annual report 2011

impressions

corporate social responsibility

Cherat Cement Company Limited

A Ghulam Faruque Group Company

CHERAT CEMENT

an introduction

Companies need to answer to two aspects of their operations. 1. The quality of their management - both in terms of people and processes (the inner circle). 2. The nature of, and quantity of their impact on society in the various areas.

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Lord Holme and Richard Watts

Cherat Cement Company Limited
A Ghulam Faruque Group Company

contents

In an area where making a mark on a paper qualifies as literate, at the Ghulam Faruque Campus of the TCF School 600 children today receive free formal education, 300 of these children are girls.

The GFG/TCF school is a purpose built facility, with warmly welcoming class rooms, appointed with study aids, qualified professional faculty and management providing an enlightened environment for a bright future full of opportunities.

At Cherat we firmly believe that once tasted, the thirst for knowledge is never quenched. Considering the conservative traditions of the area we are specially proud of the high enrollment of female students at the school; it is said that each woman in return educates a generation.

The Ghulam Faruque Campus
The Citizens Foundation School
Shaidu Village
Khyber Pakhtunkhwa

imprint on education

Nowshera, and the surrounding villages, were swept away even before the world woke up to realize the extent of the disaster that was to unfold.

Lives, livelihoods, homes and even hope were washed away in the torrents. Dehydration, disease, starvation, and lack of shelter were immediate threats.

These were our people, they had hosted Cherat for years. It was time to give back manifold. Cherat set up access to potable water, put into place square meals, distributed rations and provided first aid facilities. Shelters were set up and efforts to rehabilitate the survivors started. It is over a year now, this commitment continues and our pledge grows stronger.

Flood Relief
Efforts

helping hands

It is believed that industry destroys the environment, Cherat however is an exception to the rule.

Every year we step back to widen our view and take a holistic approach of our existence and impact within this environment.

The finest grade limestone comes from the Cherat Hills which host the cement plant. But these hills were ravaged by felling as the locals had little means of other livelihood. These barren hills, eroded over the years, through Cherat's replantation efforts are now home to a lush forest of Eucalyptus Trees. Fauna and flora have returned to the area. With the cement plant providing employment tree felling has slowed.

At Cherat while we manufacture cement, we're also cementing relationships.

Eucalyptus Tree Replantation

a step back to move forward

Eighteen kilometers to the nearest hospital. In an emergency, it might as well be 1,800 kilometers. That was the distance the locals of Village Lakrai had to travel to get even the simplest of medical aid.

Cherat runs a free medical dispensary not only for its employees and their families, but for the entire village. Midwife and delivery services, doctors, pharmacy, vaccines and first aid are now within reach to this community.

Cherat also supports ongoing medical and preventive programmes for Hepatitis B and C.

Clinic and Dispensary

healing hands

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.


CAT

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 for 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.


CHERATCEMENT

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. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Javaid Anwar (NIT)	Director
Mr. Aamir Amin (NIT)	Director
Mr. Saquib H. Shirazi	Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

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

Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera

Head Office

Modern Motors House, Beaumont Road
Karachi-75530

Sales Offices

Peshawar: 1st Floor, Betani Arcade, Jamrud Road

Lahore: 3, Sunder Das Road

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

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 30th Annual General Meeting of the Company will be held on Monday, October 31, 2011 at 11.00 a.m. at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa, to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2011 and the Reports of the Directors and the Auditors thereon.
2. To appoint Auditors for the year 2011/12 and to fix their remuneration.
3. To transact any other business with the permission of the Chair.

By Order of the Board of Directors

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: August 15, 2011

NOTES:

1. The register of members of the company will be closed from Monday, October 17, 2011 to Monday, October 31, 2011 (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 Saturday, October 15, 2011 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. 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 January 26, 2000 are to be followed.

4. 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

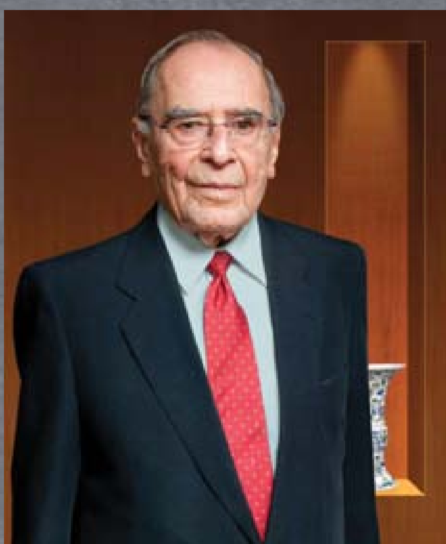
Investment in joint venture company - Madian Hydro Power Ltd.

We wish to update that the feasibility study of the Madian Hydro Power has been completed and approved by the PPIB. Given the current energy crises in the country, the project is of high significance with lots of potential. Major injection of capital in the form of equity investment will be made at the time of initiation of construction work on the project.

the board of directors

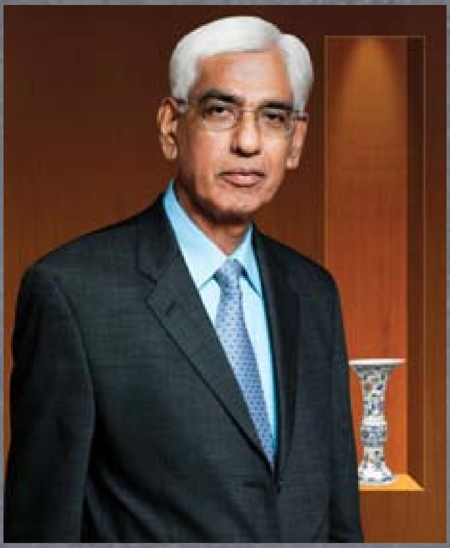
Mr. Azam Faruque
Chief Executive

Mr. Azam Faruque is the Chief Executive of Cherat Cement Co. Ltd. He is an Electrical Engineering and Computer Science graduate from Princeton University, USA. He completed his MBA with high honors from the University of Chicago, Booth School of Business. Apart from the time he has spent in the cement industry, he has also served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He was a Member of the Board of Governors of GIK Institute and Member of the National Commission of Science and Technology. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan. At present, he is a member of the Board of Directors of Faruque (Pvt.) Ltd, Madian Hydro Power Ltd, Atlas Insurance Ltd and International Industries Ltd as well as being a Member of the National Committee of the Aga Khan Foundation.



