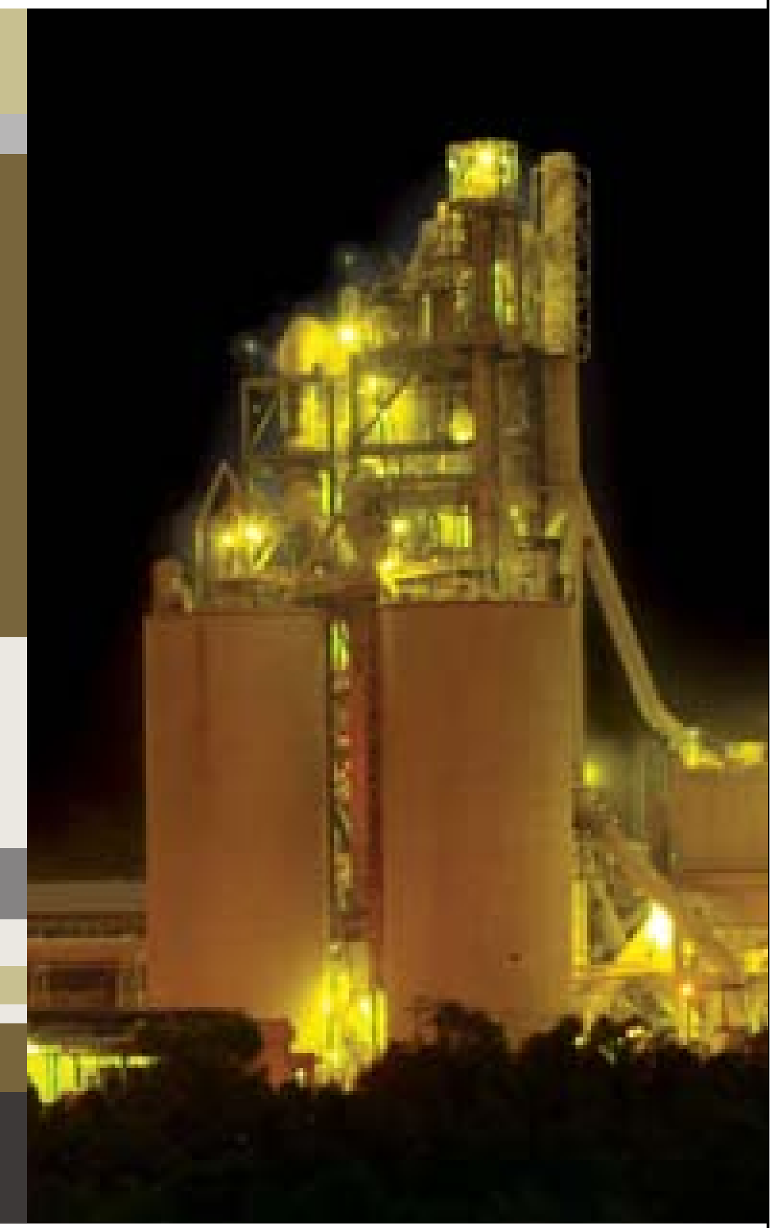
Registered Office:
Modern Motors House
Beaumont Road
Karachi 75530, Pakistan
UAN: (9221) 111-000-009
Fax: (9221) 35683425
Web: www.gfg.com.pk

REGISTERED TO ISO 9001:2000 NO. 2102
URS
CHERAT CEMENT COMPANY LIMITED

GHULAM FARUQUE GROUP

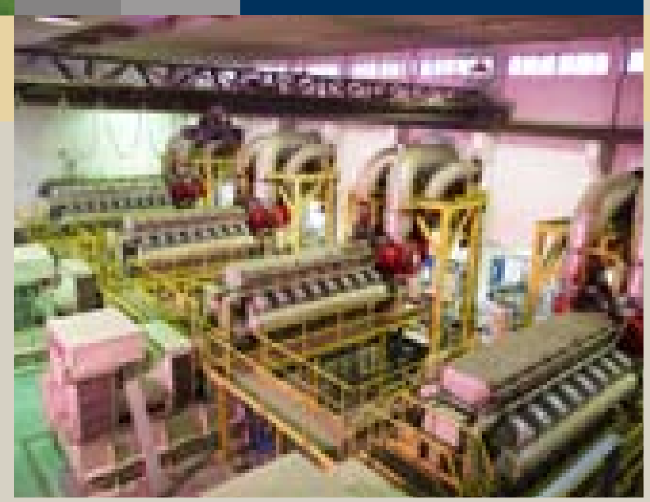


ThinkTank

ANNUAL REPORT 2009

Cherat Cement Company Limited
A Ghulam Faruque Group Company

CHERAT CEMENT



Vision

Growth through the best value creation
for the benefit of all stakeholders

Mission

Invest in projects that will optimize the risk-return profile of the Company.

Achieve excellence in business.

Maintain competitiveness by leveraging technology.

Continuously develop our human resource.

To be regarded by investors as amongst the best blue-chip stocks in the country.

Strategic Objectives

We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business and through opportunities of diversification. It is our endeavour to create value for our shareholders by maximizing the risk adjusted return on our investments. We intend to achieve customer satisfaction by way of providing our clients a cost effective, quality product.

We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards. We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.

Core Values

Always deliver the best quality product to our customers.

Maintain the highest level of integrity, honesty and ethics.

Use technology to continuously improve our processes.

Develop the capability of our workforce on an ongoing basis.

Safeguard the interests of all our stakeholders.

Company Information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Iftikhar Ahmad Bashir (NIT)	Director
Mr. Javaid Anwar (NIT)	Director
Mr. Aamir Amin (NIT)	Director

Chief Financial Officer

Mr. Yasir Masood

Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Registered Office
Modern Motors House, Beaumont Road,
Karachi-75530

Factory
Village Lakrai, P.O. Box 28, Nowshera

Sales Offices
Peshawar:
1st Floor, Betani Arcade, Jamrud Road

Lahore:
3, Sunder Das Road

Islamabad:
Mezzanine Floor, Razia Sharif Plaza,
91-Blue Area

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Citibank, N.A.
Habib Bank Ltd.
HSBC Bank Middle East Ltd.
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Soneri Bank Ltd.
The Royal Bank of Scotland
United Bank Ltd.

Share Registrar

Central Depository Company
of Pakistan Limited (CDC),
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal,
Karachi-74400

Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on Tuesday, October 20, 2009 at 10:00 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 receive and consider the Audited Accounts of the Company for the year ended June 30, 2009 and the Reports of the Directors and the Auditors thereon.

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

3. To appoint Auditors for the year 2009/10 and to fix their remuneration.

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

By Order of the Board of Directors
Abid A. Vazir
Company Secretary

Karachi: August 31, 2009

NOTES:

1. The register of members of the company will be closed from Tuesday, October 6, 2009 to Tuesday, October 20, 2009 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Registrar of the company-M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Monday, October 5, 2009 will be treated in time for the purpose of Annual General Meeting.

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, must 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. The 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 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 Share Registrar of the company of any change in their addresses.

STATUS OF SPECIAL RESOLUTION PASSED IN EARLIER ANNUAL GENERAL MEETING

Investment in joint venture company - Madian Hydro Power Ltd.
We wish to update that the feasibility study of the Madian Hydro Power Project has been completed. The same has also been approved by the PPIB. Given the current energy crises in the country, the project is of high significance with lots of potential; however, law and order situation in the project area remains a concern. Major injection of capital in the form of equity investment will be made at the time of initiation of construction work on the project.

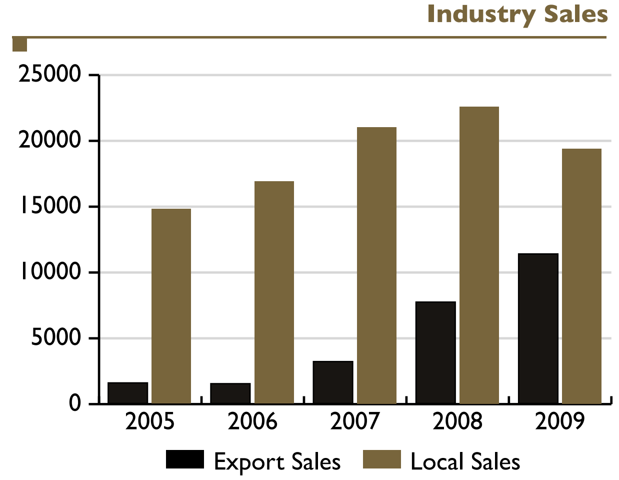
Directors' Report to the Members
for the year ended June 30, 2009

The Board of Directors presents the annual report of the company along with the audited accounts for the year ended June 30, 2009.

OVERVIEW

The year 2008/09 proved to be a difficult year for the industrial sector with slowdown in economic activities in the country caused by ongoing global recession, devaluation of Pak rupee, security concerns and energy crisis. These events also had an impact on the macroeconomic indicators of the country leading to financial constraints for the government, which resulted in reduction of the development budget. Further, adoption of stringent monetary policy by the Central Bank also adversely impacted all industrial sectors of the national economy including cement, which is reflected in the drop of local demand by 14% from last year to 19.39 million tons. New construction activities mostly remained suspended in the country as investors lacked the confidence to initiate new projects. However, growth was witnessed in export sales to Afghanistan and other destinations like Middle-east and Africa as the industry was successful in exploring new markets.

Industry Sales

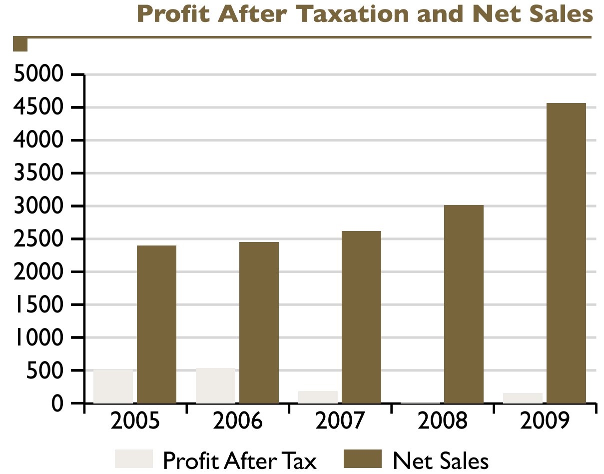


During the year under review, aggregate sales of the cement industry remained at 30.775 million tons, reflecting an increase of only 1.61%, which was mainly on account of rise in export sales by 47%. The profitability of the cement plants continued to remain under pressure due to substantial increase in the cost of production. Although fuel prices declined during certain portion of the year, the industry faced inventory management issues to overcome the volatility in fuel prices. However, international prices of fuel have once again risen since the last quarter of 2008/09.

COMPANY'S PERFORMANCE

Compared to last year, 2008/09 happened to be a better year as, the company earned an after tax profit of Rs. 159 million against net sales of Rs. 4,567 million compared to an after tax profit of Rs. 10 million against net sales of Rs. 3,014 million last year. During the year, there was small decline in production and dispatches from last year due to planned shutdown of the plant for kiln shell replacement. However, the production loss was kept to a minimum by building stock in the period prior to the shutdown. As mentioned earlier, the cost of production remained under pressure, especially in the early part of the year, due to soaring prices of input items like coal, furnace oil and raw and packing materials. Increased interest rate was also a significant factor.

