,617	1,458 (49)	44,026	35,910	-	886	36,796	7,230	10
Motor vehicles	21,272	30,774 (4,931) *5,161	52,276	11,934	- (3,156) *3,047	8,090	19,915	32,361	20
Quarry, factory and Laboratory equipment	140,510	3,850 - *15,590	159,950	115,762	- - *7,452	5,244	128,458	31,492	15
Furniture and fittings	25,656	2,573 (377)	27,852	16,803	- (220)	1,140	17,723	10,129	10-20
Office equipment	7,039	1,070 (406)	7,703	4,622	- (130)	461	4,953	2,750	10-20
Computers	37,339	4,329 (249)	41,419	35,181	- (193)	3,064	38,052	3,367	33.33
	3,198,816	**1,126,154 (6,012) *20,751**	**4,339,709**	**1,971,764**	**- (3,699) *10,499**	**162,168**	**2,140,732**	**2,198,977**	

2005 Description	Cost as at July 01, 2004	Additions/ (Deletions) / *Transfers	Cost as at June 30, 2005	Accumulated depreciation as at July 01, 2004	Adjustment for depreciation on (Disposals) / *Transfers	Depreciation for the year	Accumulated depreciation as at June 30, 2005	Book value as at June 30, 2005	Rate % per annum
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	6,255	-	6,255	-	-	-	-	6,255	-
Building on leasehold land	310,723	1,892	312,615	217,660	-	9,213	226,873	85,742	5-10
Plant and machinery	2,350,078	203,830 - *50,000	2,603,908	1,391,432	- - *13,333	119,914	1,524,679	1,079,229	10
Power and other installations	42,534	83	42,617	35,062	-	848	35,910	6,707	10
Motor vehicles	18,681	2,856 (5,986) *5,721	21,272	9,878	- (3,656) *3,378	2,334	11,934	9,338	20
Quarry, factory and laboratory equipment	140,353	157	140,510	111,421	-	4,341	115,762	24,748	15
Furniture and fittings	25,223	464 (31)	25,656	15,827	- (22)	998	16,803	8,853	10-20
Office equipment	6,446	593	7,039	4,219	-	403	4,622	2,417	10-20
Computers	35,871	1,613 (145)	37,339	32,938	- (97)	2,340	35,181	2,158	33.33
	2,937,769	211,488 (6,162) *55,721	3,198,816	1,818,437	- (3,775) *16,711	140,391	1,971,764	1,227,052	

3.1.2 The depreciation for the year has been allocated as follows:

	Note	2006	2005
		(Rupees `000)	
Manufacturing overheads	25	**154,217**	136,725
Distribution cost	26	**3,321**	1,547
Administrative expenses	27	**4,630**	2,119
		162,168	140,391

3.1.3 Disposal of operating property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Sold to	
	-------------- (Rupees `000)	--------------					
Motor vehicles							
Suzuki Khyber Reg# B-1708	465	122	122	-	Employees' car policy	Mr. Hussain Javed Nowshera	Employee
Suzuki Khyber Reg# B-1710	465	122	122	-	Employees' car policy	Mr. Abdul Sattar Nowshera	Employee
Suzuki Cultus Reg# N-1750	550	225	225	-	Employees' car policy	Mr. Arshad Khan Nowshera	Employee
Suzuki Cultus Reg# B-1871	576	236	236	-	Employees' car policy	Mr. A. Aziz Khan Nowshera	Employee
Toyota Corolla Reg# ACV-206	779	204	204	-	Employees' car policy	Mr. Shahab Ansari Karachi	Ex-employee
Toyota Corolla Reg# AFY-450	1,196	765	770	5	Tender	Mrs. Asmat Faruque Karachi	Spouse of ex-CEO
Honda Civic Reg# AAF-777	848	91	500	409	Tender	Mr. Maqsood Hassan Karachi	Outside party
Furniture and fittings							
Airconditioners	263	100	14	(86)	Negotiation	Aircon De-Luxe Karachi	Outside party
Office equipment							
Photocopiers	406	276	12	(264)	Negotiation	Gemco Company Limited Karachi	Outside party
	5,548	2,141	2,205	64			
Aggregate of assets disposed-off having book value below Rs. 50,000 each							
Motor vehicle	52	10	521	511			
Furniture and fittings	114	57	35	(22)			
Computers	249	56	97	41			
Power & other installations	49	49	56	7			
	464	172	709	537			
2006	**6,012**	**2,313**	**2,914**	**601**			
2005	6,162	2,387	4,691	2,304			

3.2. Assets subject to finance lease

3.2.1 Following is a statement of assets subject to finance lease:

2006

Description	Cost as at July 01, 2005	Transfers	Cost as at June 30, 2006	Accumulated depreciation as at July 01, 2005	Adjustment for depreciation on Transfers	Depreciation for the year	Accumulated depreciation as at June 30, 2006	Book value as at June 30, 2006	Rate % per annum
	------------------	------------------	------------------	------------------	(Rupees '000)	------------------	------------------	------------------	
Quarry equipment	15,590	(15,590)	-	7,452	(7,452)	-	-	-	15
Motor vehicles	10,352	(5,161)	5,191	5,580	(3,047)	532	3,065	2,126	20
	25,942	**(20,751)**	**5,191**	**13,032**	**(10,499)**	**532**	**3,065**	**2,126**	