Mr. Mohammed Faruque
Chairman

Mr. Mohammed Faruque is the Chairman of Cherat Cement Co. Ltd. He is also the Chairman of Cherat Packaging Ltd and Greaves Pakistan (Pvt.) Ltd and member of Board of Directors of Mirpurkhas Sugar Mills Ltd and Associated Constructors (Pvt.) Ltd. In the past, Mr. Mohammed Faruque has served as Director on the Boards of such prestigious organizations as Sui Southern Gas Co. Ltd and Atlas Insurance Ltd.



Mr. Akbarali Pesnani
Director

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at senior level for over 35 years. Presently he is the Chairman of First Micro Finance Bank Ltd and Aga Khan Cultural Service Pakistan and a Director on the Board of New Jubilee Insurance Co. Ltd. His association with the Ghulam Faruque Group goes back to almost 30 years and currently he is also on the Board of Directors of Cherat Packaging Ltd, Mirpurkhas Sugar Mills Ltd, Greaves Pakistan (Pvt.) Ltd and Greaves CNG (Pvt.) Ltd.

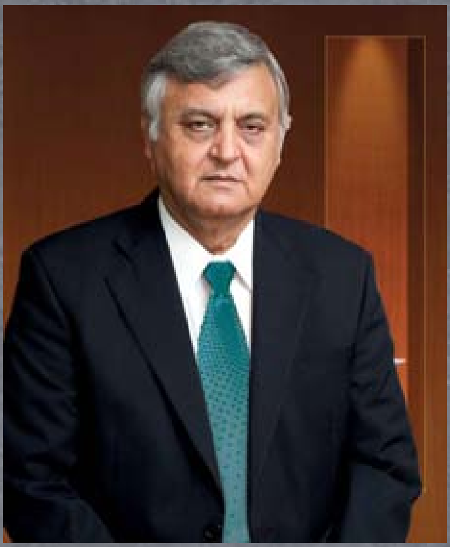
Mr. Arif Faruque
Director

Mr. Arif Faruque is a Swiss-qualified Attorney-at-Law and also holds Masters degrees in both law and business administration from USA. He is the Chairman of Maersk Pakistan and the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is also on the Board of Directors of Mirpurkhas Sugar Mills Ltd, Cherat Packaging Ltd, Greaves Pakistan (Pvt.) Ltd, Zensoft (Pvt.) Ltd and IGI Investment Bank Ltd. Besides the above, he is a Member of the Board of Governors of Lahore University of Management Sciences.

the board of directors

Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque is also a Member of the Board of Directors of Oil and Gas Development Company as well as serving on the Board of Governors of Marie Adelaide Leprosy Centre.



Mr. Javaid Anwar
Director (NIT)

Mr. Javaid Anwar is the Nominee Director of National Investment Trust on the Board of Cherat Cement Co. Ltd. He has a Masters Degree in Chemical Tech. from University of Punjab and has extensive management experience in senior capacities with multinational companies in the Oil and Gas sector. He has served as MD and CEO of BOC Pakistan Ltd for 15 years. During his tenure, BOC won top 25 companies award of Karachi Stock Exchange for 13 years. He was associated with Burshane Pakistan Ltd and played a pioneering role in the LPG industry in Pakistan.
Mr. Javaid Anwar is currently serving as a Director of International Industries Ltd, and Atlas Engineering Ltd.

Mr. Aamir Amin
Director (NIT)

Mr. Aamir Amin is the Nominee Director of National Investment Trust on the Board of Cherat Cement Co. Ltd. He is serving as the Chief Financial Officer of NIT. Mr. Amin is a Chartered Accountant by profession from Institute of Chartered Accountants of Pakistan with training from Ernst & Young - Pakistan and is also a Certified Information Systems Auditor. His work experience extends to over 12 years, mostly in the financial services industry.

Mr. Saquib H. Shirazi
Director

Mr. Saquib H. Shirazi is the Chief Executive Officer of Atlas Honda Ltd and Group Director Strategic Planning. He did B.Sc. in Economics in 1991 from Wharton School of Finance, USA. After graduation, he joined Bank of Tokyo-Mitsubishi, New York in the investment banking division. He completed his MBA in 1995 from Harvard Business School, USA. In August 1995, he joined the family business working with Atlas Investment Bank Ltd. He was elected as Chief Executive Officer of Atlas Honda Ltd in October 2000. Mr. Shirazi has served in the Privatization Commission of Pakistan and was Chairman of Pakistan Automotive Manufacturers Association. He has also served as President of Harvard Business School Global Alumni Board and a Nominee Director at the Karachi Stock Exchange. He is a Trustee and Member of the Board of Governors of the Lahore University of Management Sciences. He serves as Board Member of Shirazi Investments (Pvt.) Ltd, Atlas Honda Ltd, Shirazi Trading Company (Pvt.) Ltd, Atlas Power Ltd, Pakistan Cables Ltd and Pakistan Petroleum Ltd.

directors' report
to the members for the year ended June 30, 2011

The Board of Directors presents the annual report of the company along with the audited accounts for the year ended June 30, 2011.