Profit After Taxation and Net Sales



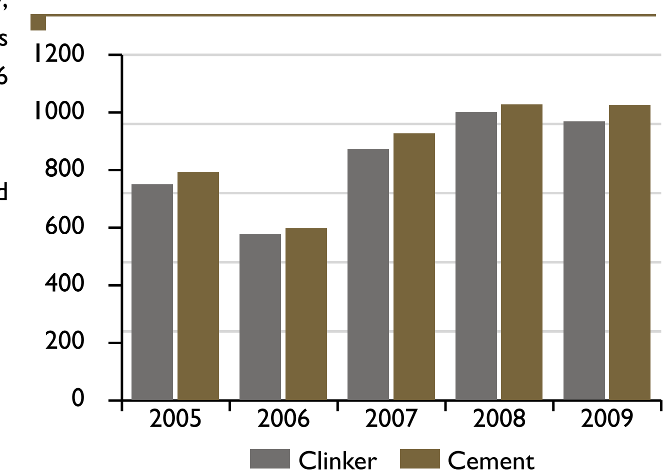
Production:

During the year under review, the clinker capacity utilization was 97% for reasons mentioned earlier. During the year 2008/09, the clinker production declined by 33,610 tons to 967,100 tons while cement production dropped by 1,874 tons to 1,024,956 tons due to plant shutdown.

Comparative production figures of clinker and cement are stated under:

	2008/09 (in tons)	2007/08 (in tons)
Clinker	967,100	1,000,710
Cement	1,024,956	1,026,830

Clinker and Cement Production



Company Sales Sector Wise

Sales and dispatches:

Despite considerable slowdown in construction activities in the country during the year, which affected the cement sales of the industry, the company was able to sell all it produced because of strong brand recognition and quality of cement. During the year under review, while local dispatches recorded an increase of 9,522 tons, export sales to Afghanistan declined by 13,945 tons from the corresponding period last year, which was a strategic decision of the company to concentrate more on local markets. However, Cherat brand continues to attract strong brand loyalty in Afghanistan and is able to get a premium. Exports contributed approximately 35% towards the overall sales of the company during the year 2008/09.

	2008/09 (in tons)	2007/08 (in tons)
Local Sales	665,790	656,268
Export Sales	357,010	370,955
	1,022,800	1,027,223

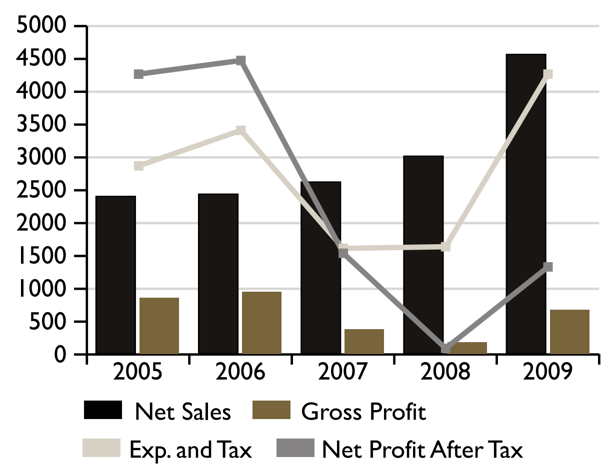
Operating performance:

Compared to last year, there was an increase of Rs. 1,554 million in the net turnover for 2008/09. The increase in turnover was due to adjustment in selling prices to offset and cover a significant rise in the cost of production. The year also witnessed a major devaluation of Pak rupee vis-à-vis US dollar, which resulted in exchange loss and increase in financial charges. There was decline in the Other Income due to reduced level of investments made by the company to meet its working capital requirements. Taking into consideration these factors and the taxes payable unlike last year where there was a net deferred tax credit, the company was able to earn an after tax profit of Rs. 159.29 million during the year under review.

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

	2008/09 (Rs. in million)	2007/08 (Rs. in million)
Net Sales	4,567.41	3,013.75
Cost of Sales	3,896.65	2,834.33
Gross Profit	670.76	179.42
Expenses & Taxes	511.47	169.07
Net Profit	159.29	10.35

Profitability Trends



WASTE HEAT RECOVERY PLANT

Energy cost constitutes a major portion of the cost of production for cement plants. In order to address the issue of rising production costs, the company had decided to install Waste Heat Recovery System. Work on the erection and installation of the WHR plant is currently in full swing. We expect the WHR system to be operational by November 2009. The installation of WHR plant will not only bring in substantial savings but will also entitle the company to carbon credits, which was a major consideration for investment in this project.

MADIAN HYDRO POWER

The feasibility study of the Madian Hydro Power project has been completed. The same has also been approved by the PPIB. Given the current energy crises in the country, the project is of high significance with lots of potential; however, law and order situation in the project area remains a major concern.

ERP SYSTEM

In order to further improve its business processes by bringing them in line with internationally followed practices and further sharpen its decision making capacity, the company during the year decided to implement SAP, an Enterprise Resource Planning System. An agreement to this effect was signed with M/s. SAP Pakistan and M/s. IBM Pakistan has been engaged as the implementation partner. The software is expected to be implemented and operational by December 2009. The use of SAP will allow the company to further leverage its capabilities and enhance its efficiencies.

CORPORATE SOCIAL RESPONSIBILTY

As a conscientious member of the corporate community, the company generously contributed to various social and charitable causes during the year most notably to help the internally displaced people of Swat and recent floods in NWFP. Besides the monetary contribution, the management also extended its full administrative support in carrying out various relief activities in the camps set up for the affectees. The employees of the company also contributed their one day salary to the cause. Apart from the above, the company continued to contribute regularly in other social sectors like health and education.

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 judgment.
- 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 corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- The company has been declaring regular dividends to its shareholders. However, it could not do so for the years 2007/08 and 2008/09, due to liquidity constraints and other financial commitments.
- 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 30th June 2009:

• Provident Fund	Rs.210,337,042
• Gratuity Fund	Rs. 73,373,990

- During the year, five meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended	Name of Director	Meetings Attended
• Mr. Mohammed Faruque	4	• Mr. Muhammad Nawaz Tishna *	-
• Mr. Akbarali Pesnani	5	• Mr. Javaid Anwar	5
• Mr. Azam Faruque	5	• Mr. Iftikhar Ahmad Bashir *	4
• Mr. Shehryar Faruque	4	• Mr. Raja Sarfaraz Akram *	-
• Mr. Arif Faruque	3	• Mr. Aamir Amin *	3

** Mr. Muhammad Nawaz Tishna and Mr. Raja Sarfaraz Akram resigned during the year and in their place, on the nomination of NIT, Mr. Iftikhar Ahmad Bashir and Mr. Aamir Amin were co-opted as directors.*

- Pattern of shareholding is annexed with the report
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children during the year, except for receipt of 10,000 shares as gift by Mr. Shehryar Faruque from his mother.
- Earnings per share (EPS) during the year was Rs. 1.67 as against Re. 0.11 last year.

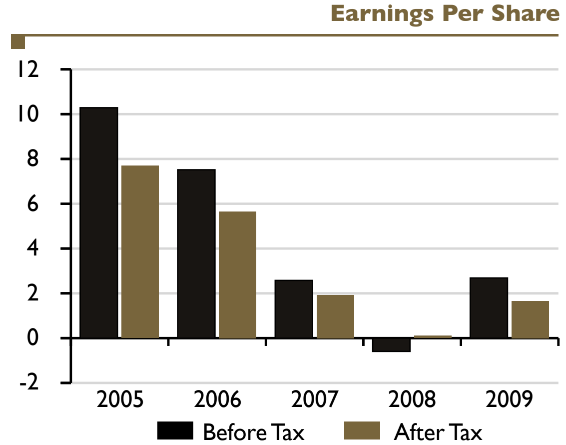
DIVIDEND FOR THE YEAR

Taking in consideration the business circumstances, the Board of Directors, in the best interest of the company, has decided against paying any dividend this year.

FUTURE PROSPECTS

Historical evidence shows that there is a strong correlation between the Public Sector Development Programme (PSDP) and the domestic sales of cement as the PSDP contains healthy allocation for infrastructural development. Fiscal constraints resulting from economic challenges forced the government to slash the development budget and tighten monetary policy, which adversely affected the domestic demand for cement. Because of high interest rates and lack of liquidity in the market, investors are finding it difficult to initiate new housing projects and other construction activities in the country. The ongoing global economic crisis is likely to have an impact on the growth prospects for export sales.

Earnings Per Share



Subsequent to the year end, the Competition Commission of Pakistan (CCP) imposed a penalty of Rs. 6,312 million on the cement industry, which includes Rs. 226 million against Cherat Cement. The company has obtained a stay against the order of the CCP from the Honorable High Court of Lahore. It also has the option of approaching the Honorable Supreme Court of Pakistan against this order of the CCP. In our petition before the Honourable High Court of Lahore, the Company has raised significant legal issues. Furthermore, the Competition Commission Ordinance 2007 will require reconsideration and approval of the National Assembly in line with the judgment of Honorable Supreme Court of Pakistan dated July 31, 2009. Given the uncertainties involved and in view of the above, the management is hopeful that there will be no adverse outcome of the same on the Company.

In the recent federal budget, the government reduced the excise duty on cement from Rs. 900 per ton to Rs. 700 per ton. The impact of the same was immediately passed on to the customers by the industry. We take this opportunity to urge the government to take necessary measures to stimulate the demand for cement in the country by utilizing the development funds allocated under the federal budget and initiate major infrastructure and housing projects and also provide incentives to the industry by further reducing its tax burden along with interest rates. The government should also take measures to restore investors' confidence and also take steps to facilitate exports through land and sea routes in order to earn the much-needed foreign exchange. In the recent Trade Policy, the government has announced in-land freight subsidy to encourage exports through sea. We are hopeful of early implementation of such measures by the government. The State Bank has recently announced reduction in interest rates to stimulate growth in the industry. However, for the revival of the industrial sector growth, a more aggressive stance will need to be taken. Given the scale of reconstruction effort required in NWFP to rehabilitate the IDPs, we are hopeful that growth momentum will pick up and will lead to increase in the domestic demand for cement.

APPOINTMENT OF AUDITORS

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

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 all our staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 31, 2009

Corporate Social Responsibility

It is our endeavor to work with all stakeholders to effectively improve the quality of life of our work force, the local communities around us and the people of Pakistan in general, through honest and meaningful contributions. We are committed towards the improvement of social welfare, the development of human capital and the uplifting of socio-economic condition of the people.

The Company's CSR program encompasses initiatives such as healthcare, education, environmental protection and preservation, development of infrastructure and various other social welfare activities.

To achieve these objectives the Company has established a primary school in Shaidu Valley, NWFP, in collaboration with the Citizens Foundation to provide free education to the local children.

The Company has also made generous contributions to such noble causes as the Aga Khan University Hospital (AKUH), Institute of Behavioural Psychology (IBP) and the World Wild Fund (WWF). We are proud to be associated with these organizations in providing better educational and healthcare facilities for all.

Reaching out to those in need has always been part of our collective conscience. Cherat Cement, in 2005 stepped up to lend its assistance to NWFP earthquake and flood victims, and recently Cherat once again augmented the national effort by financially helping the internally displaced people of Swat (IDP). Our employees also joined this noble cause and contributed one day's salary to help alleviate the sufferings of their fellow Pakistanis. In addition to monetary contributions, the management of the Company also extended its full administrative support in carrying various relief activities in the camps.

At Cherat Cement, we also value the environment and wildlife. To protect endangered species of animals, we have developed a wildlife park to reintroduce local flora & fauna, and have also donated generously towards the WWF.