2005

Description	Cost as at July 01, 2004	Transfers	Cost as at June 30, 2005	Accumulated depreciation as at July 01, 2004	Adjustment for depreciation on Transfers	Depreciation for the year	Accumulated depreciation as at June 30, 2005	Book value as at June 30, 2005	Rate % per annum
	------------------	------------------	------------------	------------------	(Rupees '000)	------------------	------------------	------------------	
Plant and machinery	50,000	(50,000)	-	13,333	(13,333)	-	-	-	10
Quarry equipment	15,590	-	15,590	6,016	-	1,436	7,452	8,138	15
Motor vehicles	16,073	(5,721)	10,352	7,766	(3,378)	1,192	5,580	4,772	20
	81,663	(55,721)	25,942	27,115	(16,711)	2,628	13,032	12,910	

		Note	2006	2005
			---------- (Rupees `000) ----------	
3.2.2	The depreciation for the year has been allocated as follows:			
	Manufacturing overheads	25	**342**	2,203
	Distribution cost	26	-	113
	Administrative expenses	27	**190**	312
			532	2,628

3.3. Capital work-in-progress

	2006	2005
Civil works	-	5,823
Plant and machinery	**68,745**	517,626
Advance against capital expenditure – plant and machinery	-	9,900
– building	-	144
	68,745	533,493

4. LONG-TERM INVESTMENTS

	Note	2006	2005
Available-for-sale securities – Related party			
Ordinary shares of listed company			
Cherat Papersack Limited			
345,600 (2005: 288,000) fully paid ordinary shares of Rs. 10/- each	4.1	**17,280**	2,800
Held-to-maturity investment			
US Dollar Bonds	4.2	**4,931**	4,894
		22,211	7,694

4.1. During the current year the relationship between the Company and its related party in which the Company holds an investment has ceased to be an associated company's relationship in terms of IAS 28, Investments in Associates. Accordingly, effective from current year the investment in such a company which was being previously accounted for as an investment in associate has been reclassified as an available-for-sale financial asset. The Company accounts for available-for-sale financial assets at their fair value while changes in fair value are taken to equity. Previously, such an investment being considered as investment in associate was being accounted for at cost.

4.2. Represents US Dollar Bonds having redemption value of Rs. 4.931 million (2005: Rs. 4.894 million). The above investment carries mark-up at a rate of 2 percent above the LIBOR and will mature by May 2008.

	Note	2006	2005
		---------- (Rupees `000) ----------	
5. LONG-TERM LOANS AND ADVANCES - considered good			
Advance against new project			
Madian Hydro Power Limited – unsecured	5.1 & 23.2.4	**3,868**	-
Loans to:			
Executives	5.2 & 5.3	**581**	1,265
Employees	5.3	**7,384**	8,383
		11,833	9,648
Less: Due within one year shown under current loans and advances	9	**3,091**	3,138
		8,742	6,510

5.1. Represents payments made on account and expenses incurred on behalf of Madian Hydro Power Limited – the Company's joint venture project which is under preliminary stages. This advance does not carry any mark-up. The shareholders in Annual General Meeting held on October 24, 2005 have given approval for investment in such company. Maximum aggregate balance due at the end of any month was Rs. 3.868 million.

5.2. Reconciliation of carrying amount of loans to executives

	Opening balance as at July 01, 2005	Adjustment	Disbursement	Repayment	Closing balance as at June 30, 2006
2006	1,265	-	-	684	581
2005	5,839	(5,650)	1,359	(283)	1,265

5.3. Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 11 percent per annum (2005: upto 9.5 percent per annum) and are repayable within 3 to 6 years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.265 million (2005: Rs. 1.366 million). These loans are secured against the provident fund balance of respective employees.

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES

The Company has entered into two stage interest rate swap agreements with commercial banks against the cash flow risk of interest rate fluctuations with respect to future financial cost on both tranches of plant expansion loans as referred to in note 16. These swaps are considered to be hedging instruments for the same items and are considered to be an effective hedge.

Following are the details and fair values of such derivative financial instruments:

Hedged item – Plant Expansion Loans	Pay	Receive	Notional Amount	----- 2006 ----- Derivative Asset – Fair Value	Derivative Liability – Fair Value	----- 2005 ----- Derivative Asset – Fair Value	Derivative Liability – Fair Value
			--------------------- (Rupees `000) ---------------------				
Tranche – I							
First interest rate swap effective January 31, 2005	6 months EURIBOR plus 4.85%	6 months KIBOR	**350,000**	**18,690**	-	14,707	-
Second interest rate swap effective July 31, 2005	Fixed 2.93%	6 months EURIBOR	**350,000**	**1,631**	-	-	7,821
Tranche – II							
First interest rate swap effective March 31, 2005	6 months EURIBOR plus 5%	6 months KIBOR	**350,000**	**18,350**	-	13,338	-
Second interest rate swap effective September 30, 2005	Fixed 2.90%	6 months EURIBOR	**350,000**	**2,807**	-	-	7,420
				41,478	-	28,045	15,241

Derivative assets and liabilities are disclosed in non-current assets and liabilities and their corresponding effect is taken to unrealised gains / (losses) in equity net of deferred tax.