Overview

Economic challenges coupled with energy crisis and devastating floods in the early part of the year took its toll on the construction activities in the country, which affected cement sales. During the year 2010/11, there was an 8% decline in cement sales aggregating to 31.38 million tons. While domestic sales dropped by 7%, export sales declined by 12% due to availability of surplus capacity and suspension of new construction activities especially in the Middle East. However, exports to Afghanistan registered an increase during this period.

Although the company's sales volume declined by 2% this financial year, there was 22% rise in turnover over last year. The increase in turnover was on account of adjustment in selling price of cement due to unprecedented hike in the costs of several input items like coal, furnace oil, packaging material, electricity, freight etc.

Production

Comparative production figures of clinker and cement are provided under:

	2011	2010
	(in tons)	
Clinker	978,670	946,410
Cement	985,732	1,008,750

While cement production and dispatches remained disturbed mainly because of floods in the country at the start of the year 2010/11, the clinker capacity utilization remained at 98%. Compared to last year, there was an increase of 32,260 tons in clinker production. However, cement production declined by 23,018 tons from the corresponding period because of the availability of carry over stock and the reduced demand for cement.

Sales & marketing

Comparative figures of domestic and export sales are provided under:

	2011	2010
	(in tons)	
Domestic sales	565,739	575,914
Export sales	424,590	434,683
	990,329	1,010,597

Cement dispatches of the company during the year declined by 20,268 tons because of floods during the early part of the year, harsh and prolonged winter, and negative demand for cement. Because of its brand recognition and presence in major markets, the company was able to dispatch all it produced during the year under review. During the year, local dispatches declined by 10,175 tons and export sales mainly to Afghanistan dropped by 10,093 tons from last year. The ratio of domestic and export sales remained unchanged at 57% and 43% respectively.

Financial performance

Despite 2% decline in cement dispatches during the year 2010/11, sales revenue of the company rose by 22% over last year, reflecting an increase of Rs. 775 million. The increase in net sales was due to higher sale price of cement compared to last year. The adjustment in sales price was necessitated by significant increase in the cost of manufacturing cement. There has been a substantial increase in the costs of all major inputs such as coal, furnace oil, freight, electricity and packing material during the year under review. During this period of high inflation, installation of Waste Heat Recovery boilers and electricity connection from WAPDA along with efficient inventory management helped control production costs to some extent. However, there was an increase in finance cost due to drawdown of the loan for the WHR project, and rise in interest rates. Despite challenging environment for the business sector in general, and the cement industry in particular, the company staged a turnaround in its financial performance from last year by posting an after tax profit of Rs. 68.65 million during the year 2010/11 compared to a loss of Rs. 13.75 million last year.

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

	2011	2010
	(Rs. in million)	
Net sales	4,244.01	3,469.11
Cost of sales	3,677.16	3,379.94
Gross Profit	566.85	89.17
Expenses & taxes	498.20	102.92
Net Profit / (Loss)	68.65	(13.75)

Corporate social responsibilty

The company actively participates in various social and welfare initiatives as part of its Corporate Social Responsibility. During the year under review, the company as a conscientious member of the corporate community, contributed generously to various social and charitable causes. Most notably, the company contributed towards the health and education sectors and in this context, worked with several reputable organizations.

During the year under review, the country was hit by unprecedented floods, which caused wide spread devastation to the lives and properties of the people of Pakistan. Responsive to the sufferings of the people in this hour of grief, the company launched relief efforts in different areas of Khyber Pakhtunkhwa province, which were some of the worst affected. Food, drinking water, dry rations, life-saving medicines, tents, clothes and other related items were provided on a daily basis in the relief camps to almost 15,000 persons. The company made a generous donation for carrying out the relief activities. The employees of the company also contributed their one day salary to the cause. The company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Safety, health and environment

Being a responsible corporate citizen, the company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements and there was no occupational accident to our staff. Furthermore, the installation of WHR has also helped improve the environment in the areas surrounding the factory.

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 paying dividends regularly. However, it could not do so for the year 2007/08, 2008/09 and 2009/10 on account of liquidity constraints and 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 June 30, 2011:
  - Provident Fund Rs. 298,008,897
  - Gratuity Fund Rs. 66,231,008

- 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
Mr. Mohammed Faruque	3 / 5
Mr. Akbarali Pesnani	4 / 5
Mr. Azam Faruque	5 / 5
Mr. Arif Faruque	3 / 5
Mr. Tariq Faruque	3 / 5
Mr. Shehryar Faruque *	1 / 1
Mr. Javaid Anwar	4 / 5
Mr. Aamir Amin	4 / 5
Mr. Saquib H. Shirazi*	2 / 4

* During the year, Mr. Iftikhar A. Bashir resigned as a director and in his place, Mr. Shehryar Faruque was co-opted as a Director. He later resigned and in his place, Mr. Saquib H. Shirazi was co-opted as a director.

- 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 and Company Secretary and their spouses and minor children during the year.
- Earnings/Loss per share (EPS) during the year was Re. 0.72 as against (Re. 0.14) last year.

Contribution to national exchequer

The company contributed over Rs. One billion to the Government treasury in shape of taxes, excise duty, income tax and sales tax.

Future prospects

A mounting fiscal deficit has forced the government to slash the PSDP budget. The deteriorating security environment coupled with the energy crisis has hampered industrial growth and construction activities in the country. This has had a negative impact on the growth in the demand for cement in the country. However, improvement in cement dispatches from March 2011 onwards on the back of increased private spending has boosted the confidence of the industry and it is expected that domestic demand will continue to rise in the days to come. Further, regional export markets like Afghanistan shall also remain attractive for the company because of its proximity to the market. However, rising costs of input items like coal, furnace oil, packing materials, electricity, etc. coupled with high interest rates and freight charges are major challenges, which the company needs to overcome through alternative fuel sources and cost controls mechanisms.