Statement of Compliance

with The Best Practices of The 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, three of whom 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. Casual vacancies that occurred on the Board during the year were filled up within 30 days.

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

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

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

9. The Directors of Cherat Cement Co. Ltd. are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities.

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 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

Karachi: August 31, 2009

Mohammed Faruque
Chairman

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

KARACHI: August 31, 2009

Mohammed Faruque
Chairman

Review Report to the Members
on statement of compliance with The Best Practices of The Code of Corporate Governance

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
Fax: +9221 5681965
www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2009**, prepared by the Board of Directors of **Cherat Cement Company Limited** (the Company) to comply with the Listing Regulations of respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, the Listing Regulation requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code.

Ford Rhodes Sidat Hyder & Co

Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

KARACHI: August 31, 2009

Statement of Ethics and 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 the 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 goods or services, 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.

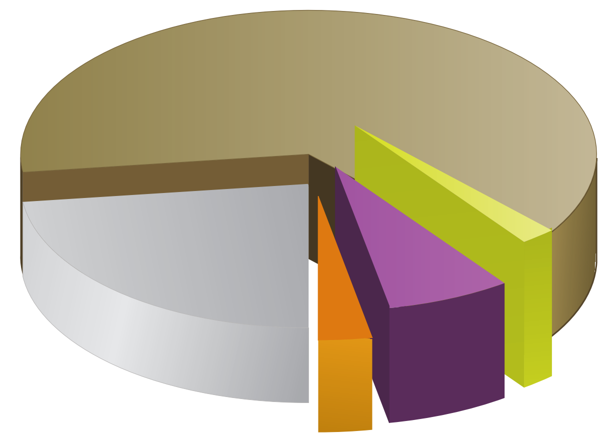
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply cement with care and competence so that customers receive the quality they truly deserve.

Highlights of the Year

- During the year, sales revenue of the company increased by 52% to reach Rs. 4.57 billion.
- Increase in after tax profitability of the company to Rs. 159.29 million and Gross Profit Margin to 15%.
- Continuing achievement of set milestones on over PKR 1 billion Waste Heat Recovery Project. The project is expected to be commissioned by November 2009.
- Approval of Feasibility Study by PPIB of the Madian Hydro Power Project.
- Agreement with M/s. SAP Pakistan to implement the ERP system throughout the company. M/s. IBM Pakistan has been engaged by the company as the implementation partner. The implementation is expected to be completed by December 2009.

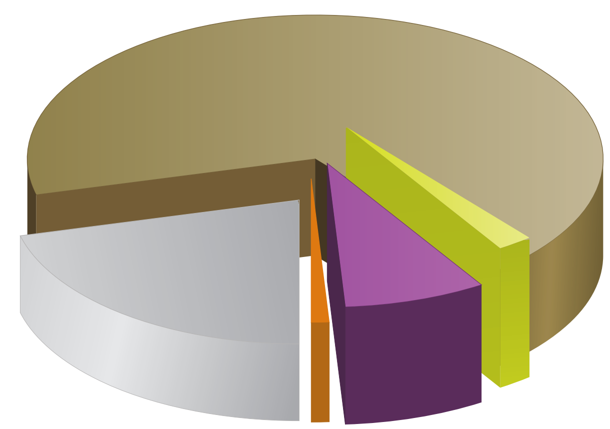
Progress Graphs

Wealth Distribution during 2008-09



Government	23%
Material and Services	65%
Financial Institutions	2%
Employees	7%
Shareholders and Equity	3%

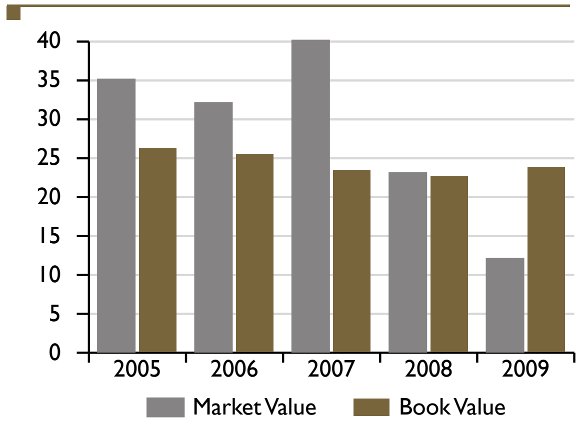
Wealth Distribution during 2007-08



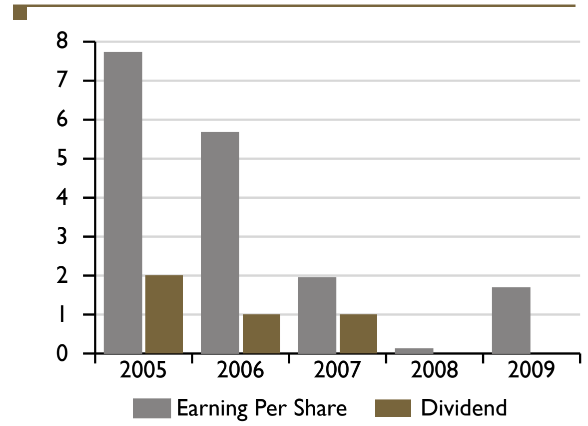
Government	21%
Material and Services	68%
Financial Institutions	2%
Employees	8%
Shareholders and Equity	1%