	Note	2006	2005
		---------- (Rupees `000) ----------	
7. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**207,959**	310,023
Spare parts		**194,026**	198,807
Loose tools		**598**	542
		402,583	509,372
Add: Stores and spare parts in transit		**1,654**	13,797
		404,237	523,169
8. STOCK-IN-TRADE			
Raw and packing material	25	**44,459**	27,371
Work-in-process	25	**60,266**	33,426
Finished goods	25	**40,502**	27,701
		145,227	88,498

	Note	2006	2005
		---------- (Rupees `000) ----------	
9. LOANS AND ADVANCES			
Current portion of loans due from:			
Executives		**225**	302
Employees		**2,866**	2,836
	5	**3,091**	3,138
Advances to suppliers – unsecured, considered good		**6,355**	6,601
Loan to related party – unsecured, considered good	9.1	**150,000**	-
		159,446	9,739

9.1. This represents the financing facility given to a related party, carrying interest at 0.4 percent above the rate at which the Company has obtained its own financing as approved by the members in the last Annual General Meeting. For the current year, the rate was ranging from 9.77 to 10.13 percent. The amount of loan is repayable within a period of three years or as and when required by the Company from time to time. Since the amount is recoverable on demand, the management considers it to be a current asset. The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 150 million.

	Note	2006	2005
		---------- (Rupees `000) ----------	
10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		**7**	3
Short-term prepayments			
Excise duty		**-**	4,248
Others		**2,791**	3,634
		2,791	7,882
		2,798	7,885
11. OTHER RECEIVABLES			
Accrued return on investments		**1,493**	3,044
Octroi		**17**	17
Receivable from staff gratuity fund		**-**	692
Others		**479**	609
		1,989	4,362
12. SHORT-TERM INVESTMENTS			
Investments at fair value through profit or loss			
Atlas Income Fund		**102,102**	-
National Investment Trust		**50,000**	-
		152,102	-

Represent investments in mutual funds with an intention of earning returns thereon in the short run.

	Note	2006	2005
13. CASH AND BANK BALANCES			
With banks in:			
Current accounts		**46,487**	88,282
PLS accounts	13.1	**11,712**	12,373
Deposit accounts	13.2	**325,000**	650,000
		383,199	750,655
Cash in hand		**310**	187
		383,509	750,842

13.1. Effective profit rate in respect of PLS accounts ranges from 1 to 6 percent per annum (2005: 2 to 4 percent per annum).

13.2. These represent short term deposits of fixed maturities maintained with banks. The rate of profit on these deposits ranges from 8.50 to 11.50 percent per annum (2005: 8.25 to 9.60 percent per annum).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Fully paid ordinary shares of Rs. 10/- each

Number of shares 2006	Number of shares 2005		2006	2005
			(Rupees `000)	
19,842,000	19,842,000	**Issued for cash**	**198,420**	198,420
		Issued as fully paid bonus shares		
41,588,440	28,290,352	- Opening balance	**415,885**	282,904
16,622,610	13,298,088	- Issued during the year	**166,226**	132,981
58,211,050	41,588,440		**582,111**	415,885
78,053,050	61,430,440		**780,531**	614,305
5,060,000	5,060,000	**Issued for consideration other than cash on amalgamation**	**50,600**	50,600
83,113,050	66,490,440		**831,131**	664,905

15. RESERVES

The detailed reconciliation of capital and revenue reserves is disclosed in the statement of changes in equity.

16. LONG-TERM FINANCINGS – SECURED

	Mode and commencement of repayment	Security	2006	2005	Rate (%)
			----- (Rupees '000) -----		
Term Finance from commercial banks					
Term Finance – I	Eight bi-annual installments commencing from February 2004	First pari-passu charge on plant and machinery.	**75,000**	125,000	6 months KIBOR + 1%
Term Finance – II	Eight bi-annual installments commencing from February 2004	First pari-passu charge on plant and machinery.	**37,500**	62,500	6 months KIBOR + 1%
			112,500	187,500	
Plant Expansion Loans from commercial banks					
Tranche – I	Eight bi-annual installments commencing from January 2007	First pari-passu charge on plant and machinery	**350,000**	350,000	6 months KIBOR + 0.7% (Also refer note 6)
Tranche – II	Eight bi-annual installments commencing from March 2007	First pari-passu charge on plant and machinery	**350,000**	350,000	6 months KIBOR + 0.7% (Also refer note 6)
			700,000	700,000	
			812,500	887,500	
Less: Current Maturity					
- Term Finance			**75,000**	75,000	
- Plant Expansion Loans			**87,500**	-	
		(Note 22)	**162,500**	75,000	
			650,000	812,500	

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents finance leases entered into with leasing companies for vehicles. The total lease rentals due under the various lease agreements aggregate to Rs.1.218 million (2005: Rs. 7.218 million) and are payable in equal quarterly installments. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 10.50 to 14.90 percent per annum have been used as discounting factor. Purchase options can be exercised by the lessee, paying 5 percent of the leased amount. The movement in the finance lease liability is as follows:

	2006		2005	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	(Rupees `000)			
Within one year	**1,218**	**1,172**	5,999	5,641
After one year but not more than five years	**-**	**-**	1,219	1,172
Total minimum lease payments	**1,218**	**1,172**	7,218	6,813
Less: Amount representing finance cost	**46**	**-**	405	-
Present value of minimum lease payments	**1,172**	**1,172**	6,813	6,813
Less: Current portion (Note 22)	**1,172**	**1,172**	5,641	5,641
	-	**-**	1,172	1,172

18. LONG-TERM DEPOSITS – UNSECURED

	Note	2006	2005
		(Rupees `000)	
Dealers	18.1	**11,703**	12,174
Suppliers and contractors	18.2	**2,053**	2,047
		13,756	14,221

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

18.2. This represents interest-free security deposits from suppliers and contractors which are repayable / adjustable after the satisfactory execution of the agreements.