We take this opportunity to thank the government for reducing Federal Excise Duty on sale of cement in the Federal Budget 2011. We would like to urge the government to take necessary measures to stimulate the demand for cement in the country by initiating major infrastructure and housing projects and provide further incentives to the cement sector by reducing its tax burden, which is one of the highest in any industry. The government is also urged to extend facilities like reduced interest rates and exemption on payment of income tax to the cement industry as well just like it has done for other industries operating in Khyber Pakhtunkhwa province.

Appointment of auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, 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 15, 2011

key management

Management Team

Factory Management

Finance Team

Sales Office Islamabad

Sales Office Peshawar

Sales Office Lahore

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 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. 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 immediately filled up.

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 director, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith 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. Two Directors of the Company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

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. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 15, 2011

statement of compliance
with the best practices of transfer pricing

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 15, 2011

review report to the members
on statement of compliance with the best practices of the code of corporate governance

ERNST & YOUNG

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

Tel: +9221 35650007
Fax: +9221 35681965
www.ey.com

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 2011 prepared by the Board of Directors of Cherat Cement Company Limited (the Company) to comply with the Listing Regulations of Karachi, Lahore and Islamabad 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, Listing Regulations of Karachi, Lahore and Islamabd Stock Exchanges 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 of Corporate Governance for the year ended 30 June 2011.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: August 15, 2011

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.

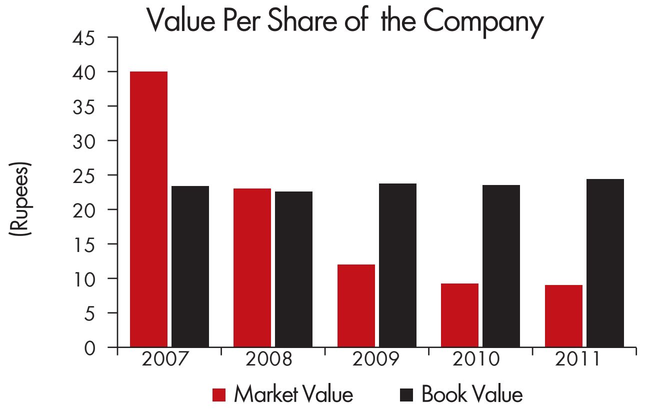
Conflict of Interest
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

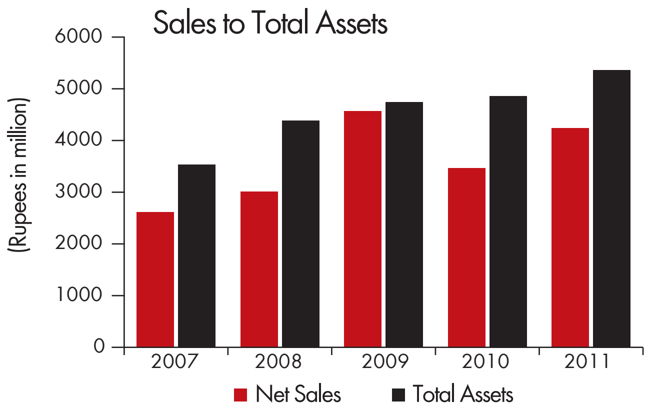
Adherence to Laws of the Land
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

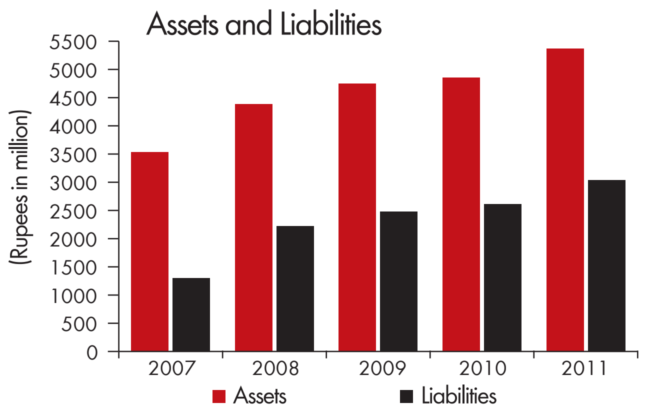
Environmental Protection
To protect environment and ensure health and safety of the work force and well-being of the people living in the adjoining areas of our plant.

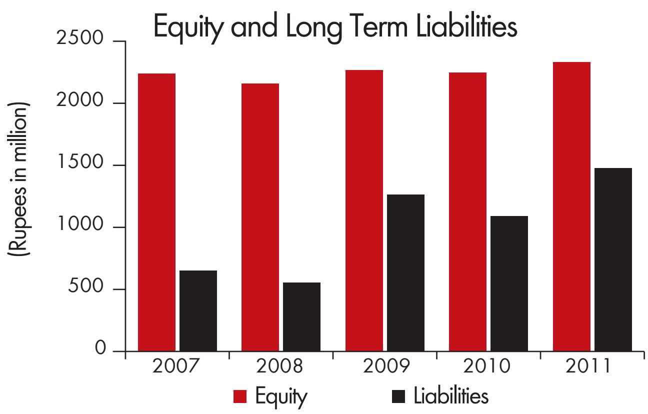
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply cement with care and competence so that customers receive the quality they truly deserve.