Progress Graphs

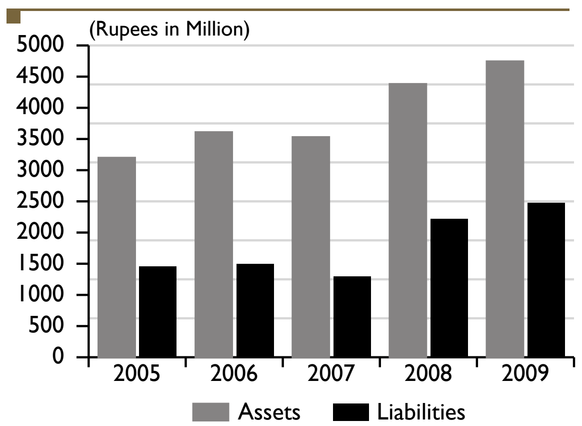
Value Per Share of The Company



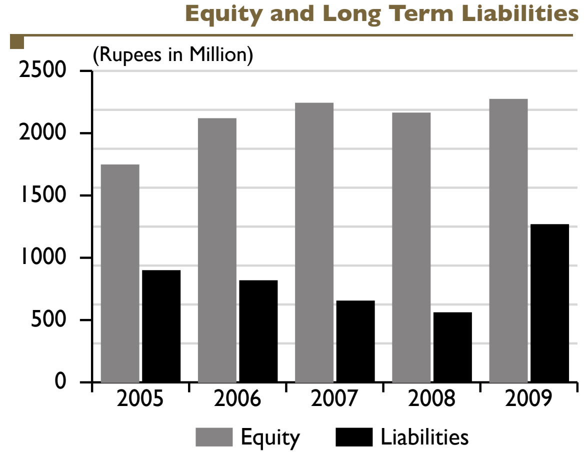
Earning Per Share and Dividend



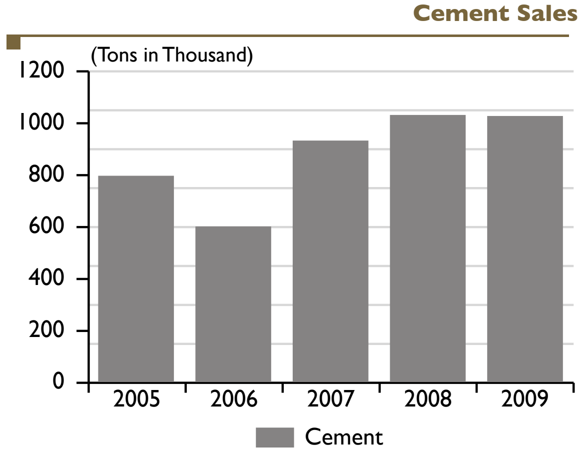
Assets & Liabilities



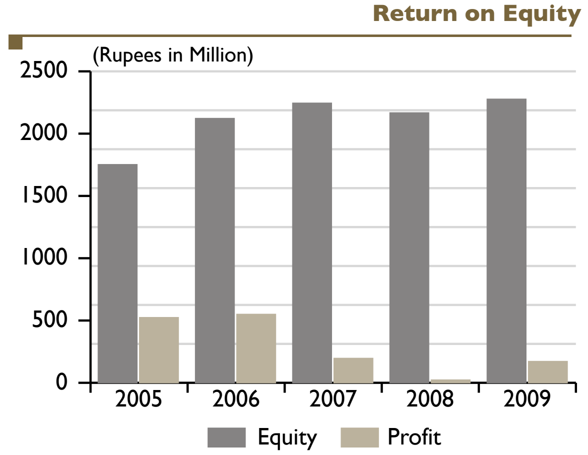
Equity and Long Term Liabilities



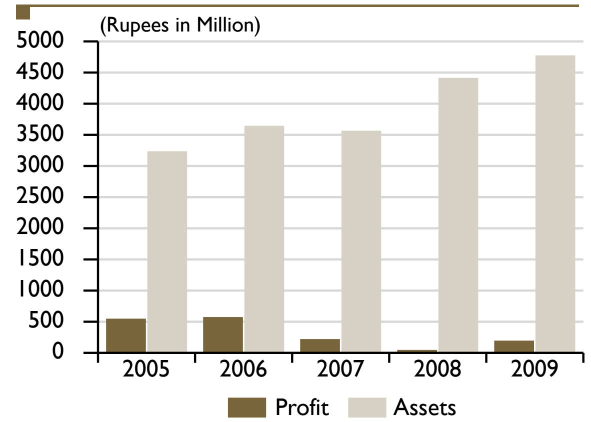
Cement Sales



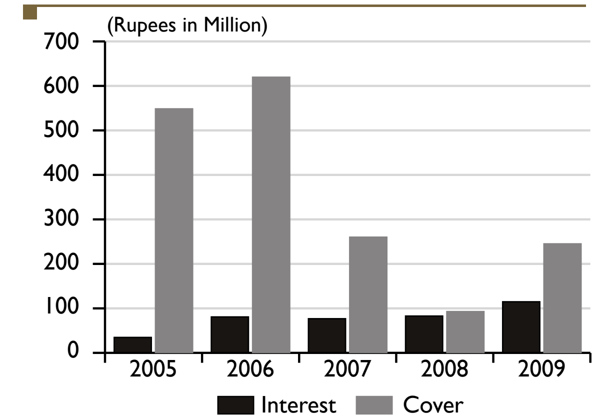
Return on Equity



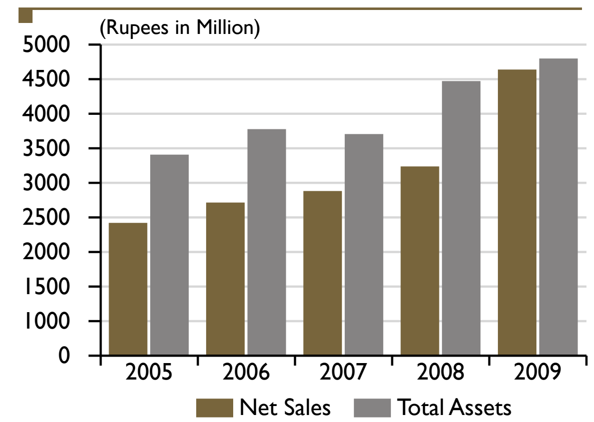
Net Profit to Total Assets



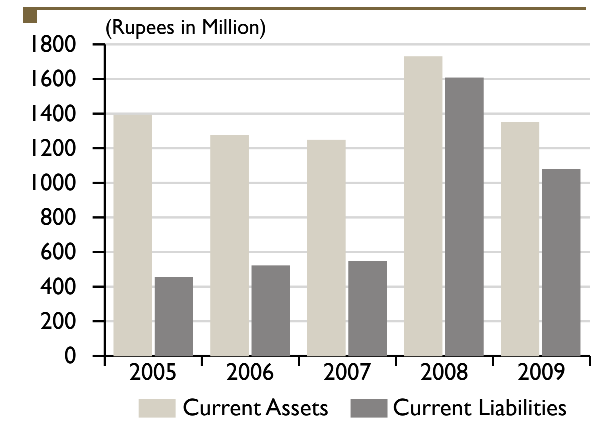
Interest Cover



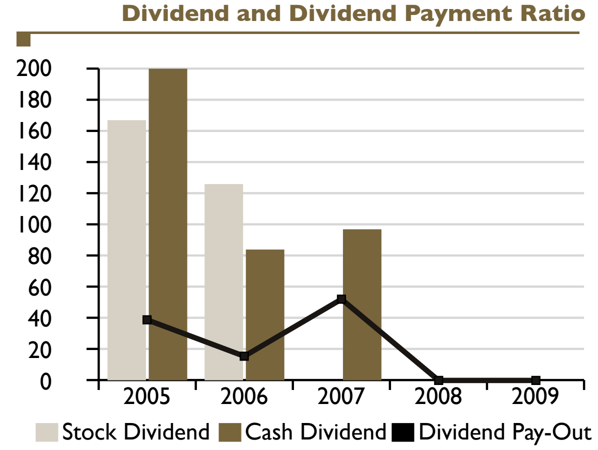
Sales to Total Assets



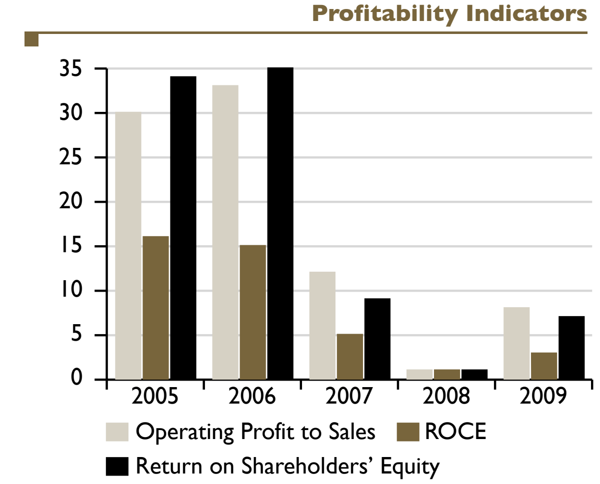
Current Assets and Current Liabilities



Dividend and Dividend Payment Ratio



Profitability Indicators



Year-Wise Statistical Summary

	2009	2008	2007	2006	2005	2004	2003
Clinker production	967	1,001	873	575	749	774	656
Cement production	1,025	1,027	926	598	792	802	693
Cement despatched	1,023	1,027	928	596	792	789	706
ASSETS EMPLOYED							(Rs. in million)
Property, plant and equipment	3,258	2,522	2,197	2,270	1,773	1,252	1,276
Intangable assets	6	-	-	-	-	-	-
Investment and long-term loan, advances & deposits	122	111	71	33	18	17	19
Derivative financial assets	14	29	25	41	28	-	-
Current assets	1,343	1,720	1,240	1,268	1,384	913	601
Total assets employed	**4,743**	**4,382**	**3,533**	**3,612**	**3,203**	**2,182**	**1,896**
FINANCED BY							
Shereholders equity	2,268	2,158	2,236	2,113	1,742	1,432	1,007
Long-term liabilities	1,100	393	452	664	829	210	312
Deferred liabilities	304	233	303	319	167	170	170
Derivative financial liabilities	-	-	-	-	15	-	-
Current liabilities	1,071	1,598	542	516	450	370	407
Total funds invested	**4,743**	**4,382**	**3,533**	**3,612**	**3,203**	**2,182**	**1,896**
TURN OVER & PROFIT							
Turn over (net)	4,567	3,014	2,620	2,436	2,401	2,085	1,508
Operating profit	371	25	323	799	718	592	59
Profit / (loss) before taxation	257	(56)	247	719	684	574	25
Profit after taxation	159	10	184	538	512	426	10
Cash dividend	-	-	96	83	199	213	66
Bonus shares	-	-	-	125	166	133	-
Transfer from reserves	-	-	-	-	-	-	30

Ratio Analysis on Accounts
for the year ended June 30, 2009

		2009	2008
Profitability:			
1	Gross Profit (percentage)	14.69	5.95
2	Operating Profit (percentage)	8.13	0.83
3	Profit / (loss) Before Tax (percentage)	5.63	(1.87)
4	Net Profit After Tax (percentage)	3.49	0.34
5	Net Profit to Average Share Holder's Equity (percentage)	7.20	0.47
6	EPS (Before Tax)	2.69	(0.59)
7	EPS (After Tax)	1.67	0.11
8	Net Profit to Total Assets (Average after tax) (percentage)	1.79	2.22
9	Increase in Sales (Net percentage)	51.55	15.03
10	Raw & Packing Material % of Net Sales	13.69	15.22
11	Labour % of Net Sales	6.20	7.33
12	Other Cost of Sales Expenses % of Net Sales	65.42	71.49
13	Raw & Packing Material as % of Cost of Sales	16.05	16.18
14	Administrative Expenses % of Net Sales	2.54	3.08
15	Distribution Cost % of Net Sales	2.07	2.45
16	Tax % of Net Sales	2.14	(2.22)
17	Finance cost % of Net Sales	2.50	2.71
Short Term Solvency:			
1	Working Capital Ratio	1.25	1.08
2	Acid Test Ratio	0.99	0.95
3	Working Capital Turnover (Net Sales) - Times	16.77	24.65
4	Inventory Turnover - Times	15.97	17.45
Overall Valuation and Assessment:			
1	Number of Time Interest Earned	3.25	0.31
2	Return on Equity after tax (Average in percentage)	7.20	0.47
3	Book Value Per Share	23.73	22.58
4	Long Term Debts to Equity Ratio	32.66	15.43

Auditors' Report to The Members

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
Fax: +9221 5681965
www.ey.com/pk

We have audited the annexed balance sheet of **Cherat Cement Company Limited** (the Company) as at **30 June 2009** 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, except for the change, as stated in note 2.3 to the financial statements, with which we concur;

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

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

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 **30 June 2009** and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

KARACHI: August 31, 2009

Balance Sheet
as at June 30, 2009

	Note	2009	2008
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	3,258,357	2,522,040
Intangible asset	5	5,880	-
		3,264,237	2,522,040
Long-term investments	6	114,157	103,395
Long-term loans and advances	7	6,597	6,832
Long-term security deposits		1,415	1,415
Derivative financial assets	8	13,673	28,643
		3,400,079	2,662,325
CURRENT ASSETS			
Stores, spare parts and loose tools	9	899,546	1,303,721
Stock-in-trade	10	280,588	207,491
Loans and advances	11	12,267	8,279
Trade deposits and short-term prepayments	12	60,201	50,218
Other receivables	13	16,437	71,611
Short-term investments	14	153	574
Tax refunds due from the Government		13,550	12,525
Cash and bank balances	15	60,689	65,529
		1,343,431	1,719,948
TOTAL ASSETS		4,743,510	4,382,273
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	955,801	955,801
Reserves	17	1,312,603	1,202,305
		2,268,404	2,158,106
NON-CURRENT LIABILITIES			
Long-term financing	18	1,087,500	380,500
Long-term deposits	19	12,737	13,376
Deferred taxation	20	303,875	232,588
		1,404,112	626,464
CURRENT LIABILITIES			
Trade and other payables	21	381,485	913,588
Short-term running finance	22	502,437	496,874
Current maturity of long-term financing	18	175,000	175,000
Unclaimed dividend		12,072	12,241
		1,070,994	1,597,703
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		4,743,510	4,382,273

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Profit & Loss Account
for the year ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
Turnover – net	24	4,567,409	3,013,752
Cost of sales	25	(3,896,647)	(2,834,336)
Gross profit		670,762	179,416
Distribution cost	26	(94,767)	(73,898)
Administrative expenses	27	(115,816)	(92,923)
Other operating expenses	28	(96,664)	(6,608)
		(307,247)	(173,429)
Other operating income	29	7,775	19,091
Operating profit		371,290	25,078
Finance cost	30	(114,357)	(81,576)
Profit / (loss) before taxation		256,933	(56,498)
Taxation			
Current - for the year		(16,883)	(15,095)
- prior years		(5,756)	11,392
Deferred		(75,007)	70,555
	31	(97,646)	66,852
Profit after taxation		159,287	10,354
Earnings per share – basic	32	Rs. 1.67	Re. 0.11

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Cash Flow Statement
for the year ended June 30, 2009

	Note	2009	2008
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		256,933	(56,498)
Adjustment for:			
Depreciation	4.1.3	195,917	176,722
Unrealized fair value loss on short-term Investments	29	421	717
Return on US Dollar Bonds	29	-	(145)
Gain on disposal of operating property, plant and equipment	4.1.4	(3,214)	(1,704)
Finance cost	30	114,357	81,576
Exchange loss	28	70,453	3,112
Share of loss in joint venture	6.1.2	51	413
Dividend income	29	(648)	(4,973)
		377,337	255,718
Operating profit before working capital changes		634,270	199,220
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		404,175	(684,597)
Stock-in-trade		(73,097)	(90,203)
Loans and advances		(3,988)	3,365
Trade deposits and short-term prepayments		(9,983)	(46,585)
Other receivables		55,391	(70,589)
		372,498	(888,609)
		1,006,768	(689,389)
(Decrease) / increase in current liabilities			
Trade and other payables		(673,474)	697,298
Cash generated from operations		333,294	7,909
Income tax paid		(23,664)	(27,620)
Net cash generated from / (used in) operating activities		309,630	(19,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(278,004)	(293,876)
Sale proceeds of operating property, plant and equipment	4.1.4	5,936	5,090
Capital work-in-progress	4.2	(656,952)	(211,308)
Intangible asset	5	(5,880)	-
Long-term loans and advances		235	(821)
Investments		(46,217)	372,817
Dividend received	29	648	4,973
Long-term security deposits		-	(59)
Net cash used in investing activities		(980,234)	(123,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		707,000	(94,500)
Long-term deposits		(639)	(1,101)
Short-term running finance		5,563	402,207
Dividend paid		(169)	(95,064)
Finance cost paid		(45,991)	(78,589)
Net cash generated from financing activities		665,764	132,953
Net decrease in cash and cash equivalents		(4,840)	(9,942)
Cash and cash equivalents at the beginning of the year		65,529	75,471
Cash and cash equivalents at the end of the year	15	60,689	65,529

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Statement of Changes in Equity
for the year ended June 30, 2009