19. DEFERRED TAXATION

Represents the tax effect of temporary differences relating to:

	2006	2005
	(Rupees `000)	
Accelerated tax depreciation allowance	**413,344**	218,068
Leased assets	**334**	2,133
Provisions	**(2,035)**	(2,035)
	411,643	218,166
Less: Temporary differences not expected to reverse in view of applicability of final tax regime	**102,911**	54,540
	308,732	163,626
Net deferred tax effect of recognition of fair value of derivative financial instruments directly taken to equity	**10,031**	3,746
	318,763	167,372

20. SHORT-TERM RUNNING FINANCE – SECURED

This represents utilised portion of running finance facilities aggregating Rs. 765 million (2005: Rs. 720 million) obtained from various commercial banks. These carry mark-up ranging from 3 months KIBOR + 0.6% to 3 months KIBOR + 1% per annum. The facilities are secured against registered joint pari passu hypothecation charge over stocks and book debts for Rs. 952.5 million.

21. TRADE AND OTHER PAYABLES

	Note	2006	2005
		---------- (Rupees `000) ----------	
Creditors		**52,467**	12,956
Accrued liabilities			
Accrued interest / mark-up			
Foreign currency loan		**13,366**	13,266
Long-term loans – secured		**27,736**	22,440
Short-term finance – secured		**443**	10
Finance lease		**14**	57
		41,559	35,773
Other accrued liabilities			
Salaries payable		**1,617**	2,251
Bonus payable		**14,111**	7,040
Staff benefits payable		**29,377**	21,517
Accrued expenses		**8,747**	5,944
		53,852	36,752
Other liabilities			
Advances from customers		**42,814**	92,725
Advances against scrap sales		**9,868**	-
Staff provident fund		**77**	62
Retention money		**7,758**	631
Payable to staff gratuity fund	21.1	**724**	-
Insurance payable		**841**	1,189
Workers' Profits Participation Fund	21.2	**37,942**	36,527
Workers' Welfare Fund		**2,143**	10,004
Sales tax payable		**15,294**	8,399
PSI marking fee		**5,813**	5,813
Royalty and excise duty		**8,294**	7,190
Others		**2,055**	1,260
		133,623	163,800
		281,501	249,281

21.1. Actuarial valuation of the scheme was carried out as of June 30, 2006. The amount recognised in the balance sheet is as follows:

	2006	2005
	---------- (Rupees `000) ----------	
Staff Gratuity Fund		
Present value of the defined benefit obligation	**98,834**	76,326
Fair value of plan assets	**(82,532)**	(83,018)
Unrecognised actuarial (loss) / gain	**(15,578)**	6,000
Liability / (asset) recognised in the accounts	**724**	(692)
Expense recognised		
Current service cost	**4,438**	3,829
Interest cost	**7,280**	5,892
Expected return on plan assets	**(8,302)**	(6,890)
Actuarial gain recognised	**-**	(1,239)
Expense recognised in the income statement	**3,416**	1,592
Reconciliation for the year		
Opening net (asset) / liability	**(692)**	7,716
Expense as above	**3,416**	1,592
Contribution paid	**(2,000)**	(10,000)
Closing net liability / (asset)	**724**	(692)
Actual return on plan assets		
Expected return on plan assets	**8,302**	6,890
Actuarial gain on plan assets	**5,611**	4,940
Actual return on plan assets	**13,913**	11,830

The projected unit credit method, using the following significant assumptions is used for the valuation of above mentioned scheme:

	2006	2005
- Discount rate	10% per annum	10% per annum
- Expected rate of increase in salaries	10% per annum	10% per annum
- Expected rate of return on investments	10% per annum	10% per annum

	Note	2006	2005
		---------- (Rupees `000) ----------	
21.2. Workers' Profits Participation Fund			
Balance as at July 01		**36,527**	30,628
Interest thereon	30	**290**	160
		36,817	30,788
Less: Payments during the year		**36,817**	30,788
		-	-
Contribution for the year		**37,942**	36,527
		37,942	36,527

22. CURRENT MATURITY OF LONG-TERM LIABILITIES

	Note	2006	2005
Long-term financings	16	**162,500**	75,000
Liabilities against assets subject to finance lease	17	**1,172**	5,641
		163,672	80,641

23. CONTINGENCIES AND COMMITMENTS

23.1. Contingencies

	2006	2005
23.1.1 Claim pending adjudication by Honourable High Court of Peshawar against marking fee for the period from July 01, 1985 to June 30, 1997	**8,019**	8,019
23.1.2 Tax contingency	**-**	4,320

23.2. Commitments

	2006	2005
23.2.1 Contracts for capital expenditure	**-**	306,465
23.2.2 Guarantee issued by a commercial bank on behalf of the Company	**8,500**	8,500
23.2.3 Letters of credit issued by commercial banks	**107,133**	119,361

23.2.4 In respect of investment in Madian Hydro Power Project approval has been given by the shareholders in the Company's last annual general meeting. However, the project is still in preliminary study phase and hence, any commitment in this respect can not be ascertained at present.