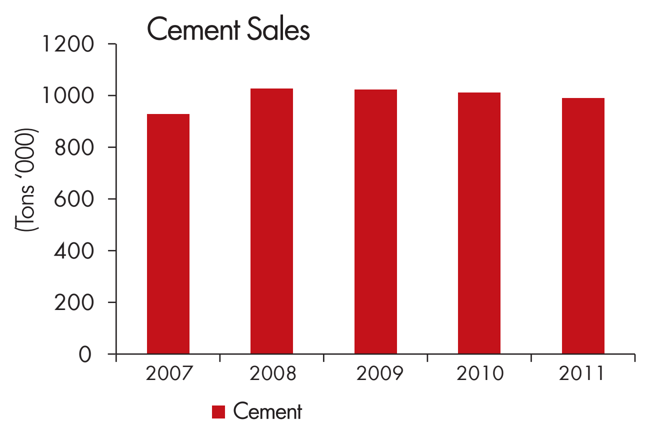
progress graphs

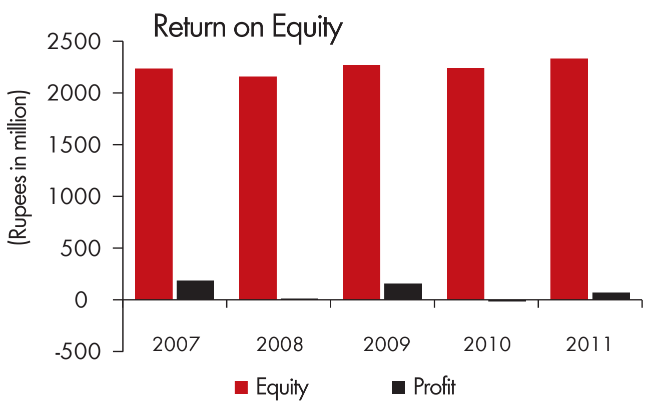


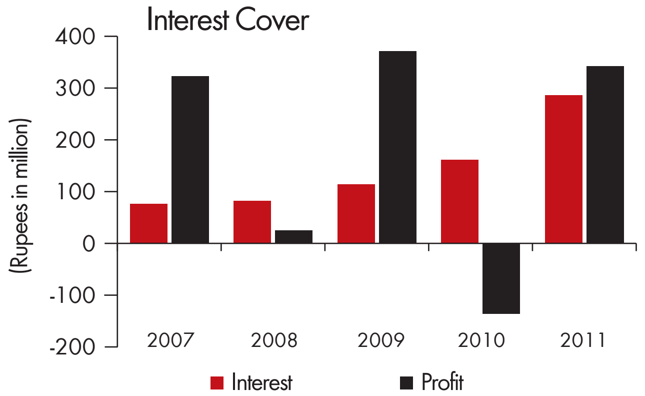


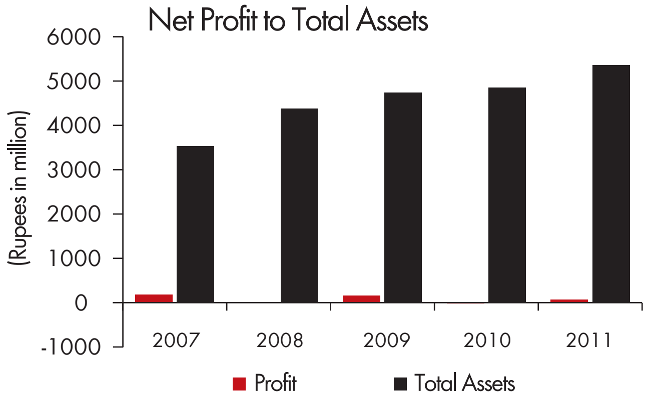


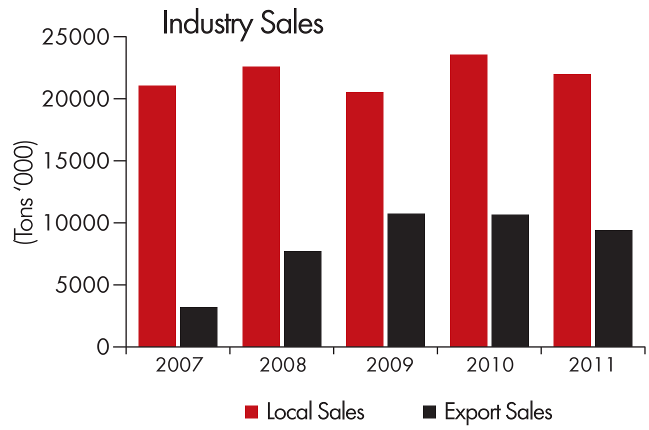






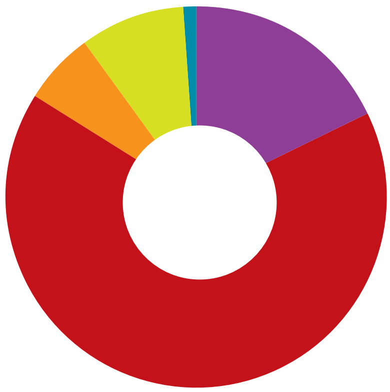


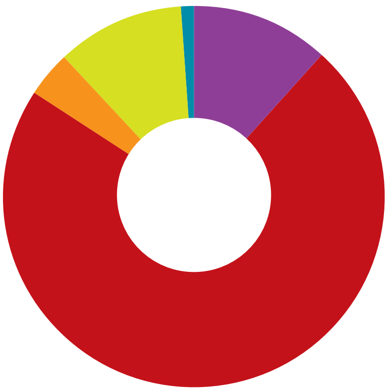




Wealth and its distribution during 2010-11

Government	18%
Material and Services	66%
Financial Institutions	6%
Employees	9%
Shareholders' Equity	1%