	Issued subscribed and paid-up capital	RESERVES: Capital Reserve	Revenue Reserves: General Reserve	Revenue Reserves: Unappropriated profit	Revenue Reserves: Sub total	Unrealized gain / (loss) on hedging instruments	Unrealized gain / (loss) on available-for-sale securities	Total	Total
	(Rupees '000)								
Balance as at July 01, 2007	955,801	50,900	420,000	744,607	1,164,607	14,689	50,595	1,280,791	2,236,592
Cash dividend for the year ended June 30, 2007 @ Re. 1 per share	-	-	-	(95,580)	(95,580)	-	-	(95,580)	(95,580)
Effect of recognition of fair value of derivative financial instruments net of deferred tax	-	-	-	-	-	5,427	-	5,427	5,427
Fair value changes on available -for-sale securities	-	-	-	-	-	-	1,313	1,313	1,313
Profit after taxation for the year	-	-	-	10,354	10,354	-	-	10,354	10,354
Balance as at June 30, 2008	955,801	50,900	420,000	659,381	1,079,381	20,116	51,908	1,202,305	2,158,106
Balance as at July 01, 2008	**955,801**	**50,900**	**420,000**	**659,381**	**1,079,381**	**20,116**	**51,908**	**1,202,305**	**2,158,106**
Effect of recognition of fair value of derivative financial instruments net of deferred tax	**-**	**-**	**-**	**-**	**-**	**(13,802)**	**-**	**(13,802)**	**(13,802)**
Fair value changes on available -for-sale securities	**-**	**-**	**-**	**-**	**-**	**-**	**(35,187)**	**(35,187)**	**(35,187)**
Profit after taxation for the year	**-**	**-**	**-**	**159,287**	**159,287**	**-**	**-**	**159,287**	**159,287**
Balance as at June 30, 2009	**955,801**	**50,900**	**420,000**	**818,668**	**1,238,668**	**6,314**	**16,721**	**1,312,603**	**2,268,404**

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Notes to the Financial Statements
for the year ended June 30, 2009

1 CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1981. Its main business activity is manufacturing, marketing and sale 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 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for derivative financial instruments, investment at fair value through profit and loss and available for sale investments that have been measured at fair value.

2.3 Earlier adoption of accounting standard

International Accounting Standard (IAS) 23 Borrowing costs (Revised) effective January 01, 2009

The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense out borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with the commencement date on or after July 01, 2008. During the year Rs. 79.793 million of borrowing costs have been capitalized in capital work-in-progress - plant and machinery.

2.4 Significant accounting judgments and estimates

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

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

2.4.1 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. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

2.4.2 Operating property, plant and equipment

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

2.4.3 Taxation

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

2.4.4 Derivative hedging instruments designated as cash flow hedge

The Company reviews the fair value of interest rate swaps at each reporting date based on the discounted value of future cash flows.

2.4.5 Stock-in-trade, stores and spare parts

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Owned assets

Property, plant and equipment except land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. 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 capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of operating property, plant and equipment, if any, are recognized in the profit and loss account.

The carrying values of operating property, plant and equipment are reviewed for impairment annually 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.

Depreciation is charged from the month of the year in which addition / capitalization occurs, while no depreciation is charged in the month in which an asset is disposed off.

3.1.2 Assets subject to finance lease

Finance lease, which transfers to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalized at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives.

3.2 Intangible assets

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

3.3 Investments

3.3.1 Interest in Joint Venture

The Company has an interest in a joint venture which is a jointly controlled entity. The Company combines its share and recognizes its interest in the joint venture using the equity method.

Under equity method, the investment in joint venture is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the joint venture. Profit and loss account reflects the share of the results of operation of joint venture. Unrealized gains and losses resulting from transactions between the Company and joint venture are eliminated to the extent of the interest in joint venture.

Financial statements of the joint venture are prepared for same reporting period as the Company using consistent accounting policies in line with that of the Company.

3.3.2 Available-for-sale securities

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates.

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 until the investment is derecognized at which time the cumulative gain or loss recorded in equity is recognized in profit and loss account.

3.3.3 Held-to-maturity investments

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable cost and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

3.3.4 Designated investments at fair value through profit or loss

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

3.4 Stores, spare parts and loose tools

These are valued at lower of average cost and estimated 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.

3.5 Stock-in-trade

Stock-in-trade is valued at lower of cost and estimated NRV except for goods-in-transit which are stated at cost comprising invoice values plus other charges incurred thereon.

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

3.6 Trade debts

Trade debts are recognized 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.

3.7 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.8 Financial instruments

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

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

3.9 Foreign currency translations

Transactions in foreign currencies are translated into 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 into Pak Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the

year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.10 Cash and cash equivalents

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

3.11 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable.

3.11.1 Sale of goods

Revenue from sales is recognized upon passage of title to the customers that generally coincides with physical delivery. It is recorded at net of trade discounts and volume rebates.

3.11.2 Other operating income

- Return on held-to-maturity investments is recognized on accrual basis using effective yield method.
- Dividend income is recognized when the right to receive such payment is established.
- Other revenues are accounted for on accrual basis.

3.12 Staff retirement benefits

3.12.1 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 recognized as income or expense when the cumulative unrecognized actuarial gains or losses exceed ten 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 recognized over the expected remaining working lives of the employees participating in the scheme.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If benefits already have been vested, immediately following the introduction of, or change to the scheme, past service costs are recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

3.12.2 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 monthly contributions are made by the Company and the employees to the fund at the rate of 8.33 percent of basic salary.

3.13 Provisions

Provisions are recognized 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.

3.14 Taxation

3.14.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.14.2 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 recognized 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 utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized 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 (ICAP), if considered material.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit and loss account.

3.14.3 Sales tax

Revenues, expenses and assets are recognized net off amount of sales tax except:

- Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables or payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.15 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 recognized directly in equity.

When the hedged commitment results in the recognition of an asset or a liability, then, the associated gains or losses previously recognized 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 recognized 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 recognized in equity is transferred to profit or loss for the period.

3.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and if only, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all qualifying assets where construction was commenced on or after July 01, 2008. The Company had the practice to expense borrowing costs relating to construction of projects that commenced prior to July 01, 2008.

3.18 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 35 to the financial statements.

3.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.20 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3.21 Standards or interpretations not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 - Financial Instruments (Amended)	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 - Share-based Payment (Amended)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 4 - Insurance Contracts	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and / or enhancements in the presentation and disclosures of the financial statements.

3.22 Adoption of new accounting standards

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

IFRS 7 - Financial Instruments: Disclosures
IFRIC 12 - Service Concession Arrangements
IFRIC 13 - Customer Loyalty Programs; and
IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interactions

Adoption of these standards and interpretations does not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

	Note	2009	2008
		(Rupees '000)	
4 Property, plant and equipment			
Operating property, plant and equipment	4.1	2,235,295	2,155,930
Capital work-in-progress	4.2	1,023,062	366,110
		3,258,357	2,522,040

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating assets:

2009 Description	COST			DEPRECIATION				Book value as at June 30, 2009	Depreciation rate % per annum
	As at July 01, 2008	Additions / (disposals)	As at June 30, 2009	As at July 01, 2008	Adjustment on disposals	For the year	As at June 30, 2009		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	409,464	1,800	411,264	249,684	-	12,027	261,711	149,553	7.5
Plant and machinery	3,749,825	234,589	3,984,414	2,004,572	-	140,201	2,144,773	1,839,641	7.5
Power and other installations	48,724	436	49,160	39,024	-	1,035	40,059	9,101	10-20
Furniture and fittings	31,908	1,897	33,779	19,911	-	1,273	21,171	12,608	10-20
		(26)			(13)				
Quarry, factory and laboratory equipment	322,551	7,388	329,939	151,066	-	26,321	177,387	152,552	10-20
Motor vehicles	76,188	26,077	92,327	33,013	-	12,051	37,571	54,756	20
		(9,938)			(7,493)				
Office equipment	7,459	2,989	9,814	5,451	-	394	5,475	4,339	10-20
		(634)			(370)				
Computers	47,615	2,828	50,443	43,753	-	2,615	46,368	4,075	33.33
	4,702,404	278,004	4,969,810	2,546,474	(7,876)	195,917	2,734,515	2,235,295	
		(10,598)							

2008 Description	COST			DEPRECIATION				Book value as at June 30, 2008	Depreciation rate % per annum
	As at July 01, 2007	Additions / (disposals)	As at June 30, 2008	As at July 01, 2007	Adjustment on disposals	For the year	As at June 30, 2008		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	6,855	210	7,065	-	-	-	-	7,065	-
Building on leasehold land	319,713	89,751	409,464	243,408	-	6,276	249,684	159,780	7.5
Plant and machinery	3,719,111	30,714	3,749,825	1,865,104	-	139,468	2,004,572	1,745,253	7.5
Power and other installations	47,890	834	48,724	37,964	-	1,060	39,024	9,700	10-20
Furniture and fittings	29,151	2,870	31,908	18,823	-	1,169	19,911	11,997	10-20
		(113)			(81)				
Quarry, factory and laboratory equipment	169,985	152,566	322,551	134,668	-	16,398	151,066	171,485	10-20
Motor vehicles	70,441	13,570	76,188	28,315	-	9,188	33,013	43,175	20
		(7,823)			(4,490)				
Office equipment	7,698	(239)	7,459	5,336	(218)	333	5,451	2,008	10-20
Computers	44,254	3,361	47,615	40,923	-	2,830	43,753	3,862	33.33
	4,416,703	293,876	4,702,404	2,374,541	(4,789)	176,722	2,546,474	2,155,930	
		(8,175)							

	Note	2009	2008
		(Rupees '000)	
4.1.2 Reconciliation of carrying amount:			
Carrying amount at beginning of the year		2,155,930	2,042,162
Additions during the year		278,004	293,876
Depreciation for the year		(195,917)	(176,722)
Disposals during the year at carrying amount		(2,722)	(3,386)
		2,235,295	2,155,930
4.1.3 The depreciation for the year has been allocated as follows:			
Cost of sales	25	186,020	168,842
Distribution cost	26	4,393	3,260
Administrative expenses	27	5,504	4,620
		195,917	176,722

4.1.4 Disposal of operating property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of buyers	
	(Rupees '000)						
Vehicles							
Suzuki Cultus Reg#ACY-312	520	69	340	271	Tender	Mr. Manzoor Raz Karachi	Outside party
Suzuki Mehran Reg#AFU-416	383	115	115	-	Employee car scheme	Mr. Nojeed Ahmed Peshawar	Employee
Suzuki Mehran Reg#AFU-417	383	115	115	-	Employee car scheme	Mr. Mohammed Riaz Peshawar	Employee
Suzuki Mehran Reg#AFU-423	383	115	115	-	Employee car scheme	Mr. M. Azam Khan Peshawar	Employee
Suzuki Mehran Reg#AGV-924	383	144	144	-	Employee car scheme	Mr. Sameen Jan Peshawar	Employee
Honda City Reg#R-5502	883	399	399	-	Employee car scheme	Mr. Arshad Khan Peshawar	Employee
Toyota Hilux Reg#B-1622	1,706	198	887	689	Tender	Mr. Nasir Iqbal Peshawar	Outside party
Toyota Hilux Reg#B-1623	1,706	199	861	662	Tender	Mr. Qasim Afridi Nowshera	Outside party
Honda City Reg#AEQ-849	735	167	525	358	Tender	Mr. Saleem Raza Nowshera	Employee
Suzuki Cultus Reg#AER-016	555	126	380	254	Tender	Mr. M. Rafique Peshawar	Outside party
Suzuki Mehran Reg#R-5498	390	173	173	-	Employee car scheme	Mr. Muhammed Tufail Peshawar	Employee
Suzuki Mehran Reg#R-5503	390	173	173	-	Employee car scheme	Mr. Nasir Shah Peshawar	Employee
Suzuki Cultus Reg#AER-792	560	125	140	15	Employee car scheme	Mr. Khalid Pervaiz Karachi	Employee
Suzuki Alto Reg#B-2357	499	261	499	238	Insurance claim	EFU General Insurance Limited	-
	9,476	2,379	4,866	2,487			
Office Equipment							
Gestetner DSM-745 Photocopier	403	213	11	(202)	Tender	Mr. Maqsood Ali Karachi	Outside party
	9,879	2,592	4,877	2,285			

Aggregate of assets disposed-off having book value below Rs. 50,000/- each

Furniture and fittings	26	13	5	(8)
Vehicles	462	66	991	925
Office equipment	231	51	63	12
	719	130	1,059	929
2009	**10,598**	**2,722**	**5,936**	**3,214**
2008	8,175	3,386	5,090	1,704

	Note	2009	2008
		(Rupees '000)	
4.2 Capital work-in-progress			
Civil works		60,529	3,151
Plant and machinery	4.2.1	892,457	294,362
Power and other installations		67,547	65,797
Computers		2,529	-
Advance against vehicle		-	2,800
		1,023,062	366,110

4.2.1 During the year, borrowing cost has been capitalized amounting to Rs. 79.793 million (2008: Nil) by using weighted average capitalization rate of 15.279% (2008: Nil).