	Note	2006	2005
		---------- (Rupees `000) ----------	
24. TURNOVER – NET			
Local sales net of trade discounts and volume rebate		**2,149,365**	2,663,922
Less: Sales tax	24.1	**276,059**	350,238
Excise duty		**299,951**	454,710
		576,010	804,948
		1,573,355	1,858,974
Export sales net of trade discounts		**861,158**	541,556
		2,434,513	2,400,530

24.1. Includes an amount of Rs. 6.114 million net refunded (2005: Rs. 0.645 million paid) pertaining to CBR's notification SRO 978 (I)/2004 dated December 10, 2004.

	Note	2006	2005
		---------- (Rupees `000) ----------	
25. COST OF SALES			
Raw and packing material consumed			
Opening stock		**27,371**	16,573
Purchases		**223,964**	244,739
		251,335	261,312
Closing stock	8	**(44,459)**	(27,371)
		206,876	233,941
Duty drawback on exports		**(3,944)**	(10,574)
		202,932	223,367
Manufacturing overheads			
Salaries, wages and benefits	25.1	**177,769**	136,245
Stores and spare parts consumed		**92,030**	101,404
Fuel and power		**791,009**	854,750
Rent, rates and taxes		**28,255**	30,736
Insurance		**20,229**	26,358
Vehicle running expenses		**14,575**	10,031
Travelling and conveyance		**4,930**	1,347
Printing and stationery		**768**	752
Legal and professional charges		**2,041**	2,685
Laboratory expenses		**501**	1,459
Depreciation	3.1.2 & 3.2.2	**154,559**	138,928
Repairs and maintenance		**12,515**	10,451
Communication expenses		**1,181**	963
Miscellaneous manufacturing overheads		**3,872**	2,314
Write down of inventories to NRV	25.2	**21,357**	101
		1,528,523	1,541,891
Work-in-process			
Opening		**33,426**	38,388
Closing	8	**(60,266)**	(33,426)
Cost of goods manufactured		**1,501,683**	1,546,853
Finished goods			
Opening		**27,701**	24,970
Closing	8	**(40,502)**	(27,701)
		1,488,882	1,544,122

25.1. This includes Rs. 4.137 million (2005: Rs. 3.353 million) in respect of provident fund and Rs. 1.994 million (2005: Rs. 1.009 million) in respect of gratuity fund.

25.2. This includes Rs. 16.735 million of stores and spares which have become obsolete due to expansion project carried out during the year.

	Note	2006	2005
		---------- (Rupees `000) ----------	
26. DISTRIBUTION COST			
Salaries, wages and benefits	26.1	**36,154**	27,274
Export expenses		**3,902**	4,134
Travelling and conveyance		**757**	640
Staff training expenses		**397**	274
Vehicle running expenses		**2,517**	1,490
Communication		**1,437**	1,722
Printing and stationery		**452**	452
Rent, rates and taxes		**1,558**	1,436
Utilities		**3,167**	2,111
Repairs and maintenance		**795**	647
Insurance		**370**	330
Advertisement		**1,793**	2,571
Entertainment		**31**	51
Depreciation	3.1.2 & 3.2.2	**3,321**	1,660
License and subscription		**115**	64
Miscellaneous		**1,526**	1,346
		58,292	46,202

26.1. This includes Rs. 1.105 million (2005: Rs. 0.856 million) in respect of provident fund and Rs. 0.554 million (2005: Rs. 0.226 million) in respect of gratuity fund.

	Note	2006	2005
		---------- (Rupees `000) ----------	

27. ADMINISTRATIVE EXPENSES

	Note	2006	2005
Salaries, wages and benefits	27.1	**44,357**	34,256
Travelling and conveyance		**4,414**	3,809
Depreciation	3.1.2 & 3.2.2	**4,820**	2,431
Vehicles running expenses		**3,078**	2,520
Communication		**2,161**	1,738
Printing and stationery		**1,559**	1,693
Rent, rates and taxes		**2,153**	3,495
Utilities		**1,691**	2,126
Repairs and maintenance		**2,350**	1,913
Legal and professional charges		**2,998**	2,510
Insurance		**604**	626
Subscription		**3,153**	3,018
Advertisement		**1,982**	1,249
Staff training expenses		**121**	547
Entertainment		**631**	560
Miscellaneous		**585**	532
		76,657	63,023

27.1. This includes Rs. 1.450 million (2005: Rs. 1.208 million) in respect of provident fund and Rs. 0.868 million (2005: Rs. 0.357 million) in respect of gratuity fund.