Wealth and its distribution during 2009-10

Government	12%
Material and Services	74%
Financial Institutions	4%
Employees	11%
Shareholders' Equity	-1%

year-wise statistical summary

	2011	2010	2009	2008	2007	2006	2005
	(Tons in'000)						
Clinker Production	979	946	967	1,001	873	575	749
Cement Production	986	1,009	1,025	1,027	926	598	792
Cement Dispatched	990	1,011	1,023	1,027	928	596	792
ASSETS EMPLOYED	(Rs. in million)						
Property, plant and equipment	3,388	3,446	3,258	2,522	2,197	2,270	1,773
Intangible assets	21	20	6	-	-	-	-
Investment and Long-term Loan, Advances & Deposits	238	150	122	111	71	33	18
Derivative financial assets	-	2	14	29	25	41	28
Current Assets	1,718	1,239	1,343	1,720	1,240	1,268	1,384
Total Assets employed	5,365	4,857	4,743	4,382	3,533	3,612	3,203
FINANCED BY							
Shareholders equity	2,331	2,246	2,268	2,158	2,236	2,113	1,742
Long-term Liabilities	1,234	989	1,100	393	452	664	829
Deferred Liabilities	-	-	304	233	303	319	167
Derivative Financial Liabilities	-	-	-	-	-	-	15
Current Liabilities	1,800	1,622	1,071	1,598	542	516	450
Total Funds Invested	5,365	4,857	4,743	4,382	3,533	3,612	3,203
TURNOVER & PROFIT							
Turnover (net)	4,244	3,469	4,567	3,014	2,620	2,436	2,401
Operating Profit / (Loss)	342	(136)	371	25	323	799	718
Profit / (Loss) before taxation	55	(297)	257	(56)	247	719	684
Profit / (Loss) after taxation	69	(14)	159	10	184	538	512
Cash Dividend	-	-	-	-	96	83	199
Stock Dividend	-	-	-	-	-	125	166

ratio analysis

		2011	2010
Profitablility:			
1	Gross Profit (percentage)	13.36	2.57
2	Operating Profit / (loss) (percentage)	8.05	(3.93)
3	Profit / (loss) Before Tax (percentage)	1.30	(8.57)
4	Net Profit / (loss) After Tax (pecentage)	1.62	(0.40)
5	E.P.S (Before Tax)	0.58	(3.11)
6	E.P.S (After Tax)	0.72	(0.14)
7	Net Profit to Total Assets (Average after tax) (percentage)	0.51	1.50
8	Increase / (decrease) in Sales (Net percentage)	22.34	(24.05)
9	Raw & Packing Material % of Net Sales	16.02	17.58
10	Labour % of Net Sales	7.76	8.84
11	Other Cost of Sales Expenses % of Net Sales	62.87	71.01
12	Raw & Packing Material as % of Cost of Sales	18.49	18.05
13	Administrative Expenses % of Net Sales	2.52	3.21
14	Distribution Cost % of Net Sales	2.94	3.71
15	Tax % of Net Sales	(0.32)	(8.18)
16	Finance cost % of Net Sales	6.75	4.64
Short Term Solvency:			
1	Current Ratio	0.95	0.76
2	Acid Test Ratio	0.74	0.64
3	Inventory Turnover / Times	12.70	14.03
Overall Valuation and Assessment:			
1	Number of Time Interest Earned	1.19	(0.85)
2	Return on Equity after tax (Average in percentage)	3.00	(0.61)
3	Book Value Per Share	24.40	23.50
4	Long Term Debts to Equity Ratio	34.60	30.57

auditors' report to the members

ERNST & YOUNG

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

Tel: +9221 35650007
Fax: +9221 35681965
www.ey.com

We have audited the annexed balance sheet of **Cherat Cement Company Limited** as at **30 June 2011** and the related profit and loss account, statement of comprehensive income, 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, Statement of Comprehensive Income, 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 2011** and of the profit, the comprehensive income, 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).

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 15, 2011

balance sheet
as at June 30, 2011

	Note	2011	2010
ASSETS		(Rupees '000)	
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	3,388,276	3,445,941
Intangible asset	5	21,167	20,013
		3,409,443	3,465,954
Long-term investments	6	158,969	122,104
Long-term loans and advances	7	2,814	5,068
Long-term security deposits		17,144	17,145
Derivative financial assets		-	1,935
Deferred taxation	8	59,390	5,730
		238,317	151,982
		3,647,760	3,617,936
CURRENT ASSETS			
Stores, spare parts and loose tools	9	1,179,095	931,555
Stock-in-trade	10	377,854	201,186
Loans and advances	11	22,874	11,329
Trade deposits and short-term prepayments		1,488	2,627
Other receivables	12	46,131	25,467
Short-term investments		-	114
Taxation - net		19,425	13,553
Cash and bank balances	13	70,688	53,652
		1,717,555	1,239,483
TOTAL ASSETS		5,365,315	4,857,419
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	955,801	955,801
Reserves	15	1,375,963	1,290,164
		2,331,764	2,245,965
NON-CURRENT LIABILITIES			
Long-term financings	16	1,220,844	976,400
Long-term deposits	17	12,790	12,637
		1,233,634	989,037
CURRENT LIABILITIES			
Trade and other payables	18	415,135	303,019
Accrued mark-up	19	87,251	82,255
Short-term borrowings	20	1,030,069	1,114,128
Current maturity of long-term financings	16	255,556	111,100
Unclaimed dividend		11,906	11,915
		1,799,917	1,622,417
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		5,365,315	4,857,419

The annexed notes from 1 to 37 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

profit and loss account

for the year ended June 30, 2011

	Note	2011	2010
		(Rupees '000)	
Turnover - net	22	4,244,009	3,469,111
Cost of sales	23	(3,677,159)	(3,379,937)
Gross profit		566,850	89,174
Distribution costs	24	(124,701)	(128,620)
Administrative expenses	25	(106,843)	(111,220)
Other operating expenses	26	(11,495)	(2,615)
		(243,039)	(242,455)
Other operating income	27	17,854	16,800
Operating profit / (loss)		341,665	(136,481)
Finance costs	28	(286,469)	(160,917)
Profit /(loss) before taxation		55,196	(297,398)
Taxation			
Current - for the year		(44,194)	(25,531)
- prior years		4,121	1,332
Deferred		53,528	307,842
	29	13,455	283,643
Profit / (loss) for the year		68,651	(13,755)
Earnings / (loss) per share - basic	30	Re. 0.72	Re. (0.14)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