5 INTANGIBLE ASSET

This represents portion of the license and implementation cost of the ERP system under development. Accordingly, no amortization has been charged for the year.

6 LONG-TERM INVESTMENTS

	Note	2009	2008
Interest in Joint Venture	6.1	94,636	48,687
Available-for-sale – related party	6.2	19,521	54,708
		114,157	103,395

6.1 Movement of interest in joint venture - under equity method

	2009	2008
Company's share in net assets at beginning of the year	48,687	10,100
Investment during the year	46,000	39,000
Share of loss	(51)	(413)
Balance as at June 30	94,636	48,687

6.1.1 In Joint Venture

The Company has 9,509,997 shares (2008: 4,909,997) representing 50% (2008: 50%) interest in Madian Hydro Power Limited, which is a public unlisted company. This is a project of the Company and Shirazi Investments (Private) Limited.

The project is formed to build, operate and maintain hydro power generation plant at Madian over river Swat for the generation and supply of electric power in relation thereon.

6.1.2 The share of the assets, liabilities, revenue and expenses of the joint venture at year ended June 30 based on audited financial statements is as follows:

	2009	2008
Current assets	275	787
Non-current assets	95,400	47,935
Current liabilities	(1,039)	(35)
Net assets	94,636	48,687
Administrative expenses	(51)	(413)

6.1.3 During the year, the technical feasibility of the project was completed and it was approved by the Private Power and Infrastructure Board (PPIB) subsequent to the year end. In this period the law and order situation in Swat deteriorated and an army operation was lodged to address the situation. The army operation seems to be successful, and the situation in Swat and the adjoining areas is reportedly improving. Rehabilitation work has started and a project like this would seem an ideal choice for the Government and international institutions to provide economic uplift in the region. Since the technical feasibility study is designed to be a bankable document, it is likely that the costs of the sponsors incurred on it are largely recoverable at some stage. Although to date the project time lines have been met, going forward the project is likely to be delayed due to the prevailing security situation. Given this situation and following the approval of the feasibility study, the sponsors have applied with PPIB for an indefinite extension of the further deadlines applicable to the project. Based on the above, management is hopeful that the project will eventually be completed successfully, even if delayed.

	Note	2009	2008
		(Rupees '000)	
6.2 Available-for-sale – related party			
Ordinary shares of listed company			
Cherat Papersack Limited			
540,000 (2008: 432,000) fully paid ordinary shares of Rs. 10/- each.		19,521	54,708

6.2.1 The fair value of the listed equity shares is determined by reference to published price quotations in an active market.

7 LONG-TERM LOANS AND ADVANCES - considered good

	Note	2009	2008
Loans to:			
Executives	7.1 & 7.2	1,470	830
Employees	7.2	10,173	10,977
		11,643	11,807
Less: Due within one year shown under current portion of loans	11	5,046	4,975
		6,597	6,832

7.1 Reconciliation of carrying amount of loans to executives

	Opening balance as at July 01	Disbursement	Repayment	Closing balance as at June 30
	(Rupees '000)			
2009	**830**	**1,875**	**1,235**	**1,470**
2008	1,139	850	1,159	830

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.774 million (2008: Rs. 1.254 million).

7.2 Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 15% per annum (2008: upto 11% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

8 DERIVATIVE FINANCIAL ASSETS

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 18. 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	2009 Derivative Asset - Fair Value	2008 Derivative Asset - Fair Value
			(Rupees '000)		
Tranche - I					
First interest rate swap effective January 31, 2005	6 months EURIBOR plus 4.85%	6 months KIBOR	131,250	9,139	8,844
Second interest rate swap effective July 31, 2005	Fixed 2.93%	6 months EURIBOR	131,250	(1,451)	5,689
Tranche - II					
First interest rate swap effective March 31, 2005	6 months EURIBOR plus 5.00%	6 months KIBOR	131,250	7,693	8,446
Second interest rate swap effective September 30, 2005	Fixed 2.90%	6 months EURIBOR	131,250	(1,708)	5,664
				13,673	28,643

8.1 Derivative assets are disclosed in non-current assets and their corresponding effect is taken to unrealized gain / (loss) in equity net of deferred tax.

	2009	2008
	(Rupees '000)	

9 STORES, SPARE PARTS AND LOOSE TOOLS

	2009	2008
Stores	465,247	898,992
Spare parts	418,255	358,859
Loose tools	664	712
	884,166	1,258,563
Add: Stores and spare parts in transit	15,380	45,158
	899,546	1,303,721

10 STOCK-IN-TRADE

	2009	2008
Raw and packing material	82,277	69,638
Work-in-process	136,622	98,386
Finished goods	61,689	39,467
	280,588	207,491

	Note	2009	2008
		(Rupees '000)	

11 LOANS AND ADVANCES - considered good

	Note	2009	2008
Current portion of loans due from:			
Executives		738	538
Employees		4,308	4,437
	7	5,046	4,975
Advances to suppliers - unsecured		7,221	3,304
		12,267	8,279

12 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2009	2008
Margin on letters of credit	48,886	38,201
Security deposits	215	6
Short-term prepayments	11,100	12,011
	60,201	50,218

13 OTHER RECEIVABLES

	2009	2008
Accrued return on investments	317	100
Octroi	17	17
Sales tax adjustable	-	62,182
Duty drawback receivable	7,321	7,488
Others	8,782	1,824
	16,437	71,611

14 SHORT-TERM INVESTMENTS

	2009	2008
Investment at fair value through profit or loss		
Ordinary shares of Shakerganj Sugar Mills Limited	153	574

14.1 The fair value of the listed equity shares is determined with reference to published price quotations in an active market.

15 CASH AND BANK BALANCES

	Note	2009	2008
With banks in:			
Current accounts		49,819	52,061
Saving accounts	15.1	5,764	12,681
		55,583	64,742
Cash in hand		5,106	787
		60,689	65,529

15.1 Effective profit rate in respect of saving accounts is 5 percent per annum (2008: 1 to 6 percent per annum).

16 SHARE CAPITAL

16.1 Authorized capital

2009	2008		2009	2008
Number of shares			(Rupees '000)	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

16.2 Issued, subscribed and paid-up capital

2009	2008		2009	2008
		Fully paid ordinary shares of Rs. 10/- each		
19,842,000	19,842,000	- Issued for consideration in cash	198,420	198,420
70,678,008	70,678,008	- Issued as fully paid bonus shares	706,781	706,781
90,520,008	90,520,008		905,201	905,201
5,060,000	5,060,000	- Issued for consideration other than cash on amalgamation	50,600	50,600
95,580,008	95,580,008		955,801	955,801

17 RESERVES

17.1 Capital reserve

Capital reserve was created due to amalgamation of the companies.

17.2 Unrealized gain / (loss) on hedging instruments

This reserve records the changes in fair value of hedging instruments that represents the effective portion on hedging instrument in cash flow hedges.

17.3 Fair value gain on available-for-sale securities

This reserve records the fair value changes on available-for-sale financial assets as required under the relevant accounting standard.

18 LONG-TERM FINANCING - secured

From Commercial Banks	Mode & Commencement of repayment	Security	2009 (Rupees '000)	2008 (Rupees '000)	Rate
Plant Expansion Loans					
Tranche – I	Eight bi-annual installments commencing from January 2007	First pari-passu charge on plant and machinery	131,250	218,750	6 months KIBOR + 0.7% (Also refer note 8)
Tranche – II	Eight bi-annual installments commencing from March 2007	First pari-passu charge on plant and machinery	131,250	218,750	6 months KIBOR + 0.7% (Also refer note 8)
			262,500	437,500	
Waste Heat Recovery System Loan					
Tranche-I	Ten bi-annual installments commencing from Novermber 2010	Fist pari-passu charge on all the present and future plant and machinery	118,000	118,000	1st & 2nd year: 6 months KIBOR + 0.4% 3rd & 4th year: 6 months KIBOR + 0.5% 5th, 6th & 7th year: 6 months Kibor + 0.9%
Tranche – II	Ten bi-annual installments commencing from July 2011	First pari-passu charge on all the present and future plant and machinery	882,000	-	1st & 2nd year: 6 months KIBOR + 0.4% 3rd & 4th year: 6 months KIBOR + 0.5% 5th, 6th & 7th year: 6 months Kibor + 0.9%
			1,000,000	118,000	
			1,262,500	555,500	
Less: Current Maturity					
- Plant Expansion Loans			175,000	175,000	
			1,087,500	380,500	

19 LONG-TERM DEPOSITS - unsecured

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Dealers	19.1	11,418	12,100
Suppliers and contractors	19.2	1,319	1,276
		12,737	13,376

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

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

20 DEFERRED TAXATION

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Represents the tax effect of temporary differences relating to:			
Accelerated tax depreciation allowance		467,155	438,709
Unabsorbed business losses		(2,683)	(41,590)
Unabsorbed tax losses		(3,439)	(3,744)
Provisions		-	(2,035)
		461,033	391,340
Less: Temporary differences not expected to reverse in view of applicability of final tax regime		(159,053)	(164,367)
		301,980	226,973
Net deferred tax effect of recognition of fair value of derivative financial instruments directly taken to equity		1,895	5,615
		303,875	232,588

21 TRADE AND OTHER PAYABLES

	Note	2009	2008
Creditors		51,294	18,398
Bills payable		-	661,896
		51,294	680,294
Accrued liabilities			
Accrued interest / mark-up			
Long-term loans - secured		78,860	17,633
Short-term running finance - secured		19,000	9,309
		97,860	26,942
Others			
Salaries payable		2,305	1,680
Bonus payable		10,835	9,591
Staff benefits payable		29,992	21,833
Accrued expenses		24,655	44,463
		67,787	77,567
Other liabilities			
Advances from customers		45,511	41,492
Staff provident fund		102	95
Retention money		3,378	1,972
Payable to staff gratuity fund	21.1	6,958	3,038
Insurance payable		6,614	4,052
Workers' Profits Participation Fund (WPPF)	21.2	13,799	-
Workers' Welfare Fund		5,244	-
Sales tax payable		1,371	-
PSI marking fee		5,813	5,813
Royalty and excise duty		70,934	69,892
Others		4,820	2,431
		164,544	128,785
		381,485	913,588