	Note	2006	2005
		---------- (Rupees `000) ----------	

28. OTHER OPERATING EXPENSES

	Note	2006	2005
Workers' Profits Participation Fund		**37,942**	36,527
Workers' Welfare Fund		**2,143**	10,004
Donations	28.1	**11,740**	5,851
Auditors' remuneration	28.2	**1,163**	1,099
Exchange loss		**100**	383
		53,088	53,864

28.1. Recipients of donations do not include any donee in whom any Director or his spouse had any interest.

28.2. Auditors' Remuneration

	2006	2005
Audit fee	**400**	300
Tax, corporate and other services	**681**	736
Out of pocket expenses	**82**	63
	1,163	1,099

29. OTHER OPERATING INCOME

	Note	2006	2005
Profit on PLS and deposit accounts with banks		**30,558**	12,982
Return on loan to a related party		**4,212**	-
Return on US Dollar Bonds		**334**	293
Gain on disposal of property, plant and equipment	3.1.3	**601**	2,304
Dividend income from a related party		**576**	1,296
Scrap sales		**1,602**	3,791
Unrealised fair value gain on short-term investments		**2,102**	-
Exchange gain on translation of held-to-maturity investment		**37**	173
Miscellaneous income		**1,495**	3,879
		41,517	24,718

30. FINANCE COST

	Note	2006	2005
Mark-up on long-term financings		**72,975**	29,856
Finance cost on lease arrangements		**315**	2,112
Mark-up on short-term running finance and bank charges		**6,784**	1,902
Interest on WPPF	21.2	**290**	160
		80,364	34,030

31. TAXATION

The assessments of the Company for and upto the tax year 2005 have been completed or are considered to be deemed assessed.

31.1. Relationship between accounting profit and tax expense

	2006	2005
	(Rupees `000)	
Profit before taxation	**718,747**	684,007
Tax charge on accounting profit at the rate of 35 percent	**251,561**	239,402
Tax effects of permanent differences	**1,766**	(693)
Tax effects of income subject to lower rate of tax	**(173)**	(389)
Effect of estimation of future taxable income under final tax regime	**19,083**	(19,373)
Tax effects of income appearing under final tax regime	**(79,578)**	(47,240)
Prior year taxation	**(11,697)**	-
Tax expense for the year	**180,962**	171,707

Average effective tax rate on accounting profit is 25.18 percent (2005: 25.10 percent)

32. EARNINGS PER SHARE – Basic and diluted

		2006	2005 Restated for the effect of bonus shares
Profit after taxation	(Rupees `000)	**537,785**	512,300
Weighted average number of ordinary shares in issue during the year		**83,113,050**	83,113,050
Earnings per share – Basic and diluted		**Rs. 6.47**	Rs. 6.16

There were no outstanding potential shares on June 30, 2006; therefore diluted earnings per share is considered to be equal to basic earnings per share.

33. FINANCIAL INSTRUMENTS

33.1. Yield / Mark-up rate risk

The Company's exposure to yield risk and the effective rates on its financial assets and liabilities as of June 30, 2006 are summarised as follows:

	2006					2005				
	INTEREST BEARING			NON-INTEREST BEARING	Total	INTEREST BEARING			NON-INTEREST BEARING	Total
	Less than one year	One to Five years	Total			Less than one year	One to Five years	Total		
	(Rupees '000)					(Rupees '000)				
Financial assets										
Long-term investments	-	4,931	4,931	17,280	22,211	-	4,894	4,894	-	4,894
Long-term loans and advances	3,091	8,742	11,833	-	11,833	3,138	6,510	9,648	-	9,648
Long-term security deposits	-	-	-	1,660	1,660	-	-	-	2,601	2,601
Derivative financial assets	-	41,478	41,478	-	41,478	-	28,045	28,045	-	28,045
Loans and advances	-	150,000	150,000	6,355	156,355	-	-	-	6,601	6,601
Trade deposits	-	-	-	7	7	-	-	-	3	3
Other receivables	1,493	-	1,493	479	1,972	3,044	-	3,044	1,301	4,345
Short-term investments	152,102	-	152,102	-	152,102	-	-	-	-	-
Cash and bank balances	336,712	-	336,712	46,797	383,509	662,373	-	662,373	88,469	750,842
	493,398	205,151	698,549	72,578	771,127	668,555	39,449	708,004	98,975	806,979
Financial liabilities										
Long-term financings	162,500	650,000	812,500	-	812,500	75,000	812,500	887,500	-	887,500
Liabilities against assets subject to finance lease	1,172	-	1,172	-	1,172	5,641	1,172	6,813	-	6,813
Long-term deposits	-	-	-	13,756	13,756	-	-	-	14,221	14,221
Derivative financial liabilities	-	-	-	-	-	-	15,241	15,241	-	15,241
Short-term running finance	60,000	-	60,000	-	60,000	-	-	-	-	-
Trade and other payables	41,559	-	41,559	117,774	159,333	35,773	-	35,773	52,850	88,623
Unpaid and unclaimed dividend	-	-	-	11,271	11,271	-	-	-	10,856	10,856
	265,231	650,000	915,231	142,801	1,058,032	116,414	828,913	945,327	77,927	1,023,254

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

33.2. Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company does not have exposure to credit risk, as the Company receives advance against sales.

33.3. Liquidity Risk

The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. At the balance sheet date the Company has unavailed credit facility of Rs. 705 million (2005: Rs. 720 million).