statement of comprehensive income for the year ended June 30, 2011

	2011	2010
	(Rupees '000)	
Profit / (loss) for the year	68,651	(13,755)
Other comprehensive income:		
Unrealized loss on hedging instruments	(705)	(7,502)
Income tax relating to hedging instruments	132	1,761
	(573)	(5,741)
Unrealised gain / (loss) on available- for-sale securities	17,721	(2,943)
Other comprehensive income, net of tax	17,148	(8,684)
Total comprehensive income for the year	85,799	(22,439)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

cash flow statement

for the year ended June 30, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		55,196	(297,398)
Adjustment for:			
Depreciation	4.1.3	261,453	219,114
Amortisation	5	2,259	870
(Gain) / loss on sale of shares of short term investment	27	(66)	39
Gain on disposal of operating property, plant and equipment	4.1.4	(744)	(486)
Finance costs	28	286,469	160,917
Exchange gain		-	(141)
Share of loss in joint venture	6.1.2	30	110
Dividend income	27	(1,080)	-
		548,321	380,423
		603,517	83,025
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(247,540)	(32,009)
Stock-in-trade		(176,668)	79,402
Loans and advances		(11,545)	938
Trade deposits and short-term prepayments		1,139	57,574
Other receivables		(20,664)	(9,030)
		(455,278)	96,875
		148,239	179,900
Increase in current liabilities			
Trade and other payables		112,116	19,394
Cash generated from operations		260,355	199,294
Income tax paid		(45,945)	(24,202)
Net cash generated from operating activities		214,410	175,092
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(128,274)	(1,419,549)
Sale proceeds of operating property, plant and equipment	4.1.4	6,980	4,997
Capital work-in-progress	4.2	(81,750)	1,008,340
Intangible asset acquired	5	(3,413)	(15,003)
Sale proceeds of short term investment		180	-
Long-term loans and advances		2,254	1,529
Investment in joint venture / available for sale securities	6.1	(19,174)	(11,000)
Dividend received		1,080	-
Long-term security deposits		1	(15,730)
Net cash used in investing activities		(222,116)	(446,416)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		388,900	(175,000)
Long-term deposits		153	(100)
Short-term borrowings		(84,059)	611,691
Dividends paid		(9)	(157)
Finance costs paid		(280,243)	(172,147)
Net cash generated from financing activities		24,742	264,287
Net increase / (decrease) in cash and cash equivalents		17,036	(7,037)
Cash and cash equivalents at the beginning of the year		53,652	60,689
Cash and cash equivalents at the end of the year	13	70,688	53,652

The annexed notes from 1 to 37 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, 2011

	Issued subscribed and paid-up capital	RESERVES								Total
		Capital Reserve	Revenue Reserves						Total	
			General Reserve	Unrealized gain / (loss) on hedging instruments net of tax	Fair value gain / (loss) on available-for-sale securities	Unappropriated profit	Sub total			
	(Rupees '000)									
Balance as at July 01, 2009	955,801	50,900	420,000	6,314	16,721	818,668	1,261,703		1,312,603	2,268,404
Loss for the year	-	-	-	-	-	(13,755)	(13,755)		(13,755)	(13,755)
Other comprehensive income	-	-	-	(5,741)	(2,943)	-	(8,684)		(8,684)	(8,684)
Total comprehensive income for the year	-	-	-	(5,741)	(2,943)	(13,755)	(22,439)		(22,439)	(22,439)
Balance as at June 30, 2010	955,801	50,900	420,000	573	13,778	804,913	1,239,264		1,290,164	2,245,965
Balance as at June 30, 2010	955,801	50,900	420,000	573	13,778	804,913	1,239,264		1,290,164	2,245,965
Profit for the year	-	-	-	-	-	68,651	68,651		68,651	68,651
Other comprehensive income	-	-	-	(573)	17,721	-	17,148		17,148	17,148
Total comprehensive income for the year	-	-	-	(573)	17,721	68,651	85,799		85,799	85,799
Balance as at June 30, 2011	955,801	50,900	420,000	-	31,499	873,564	1,325,063		1,375,963	2,331,764

The annexed notes from 1 to 37 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

1. CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Company Act, 1913 (now the Companies Ordinance, 1984) 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 Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

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 available for sale securities that have been measured at fair value in accordance with IAS 39 "Financial Instruments Recognition and Measurement".

2.3 New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year except as disclosed below:

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Group Cash-settled Share-based Payment Arrangements
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 39 - Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 - Business Combinations
IAS 27 - Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

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

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

Standard or Interpretation	Effective dates (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7 - Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	01 July 2011
IAS 12 - Income Tax (Amendment) - Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24 - Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application, except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

2.5.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.1 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.

2.5.2 Interest in a 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.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement.

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.

It is estimated that cost of the project would be recovered as disclosed in note 6.1.3.

2.5.3 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.

2.5.4 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.

2.5.5 Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by 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. Deferred tax is charged or credited to income.

2.5.6 Stock-in-trade, stores, spare parts and loose tools

The Company reviews the net realizable value (NRV) of stock-in-trade and stores, spare parts and loose tools 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.

2.5.7 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events can not be predicted with certainty. The Company, based on the availability of the lates information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Owned assets

Property, plant and equipment except for 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
using the straight-line method at the rates mentioned in the note 4 to the financial statements.

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.

3.1.1 Intangible assets

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such asset can also be measured reliably.

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

Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets are amortized when assets are available for use on straight line method. Amortization is charged from the month of the year in which addition / capitalization occurs while no amortization is charged in the month in which an asset is disposed off.

3.2 Investments

3.2.1 Interest in a 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.

After application of the equity method, the company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement.

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.

3.2.2 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. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

3.2.3 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 the profit and loss account.