21.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 3.12.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2009.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2009	2008
	(Rupees '000)	
Staff Gratuity Fund Liability:		
Present value of defined benefit obligation	164,064	127,128
Fair value of plan assets	(73,374)	(72,736)
Unrecognized actuarial losses	(83,732)	(51,354)
Liability recognized in the balance sheet at June 30	6,958	3,038
Amount charged to profit and loss account:		
Current service cost	7,873	6,344
Interest cost	15,255	11,981
Expected return on plan assets	(8,728)	(9,419)
Actuarial gains recognized	5,520	1,129
	19,920	10,035
Movement in the liability recognized in the balance sheet:		
Balance as at July 01	3,038	4,603
Net charge for the year	19,920	10,035
Contribution to the fund	(16,000)	(11,600)
Balance as at June 30	6,958	3,038
Movement in the present value of defined benefit obligation:		
Balance as at July 01	127,128	119,807
Current service cost	7,873	6,344
Interest cost	15,255	11,981
Benefits paid during the year	(3,423)	(17,172)
Actuarial losses	17,231	6,168
Balance as at June 30	164,064	127,128
Movement in the fair value of plan assets:		
Balance as at July 01	72,736	94,190
Expected return	8,728	9,419
Contributions	16,000	11,600
Benefits paid during the year	(3,423)	(17,172)
Actuarial losses	(20,667)	(25,301)
Balance as at June 30	73,374	72,736

	2009	2008
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	12%	12%
Valuation discount rate	12%	12%
Rate of return on plan assets	12%	12%

Comparisons for past years:

As at June 30	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation	164,064	127,128	119,807	98,834	76,326
Fair value of plan assets	(73,374)	(72,736)	(94,190)	(82,532)	(83,018)
Deficit / (surplus)	90,690	54,392	25,617	16,302	(6,692)
Experience adjustment on plan liabilities	17,231	6,168	8,168	25,272	6,623
Experience adjustment on plan assets	20,667	25,301	(2,020)	(3,694)	4,940
	37,898	31,469	6,148	21,578	11,563

	Note	2009	2008
Composition of plan assets are as follows:		(Rupees '000)	
Defence Saving Certificates		18,631	24,375
Special Savings Certificates / Pakistan Investment Bonds		25,120	4,823
Mutual Funds		11,624	17,528
Listed Securities		16,020	25,847
Amount in Bank		1,979	163
		73,374	72,736

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2009 was Rs. (11.939) million [2008: Rs. (15.882) million].

21.2 Workers' Profits Participation Fund

	Note	2009	2008
Balance as at July 01		-	13,267
Interest thereon	30	-	336
		-	13,603
Less: Payments during the year		-	(13,603)
		-	-
Charge for the year	28	13,799	-
		13,799	-

22 SHORT-TERM RUNNING FINANCE – secured

These facilities are obtained from various commercial banks and amount to Rs. 1,365 million (2008: Rs. 1,097 million) out of which Rs. 862.563 million (2008: Rs. 600.126 million) remains unutilized at the year end. These carry mark-up ranging from 3 months KIBOR + 0.9% to 3 months KIBOR + 2.75% and 1 month KIBOR + 1.5% to 1 month KIBOR + 2% per annum. The facilities are secured against registered joint pari passu hypothecation charge over stocks and book debts for Rs. 1,798.5 million.

	2009	2008
	(Rupees '000)	

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

	2009	2008
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, 2009	14,476	13,096

23.1.2 During the period from 1994 to 1999, excise duty was wrongly collected from the Company based on retail price inclusive of excise duty. The stand point of the Revenue Department was challenged by the Company and the High Courts have agreed with the Company's point of view that excise duty shall not be included as a component for determining the value i.e. Retail Price for levying excise duty. On an appeal filed by the Department, the Honourable Supreme Court of Pakistan, on February 15, 2007, upheld the point of view of the High Courts.

The aforesaid decision has resulted in creation of a refund claim of Rs. 882 million (June 30, 2008: Rs. 882 million), which was wrongly collected from the Company. However, during last year, while verifying the refund claim, the Collector of Excise and Sales Tax Peshawar has issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that as the burden of this levy has been passed on to the end customer, this refund does not belong to the Company. The Company has challenged this show cause notice in the Honourable Peshawar High Court and taken the stance that this matter is already being dealt with at the Supreme Court level, based on the doctrine of res judicata. The Honourable Peshawar High Court granted a stay order to the Company against any adverse proceeding by the Department in this case on June 24, 2008.

The Department filed a review petition against the decision of Supreme Court. On January 20, 2009, the Honourable Supreme Court of Pakistan gave a favourable decision for the Company and has not allowed the admittance for hearing of this review petition.

In view of the inherent uncertainties involved in such matters like outcome of Peshawar High Court case and refund verification process etc., this amount has not been recognized as income in the profit and loss account.

23.1.3 The Company has filed various refund cases which are pending at different adjudication levels. The amount involved is around Rs. 66 million (2008: Rs. 66 million). However, keeping in view of the inherent uncertainties involved in such matters and the fact that it is difficult to determine the outcome of these cases at this stage, no amount has been recognized as income in these financial statements.

23.1.4 The Competition Commission of Pakistan (CCP) had issued a show cause notice to the Company on a Suo Moto action for an increase in prices of cement across the country on March 20, 2008. The similar notices were also issued to the other cement manufacturers. The Company filed a writ petition before the Honourable Islamabad High Court (HIHC) challenging the Competition Ordinance, 2007. The HIHC granted a stay order restricting the CCP to pass any adverse order(s) against the show cause notices issued to the cement manufacturers.

Subsequent to the year end, the HIHC has dismissed the writ petition and vacated the stay order. However, the Company filed a writ petition in the honourable Lahore High Court (HLHC) on the issue. The HLHC allowed the CCP to issue an order but restricted them from taking adverse action against the cement companies. The CCP in its order dated August 27, 2009 imposed a penalty of Rs 6,312 million on the cement industry including a penalty of Rs. 226 million in our case. Although the Company has got a stay from HLHC in this case, it has the optioin of applying to the Honourable Supreme Court of Pakistan against this order of CCP. Further, the Competition Commission Ordinance 2007 will require reconsideration and approval of National Assembly in line with the juidgement of Honourable Supreme Court of Pakistan dated July 31, 2009. In view of the above, management is hopeful that there will be no adverse outcome for the Company.

	Note	2009	2008
		(Rupees '000)	
23.2 Commitments			
23.2.1 Guarantee issued by a commercial bank on behalf of the Company		8,500	8,500
23.2.2 Letters of credits issued by commercial banks	23.2.4	178,691	1,191,612

23.2.3 In respect of investment in Madian Hydro Power Limited, approval was given by the shareholders in the Company's annual general meeting held on October 20, 2006. However, during the year the technical feasibility of the project was completed and it was approved by the Private Power and Infrastructure Board subsequent to the year end. The remaining cost of this technical feasibility is around Rs. 7.967 million, half of which will be contributed by the Company. Any subsequent future commitment will depend upon the final negotiation with the Government and hence can not be ascertained at present.

23.2.4 Includes commitments relating to capital expenditure amounting to Rs. 25.832 million (2008: Rs. 464.610 million).

	Note	2009	2008
		(Rupees '000)	
24 TURNOVER - NET			
Local sales		4,222,662	2,746,006
Less: Sales tax		586,457	356,159
Federal excise duty		593,145	492,201
Special excise duty		30,722	18,921
		1,210,324	867,281
		3,012,338	1,878,725
Export sales		1,555,071	1,135,027
		4,567,409	3,013,752
25 COST OF SALES			
Raw and packing material consumed			
Opening stock		69,638	48,858
Purchases		638,084	479,473
		707,722	528,331
Closing stock	10	(82,277)	(69,638)
		625,445	458,693
Duty drawback on exports		(4,797)	(10,743)
		620,648	447,950
Manufacturing overheads			
Salaries, wages and benefits	25.1	283,134	221,017
Stores and spare parts consumed		192,981	102,771
Fuel and power		2,526,490	1,852,507
Rent, rates and taxes		42,317	42,308
Insurance		54,832	23,621
Vehicle running expenses		24,541	18,566
Traveling and conveyance		3,550	3,023
Printing and stationery		1,358	1,499
Legal and professional charges		711	1,768
Laboratory expenses		707	1,385
Depreciation	4.1.3	186,020	168,842
Repairs and maintenance		13,233	13,909
Communication expenses		1,086	1,105
Stores written-off		358	-
Miscellaneous		5,139	3,488
		3,957,105	2,903,759
Work-in-process			
Opening		98,386	32,915
Closing	10	(136,622)	(98,386)
Cost of goods manufactured		3,918,869	2,838,288
Finished goods			
Opening		39,467	35,515
Closing	10	(61,689)	(39,467)
		3,896,647	2,834,336

25.1 This includes Rs. 6.397 million (2008: Rs. 5.041 million) in respect of provident fund and Rs. 11.939 million (2008: Rs. 5.934 million) in respect of gratuity fund.

26 DISTRIBUTION COST

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Salaries, wages and benefits	26.1	66,699	49,156
Export expenses		2,879	3,454
Traveling and conveyance		991	978
Staff training expenses		191	198
Vehicle running expenses		3,895	3,157
Communication		1,820	1,682
Printing and stationery		824	662
Rent, rates and taxes		1,853	1,261
Utilities		3,210	2,634
Repairs and maintenance		1,769	1,264
Insurance		1,015	960
Advertisement		2,669	2,403
Entertainment		89	267
Depreciation	4.1.3	4,393	3,260
License and subscription		450	195
Miscellaneous		2,020	2,367
		94,767	73,898

26.1 This includes Rs. 2.156 million (2008: Rs. 1.734 million) in respect of provident fund and Rs. 3.499 million (2008: Rs. 1.862 million) in respect of gratuity fund.

27 ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, wages and benefits	27.1	74,864	55,837
Traveling and conveyance		6,425	5,283
Depreciation	4.1.3	5,504	4,620
Vehicle running expenses		3,940	2,992
Communication		2,205	2,050
Printing and stationery		2,031	1,691
Rent, rates and taxes		2,867	3,928
Utilities		1,480	1,135
Repairs and maintenance		3,328	2,781
Legal and professional charges		5,973	4,366
Insurance		1,149	1,186
Subscription		3,807	4,628
Advertisement		295	649
Staff training expenses		568	521
Entertainment		692	680
Miscellaneous		688	576
		115,816	92,923

27.1 This includes Rs. 2.677 million (2008: Rs. 2.014 million) in respect of provident fund and Rs. 4.482 million (2008: Rs. 2.239 million) in respect of gratuity fund.