33.4. Foreign exchange risk management

Foreign currency risk arises mainly where investments, receivables, loans and payables are denominated in foreign currencies. As at the balance sheet date, the carrying value of assets exposed to exchange risk is Rs. 4.931 million (2005: Rs. 4.894 million). The Company occasionally enters into foreign exchange forward contracts to minimise foreign currency risks.

33.5. Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2006			2005		
	Chief Executive	Director	Executives / Key Employees	Chief Executive	Director	Executives / Key Employees
	(Rupees `000)					
Managerial remuneration	**6,303**	**1,591**	**44,760**	3,487	3,282	29,400
Housing allowance	**525**	**236**	**10,080**	437	540	7,959
Retirement benefits	**808**	**208**	**4,740**	450	370	3,276
Utilities	**344**	**152**	**2,086**	398	311	1,757
Leave fare	**396**	**-**	**2,421**	-	185	1,657
	8,376	**2,187**	**64,087**	4,772	4,688	44,049
Number (note 34.1)	**1**	**1**	**25**	1	1	24

34.1. Mr. Azam Faruque was appointed as chief executive of the Company on November 28, 2005 in place of Mr. Zahid Faruque.

34.2. The chief executive and an executive have been provided with furnished accommodation. Further, the chief executive and certain executives are also provided with the use of Company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

34.3. The aggregate amount charged in the financial statements for the year for fee to 6 directors amounted to Rs. 0.122 million (2005: 6 directors - Rs. 0.052 million).

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, sale of vehicles, return on loans, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of transactions	2006	2005
		(Rupees '000)	
Group companies	Purchase of explosives	**11,625**	10,871
	Purchase of packing material	**146,656**	175,445
	Dividend received	**576**	1,296
	Dividend paid	**42,623**	43,533
	Other services received	**1,800**	2,300
	Royalty	**8,631**	9,889
	Insurance premium	**19,963**	19,454

In addition, certain actual administrative expenses are being shared amongst the group companies.

36. RECENT ACCOUNTING DEVELOPMENTS

Following amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 01, 2006 or later periods:

IAS-19	(Amendments) – Employee Benefits	Effective from January 01, 2006
IAS-39	Financial Instruments: Recognition and Measurement – Fair Value Option, Accounting for Financial Guarantee Contracts and Cash Flow Hedge for Forecast Intra Group Transactions	Effective from January 01, 2006
IAS-1	Presentation of Financial Statements Capital Disclosures	Effective from January 01, 2006

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by International Accounting Standards Board (IASB). Out of these, following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP). However, since these have not been adopted by the SECP, therefore, do not form part of the approved local financial reporting framework.

IFRS-2 Share based Payments
IFRS-3 Business Combinations
IFRS-5 Non-current Assets held for Sale and Discontinued Operations; and
IFRS-6 Exploration for and Evaluation of Mineral Resources

The Company expects that the adoption of these pronouncements mentioned above will have no significant impact on the Company's financial statements in the period of initial application.

37. CAPACITY – Clinker

	2006	2005
	-----------(Metric Tons)----------	
Annual Installed capacity as of June 30	**1,000,000**	750,000
Actual production	**575,000**	749,100

The Company has not utilised its full production capacity due to stoppage of plant for expansion purpose.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 15, 2006 by the Board of Directors of the Company.

39. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2006, the Board of Directors has approved / proposed the following in its meeting held on September 15, 2006 for the approval of the members at the Annual General Meeting:

	2006	2005
	------- (Rupees `000) -------	
Proposed final cash dividend @ 10% (2005: @ 30%)	**83,113**	199,471
Proposed issue of bonus shares @ 15% (2005: @ 25%)	**124,670**	166,226

40. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements materially.

41. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

AZAM FARUQUE
CHIEF EXECUTIVE

IQBAL FARUQUE
DIRECTOR

Pattern of shareholding as at June 30, 2006

No. of shareholders	Shareholding From	Shareholding To	Shares held	Percentage
668	1	100	29,019	0.0349
1,245	101	500	387,938	0.4668
549	501	1,000	428,326	0.5154
1,180	1,001	5,000	3,033,355	3.6497
394	5,001	10,000	2,992,913	3.6010
124	10,001	15,000	1,544,993	1.8589
194	15,001	20,000	3,391,070	4.0801
47	20,001	25,000	1,050,639	1.2641
38	25,001	30,000	1,039,882	1.2512
24	30,001	35,000	788,119	0.9482
38	35,001	40,000	1,435,255	1.7269
10	40,001	45,000	426,954	0.5137
10	45,001	50,000	482,681	0.5808
6	50,001	55,000	318,129	0.3828
4	55,001	60,000	233,177	0.2806
14	60,001	65,000	874,849	1.0526
5	65,001	70,000	338,438	0.4072
8	70,001	75,000	580,122	0.6980
5	75,001	80,000	382,877	0.4607
3	80,001	85,000	243,901	0.2935
1	85,001	90,000	89,843	0.1081
1	90,001	95,000	94,751	0.1140
2	95,001	100,000	196,307	0.2362
2	110,001	115,000	228,706	0.2752
1	115,001	120,000	115,625	0.1391
1	120,001	125,000	123,345	0.1484
2	125,001	130,000	257,812	0.3102
1	145,001	150,000	150,000	0.1805
1	155,001	160,000	156,250	0.1880
1	160,001	165,000	162,200	0.1952
2	165,001	170,000	334,425	0.4024
3	175,001	180,000	529,276	0.6368
2	180,001	185,000	366,796	0.4413
2	185,001	190,000	377,808	0.4546
1	190,001	195,000	192,382	0.2315
1	205,001	210,000	209,158	0.2517
1	215,001	220,000	218,250	0.2626
1	220,001	225,000	221,109	0.2660
1	230,001	235,000	230,927	0.2778
1	235,001	240,000	237,415	0.2857
1	245,001	250,000	246,613	0.2967
1	250,001	255,000	250,408	0.3013
1	280,001	285,000	281,250	0.3384
1	285,001	290,000	288,600	0.3472
1	340,001	345,000	340,125	0.4092
1	380,001	385,000	380,562	0.4579
1	390,001	395,000	393,832	0.4739
1	425,001	430,000	429,687	0.5170
1	430,001	435,000	433,800	0.5219
1	435,001	440,000	437,500	0.5264
1	545,001	550,000	549,678	0.6614
1	560,001	565,000	563,100	0.6775
1	565,001	570,000	568,538	0.6841
1	570,001	575,000	573,743	0.6903
1	575,001	580,000	579,062	0.6967
1	620,001	625,000	625,000	0.7520
1	670,001	675,000	675,000	0.8121
1	690,001	695,000	692,200	0.8328
1	715,001	720,000	717,050	0.8627
1	805,001	810,000	810,000	0.9746
1	1,175,001	1,180,000	1,175,906	1.4148
1	1,210,001	1,215,000	1,211,875	1.4581
1	1,525,001	1,530,000	1,529,632	1.8404
1	1,680,001	1,685,000	1,684,063	2.0262
1	2,760,001	2,765,000	2,764,656	3.3264
1	2,980,001	2,985,000	2,980,437	3.5860
1	2,990,001	2,995,000	2,994,137	3.6025
1	11,920,001	11,925,000	11,924,227	14.3470
1	22,515,001	22,520,000	22,517,347	27.0924
4,623			**83,113,050**	**100.0000**

Categories of Shareholders as at June 30, 2006

Categories	No. of shareholders	Shares held	Percentage
Individuals	4,464	23,251,764	27.98
Financial Institutions	35	24,330,426	29.27
Insurance Companies	12	3,212,659	3.87
Joint Stock Companies	67	17,881,876	21.52
Modarabas	3	35,710	0.04
Mutual Fund	11	4,750,006	5.72
Investment Companies	9	7,569,886	9.11
Others	22	2,080,723	2.50
	4,623	**83,113,050**	**100.00**

Pattern of Shareholding as at June 30, 2006
Additional Information

Shareholders' Category	Shares Held
Associated companies	
Faruque (Private) Limited	11,924,227
Mirpurkhas Sugar Mills Limited	2,980,437
Greaves Pakistan (Private) Limited	1,529,632
Cherat Papersack Limited	192,382
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	22,517,347
National Investment Trust	24,452
National Investment Trust Ltd. (Admin. Fund)	37,900
Directors and Chief Executive	
Mr. Mohammed Faruque	9,062
Mr. Azam Faruque	209,158
Mr. Iqbal Faruque	10,156
Mr. Akbarali Pesnani	39,062
Mr. Shehryar Faruque	68,750
Directors' / Chief Executive's spouses	
Mrs. Nighat Faruque W/o. Mr. Mohammed Faruque	177,743
Mrs. Samia Faruque W/o. Mr. Azam Faruque	24,803
Mrs. Sakina Pesnani W/o. Mr. Akbarali Pesnani	38,065
Executives	167,675
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	17,318,988
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	11,924,227
National Bank of Pakistan (Trustee of NIT)	22,517,347

CHERAT CEMENT

CHERAT CEMENT COMPANY LIMITED

Ghulam Faruque Group

25th ANNUAL GENERAL MEETING 2006

Registered Folio/ Participant's ID No. & A/c. No. No. of Shares held

PROXY FORM

IMPORTANT

Instruments of Proxy will not be considered as valid unless deposited or received at the Company's Registered Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

I/we ....

of ....

being a member of CHERAT CEMENT COMPANY LIMITED, hereby appoint ....

.... of .... another member of the company

as my/our proxy to attend & vote for me/us and on my/our behalf at the 25th Annual General Meeting of the Company to be held on Friday, October 20, 2006 at 10:30 a.m. and at any adjournment thereof.

WITNESS :

(1) Signature ____________________

Name ____________________

Address ____________________

____

NIC or Passport No. ____________________

Signature of Shareholder ____________ Please affix five rupees revenue stamp ____________

(2) Signature ____________________

Name ____________________

Address ____________________

____

NIC or Passport No. ____________________

Date: 2006

NOTE : SECP's circular of January 26, 2000 is on the reverse side of this form.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No. 1 of 2000

Sub : GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guidelines for the convenience of the listed companies and the beneficial owners are laid down :

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

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

(3) In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies :

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

sd.
(M. Javed Panni)
Chief (Coordination)