28 OTHER OPERATING EXPENSES

	Note	2009 (Rupees '000)	2008 (Rupees '000)
Workers' Profits Participation Fund	21.2	13,799	-
Workers' Welfare Fund		5,244	-
Auditors' remuneration	28.1	2,165	1,175
Share of loss on joint venture		51	413
Donations	28.2	4,952	1,193
Exchange loss		70,453	3,827
		96,664	6,608

28.1 Auditors' Remuneration

		2009	2008
Audit fee		540	480
Tax, corporate and other services		1,345	570
Out of pocket expenses		280	125
		2,165	1,175

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

29 OTHER OPERATING INCOME

	Note	2009	2008
Income from financial assets			
Gain on disposal of short-term investments		-	6,296
Profit on saving accounts with banks		1,009	482
Unrealized fair value loss on short-term investments		(421)	(717)
Dividend income from a related party		648	691
Dividend income - others		-	4,282
Return on US Dollar Bonds		-	145
Exchange gain on translation of held-to-maturity investments		-	715
		1,236	11,894
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.4	3,214	1,704
Others			
Scrap sales		3,115	5,226
Miscellaneous income		210	267
		3,325	5,493
		7,775	19,091

30 FINANCE COST

	Note	2009	2008
Mark-up on long-term financing		28,932	45,900
Mark-up on short-term running finance and bank charges		85,425	35,340
Interest on WPPF	21.2	-	336
		114,357	81,576

31 TAXATION

The assessments of the Company for and upto the tax year 2008 have been completed or deemed to be assessed.

31.1 Relationship between accounting profit and tax expense

	2009	2008
	(Rupees '000)	
Accounting profit / (loss) before taxation	256,933	(56,498)
Tax rate	35%	35%
Tax charge on accounting profit	89,927	-
Tax effects of:		
- Permanent differences	1,733	418
- Income subject to lower rate of tax	(227)	(1,715)
- Estimate of future taxable income under Final tax regime	23,353	(10,543)
- Turnover tax	-	(13,380)
- Carried forward unabsorbed business losses	(39,779)	(41,590)
- Income appearing under final tax regime	16,883	11,350
Prior year taxation	5,756	(11,392)
Tax expense for the current year	97,646	(66,852)

32 EARNINGS PER SHARE

		2009	2008
Profit after taxation	(Rupees `000)	159,287	10,354
		(Number of shares)	
Weighted average number of ordinary shares in issue during the year		95,580,008	95,580,008
Basic earnings per share		Rs. 1.67	Re. 0.11

32.1 There is no dilution effect on basic earnings per share of the Company.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of directors reviews and agrees policies for managing each of these risks which are summarized below:

33.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

Financial instruments affected by market risk include long-term investment (available-for-sale), derivative financial assets, long-term financing and short-term financing.

33.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

To manage this risk, the Company enters into interest rate swaps arrangements in which the Company agrees to exchange, at specified intervals, the difference between the fixed and floating rate interest amount calculated by reference to an agreed-upon notional principal amount. At June 30, 2009 after taking into account the effect of interest rate swaps, approximately 15% (2008: 41.5%) of the Company borrowings are at fixed rate of interest.

Change in interest rate by 2% may have a positive or negative impact of approximately Rs. 21.187 million (2008: Rs. 6.595 million) in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

33.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

At present, hedging is not allowed against US Dollar. For other currencies, management keeps on evaluating different hedging options available.

33.1.3 Equity risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 19.521 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 1.952 million on the equity or income depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact equity in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

33.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk is minimal as the Company receives advance against sales.

33.2.1 Credit quality of financial assets

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

	2009	2008
	(Rupees '000)	
Long-term investments		
Counter parties without credit rating	114,157	103,395
Derivative financial assets		
AA+	13,673	28,643
Short term investment		
Counter party without credit rating	153	574
Cash at bank and short-term deposits		
Current accounts - A1+	49,819	52,061
Saving accounts - AA+	5,759	12,676
Saving accounts - AA -	5	5
	55,583	64,742

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 862.563 million (2008: Rs. 600.126 million).

Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2009					2008				
	INTEREST BEARING			NON INTEREST BEARING	Total	INTEREST BEARING			NON INTEREST BEARING	Total
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees '000)					(Rupees '000)				
Long-term financing	175,000	1,087,500	1,262,500	-	1,262,500	175,000	380,500	555,500	-	555,500
Long-term deposits	-	-	-	12,737	12,737	-	-	-	13,376	13,376
Trade and other payables	97,860	-	97,860	186,464	284,324	26,942	-	26,942	810,941	837,883
Short-term running finance	502,437	-	502,437	-	502,437	496,874	-	496,874	-	496,874
Unclaimed dividend	-	-	-	12,072	12,072	-	-	-	12,241	12,241
	775,297	1,087,500	1,862,797	211,273	2,074,070	698,816	380,500	1,079,316	836,558	1,915,874

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

33.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2009.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

During 2009, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	2009	2008
	(Rupees '000)	
Long-term financing including current portion	1,262,500	555,500
Accrued interest / mark-up	97,860	26,942
Short-term running finance	502,437	496,874
Total debt	1,862,797	1,079,316
Cash and cash equivalents	(60,689)	(65,529)
Net debt	1,802,108	1,013,787
Share capital	955,801	955,801
Reserves	1,312,603	1,202,305
Total capital	2,268,404	2,158,106
Capital and net debt	4,070,512	3,171,893
Gearing ratio	44.27%	31.96%

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

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

	2009			2008		
	Chief Executive	Director	Executives / Key Employees	Chief Executive	Director	Executives / Key Employees
	(Rupees '000)			(Rupees '000)		
Managerial remuneration	10,930	11,703	84,939	8,840	9,477	60,522
Housing allowance	1,165	3,266	24,019	990	3,266	15,749
Retirement benefits	1,410	1,520	9,523	1,120	1,210	6,315
Utilities	252	820	5,247	291	800	3,443
Leave fare assistance	705	605	5,068	560	550	3,413
	14,462	17,914	128,796	11,801	15,303	89,442
	1	1	46	1	1	35

34.1 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.

34.2 The aggregate amount charged in the financial statements for the year for fee to 6 directors amounted to Rs. 0.230 million (2008: 6 directors - Rs. 0.180 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	2009	2008
		(Rupees '000)	
Group companies	Purchase of explosives	-	7,516
	Purchase of packing material	445,375	328,501
	Purchase of raw material	74,129	38,109
	Sale of goods	970	5,889
	Dividend received	648	691
	Dividend paid	-	20,906
	Software consultancy charges	3,247	3,331
	Royalty	-	6,186
Other related parties	Contribution to staff provident and gratuity funds	27,230	20,936
	Insurance premium	31,304	25,435

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

36 CAPACITY - Clinker

	2009	2008
	(Tons)	
Annual Installed capacity as of June 30	1,000,000	1,000,000
Actual production	967,100	1,000,710

Actual production is less than the installed capacity due to planned maintenance shut down and in line with the industry demand.

37 DATE OF AUTHORIZATION

These financial statements were authorized for issue on August 31, 2009 by the Board of Directors of the Company.

38 CORRESPONDING FIGURES

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

39 GENERAL

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Pattern of Shareholding
as at June 30, 2009

No. of Shareholders	Shareholding		Shares held	Percentage
	From	To		
729	1	100	32,517	0.0340
1,263	101	500	431,250	0.4512
620	501	1000	516,903	0.5408
1,297	1001	5000	3,533,711	3.6971
400	5001	10000	3,116,469	3.2606
152	10001	15000	1,860,542	1.9466
137	15001	20000	2,425,031	2.5372
116	20001	25000	2,573,726	2.6927
59	25001	30000	1,654,679	1.7312
17	30001	35000	541,753	0.5668
27	35001	40000	1,027,981	1.0755
33	40001	45000	1,422,320	1.4881
15	45001	50000	732,668	0.7665
10	50001	55000	518,662	0.5426
8	55001	60000	465,171	0.4867
9	60001	65000	564,444	0.5905
8	65001	70000	544,659	0.5698
10	70001	75000	722,963	0.7564
1	75001	80000	75,468	0.0790
4	80001	85000	329,876	0.3451
6	85001	90000	523,931	0.5482
3	90001	95000	279,646	0.2926
2	100001	105000	204,080	0.2135
1	105001	110000	108,963	0.1140
1	110001	115000	111,145	0.1163
3	130001	135000	398,421	0.4168
1	140001	145000	143,343	0.1500
1	145001	150000	148,241	0.1551
2	165001	170000	337,310	0.3529
1	175001	180000	179,687	0.1880
1	200001	205000	201,595	0.2109
1	205001	210000	205,700	0.2152
1	210001	215000	213,671	0.2236
1	215001	220000	217,934	0.2280
1	220001	225000	221,239	0.2315
3	240001	245000	727,399	0.7610
1	245001	250000	250,000	0.2616
1	285001	290000	287,000	0.3003
2	295001	300000	595,569	0.6231
1	310001	315000	310,566	0.3249
1	320001	325000	323,437	0.3384
1	330001	335000	333,812	0.3492
1	380001	385000	382,565	0.4003
1	435001	440000	437,646	0.4579
1	485001	490000	488,008	0.5106
1	490001	495000	494,140	0.5170
1	555001	560000	558,475	0.5843
1	650001	655000	653,818	0.6841
1	655001	660000	659,804	0.6903
1	730001	735000	732,129	0.7660
1	760001	765000	765,000	0.8004
1	1190001	1195000	1,191,743	1.2469
1	1735001	1740000	1,739,267	1.8197
1	1935001	1940000	1,936,672	2.0262
1	1995001	2000000	1,999,176	2.0916
1	3425001	3430000	3,427,502	3.5860
1	8015001	8020000	8,016,267	8.3870
1	12755001	12760000	12,755,776	13.3457
1	13135001	13140000	13,139,503	13.7471
1	16785001	16790000	16,789,035	17.5654
4,969			95,580,008	100.0000

Categories of Shareholders
as at June 30, 2009

Categories	No. of Shareholders	Shares Held	Percentage
Individuals	4,828	28,900,816	30.2373
Financial Institutions	39	35,547,536	37.1914
Insurance Companies	8	4,310,265	4.5096
Joint Stock Companies	70	23,193,585	24.2661
Modaraba Companies	5	14,072	0.0147
Mutual Funds	2	4,061	0.0042
Others	17	3,609,673	3.7766
	4,969	**95,580,008**	**100.00**

Pattern of Shareholding
as at June 30, 2009

Additional Information

Shareholders' Category	Shares Held
Associated Companies	
Faruque (Private) Limited	16,789,035
Mirpurkhas Sugar Mills Limited	3,427,502
Greaves Pakistan (Private) Limited	1,999,176
Cherat Papersack Limited	221,239
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	12,755,776
NBP Trustee-NI(U)T(LOC) Fund	13,139,503
National Investment Trust Ltd.	28,119
National Investment Trust Ltd. (Admin. Fund)	43,585
Directors, Chief Executive and their spouses	
Mr. Mohammed Faruque	10,421
Mr. Azam Faruque	240,531
Mrs. Samia Faruque W/o Mr. Azam Faruque	28,523
Mr. Akbarali Pesnani	44,921
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	43,774
Mr. Shehryar Faruque	89,062
Mr. Arif Faruque	169,143
Executives	242,826
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	13,908,951
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	16,789,035
National Bank of Pakistan (Trustee of NIT)	12,755,776
NBP Trustee-NI(U)T(LOC) Fund	13,139,503

Proxy Form

28th Annual General Meeting 2009

Registered folio / participant's ID No. and A/c. No. ____________

Number of shares held: ____________

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 28th Annual General Meeting of the Company to be held on Tuesday, 20th October, 2009 at 10:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature: ____________
   Name: ____________
   Address: ____________
   ____
   NIC or ____________
   Passport No. ____________

Signature of Shareholder

Please affix Revenue Stamp Rs.5/-

2. Signature: ____________
   Name: ____________
   Address: ____________
   ____
   NIC or ____________
   Passport No. ____________

(Signature should agree with the specimen signature registered with the Company)

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 MEETING 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 regulation, 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 Regulation, shall submit the proxy from 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)