3.3 Stores, spare parts and loose tools

These are valued at lower of weighted 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.

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.4 Stock-in-trade

Stock-in-trade is valued at lower of weighted average 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
Stock in transit	- Invoice value plus other charges paid thereon

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.5 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.

3.6 Trade and other payables

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

3.7 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.

3.8 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani 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.

3.9 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.

3.10 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.

3.10.1 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.

3.10.2 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.

3.11 Staff retirement benefits

3.11.1 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 have already 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.

3.11.2 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.

3.12 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.13 Taxation

3.13.1 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 tax charge as calculated above is compared with 1% of turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. 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.

3.13.2 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 tax liabilities are recognized for all taxable temporary differences. 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.

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

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

3.13.3 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.

3.14 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. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.15 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.

3.16 Impairment

The carrying values of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated and impairment losses are recognise in the profit and loss account.

3.17 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in note 33 to the financial statements.

3.18 Dividend and appropriation to reserves

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

3.19 Functional and presentation currency

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

4 Property, plant and equipment

	Note	2011	2010
		(Rupees '000)	
Operating property, plant and equipment	4.1	3,291,804	3,431,219
Capital work-in-progress	4.2	96,472	14,722
		3,388,276	3,445,941

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating assets:

2011 Description	COST			DEPRECIATION				Book value as at June 30, 2011	Depreciation rate % per annum
	As at July 01, 2010	Additions / (disposals)	As at June 30, 2011	As at July 01, 2010	Adjustment on disposals	For the year	As at June 30, 2011		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	505,233	8,687	513,920	275,321	-	17,525	292,846	221,074	7.5
Plant and machinery	5,174,459	57,709	5,232,168	2,303,310	-	190,707	2,494,017	2,738,151	5-7.5
Power and other installations	119,755	3,460	123,119	43,371		7,839	51,171	71,948	10-20
		(96)			(39)				
Furniture and fittings	38,151	225	38,376	22,410	-	1,514	23,924	14,452	10-20
Quarry, factory and laboratory equipment	368,067	30,676	398,743	203,447	-	26,502	229,949	168,794	10-20
Motor vehicles	100,809	25,478	109,105	45,491	-	13,484	47,737	61,368	20
		(17,182)			(11,238)				
Office equipment	10,124	234	9,980	6,195		643	6,695	3,285	10-20
		(378)			(143)				
Computers	54,675	1,805	56,480	49,179	-	3,239	52,418	4,062	33.33
	6,379,943	128,274	6,490,561	2,948,724	(11,420)	261,453	3,198,757	3,291,804	
		(17,656)							

2010 Description	COST			DEPRECIATION				Book value as at June 30, 2010	Depreciation rate % per annum
	As at July 01, 2009	Additions / (disposals)	As at June 30, 2010	As at July 01, 2009	Adjustment on disposals	For the year	As at June 30, 2010		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	411,264	93,969	505,233	261,711	-	13,610	275,321	229,912	7.5
Plant and machinery	3,984,414	1,190,045	5,174,459	2,144,773	-	158,537	2,303,310	2,871,149	5-7.5
Power and other installations	49,160	70,595	119,755	40,059	-	3,312	43,371	76,384	10-20
Furniture and fittings	33,779	4,522	38,151	21,171		1,355	22,410	15,741	10-20
		(150)			(116)				
Quarry, factory and laboratory equipment	329,939	38,128	368,067	177,387	-	26,060	203,447	164,620	10-20
Motor vehicles	92,327	17,748	100,809	37,571		12,709	45,491	55,318	20
		(9,266)			(4,789)				
Office equipment	9,814	310	10,124	5,475	-	720	6,195	3,929	10-20
Computers	50,443	4,232	54,675	46,368	-	2,811	49,179	5,496	33.33
	4,969,810	1,419,549	6,379,943	2,734,515	(4,905)	219,114	2,948,724	3,431,219	
		(9,416)							

	Note	2011	2010
		(Rupees '000)	
4.1.2 Reconciliation of carrying amount:			
Carrying amount at beginning of the year		3,431,219	2,235,295
Additions during the year		128,274	1,419,549
Depreciation for the year		(261,453)	(219,114)
Disposals during the year at carrying amount		(6,236)	(4,511)
		3,291,804	3,431,219
4.1.3 The depreciation for the year has been allocated as follows:			
Cost of sales	23	249,993	208,837
Distribution costs	24	5,055	4,455
Administrative expenses	25	6,405	5,822
		261,453	219,114

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						
Honda City DSI Reg# LY-951,	846	347	347	-	Employee car scheme	Mr. Ikram Qamar Kayani - Employee
Honda Civic VTI Reg# AKK-402,	1,148	364	364	-	Employee car scheme	Mr. Yasir Masood - Employee
Honda Civic VTI Reg# AKN-830,	1,148	364	364	-	Employee car scheme	Mr. Abid Vazir - Employee
Honda Civic VTI Reg# JT-752,	1,128	351	351	-	Employee car scheme	Mr. Ahmed Shoaib Khan - Employee
Suzuki Mehran Reg# BA-2278,	403	209	209	-	Employee car scheme	Mr. Shahid Ahmed Khan - Employee
Honda Civic VTI Reg# ALH-341,	1,148	357	357	-	Employee car scheme	Mr. Wasif Khalid - Employee
Honda Accord Reg# AMC-101,	2,810	1,036	1,036	-	Employee car scheme	Mr. Akberali Pesnani - Employee
Honda Civic VTI Reg# AMA-101,	1,506	555	555	-	Employee car scheme	Mr. Akberali Pesnani - Employee
Suzuki Alto VXR Reg # ALS-598,	493	196	196	-	Employee car scheme	Mr. Mazhar Hussain - Employee
Honda Civic VTI Reg# AJU-892,	1,147	331	835	504	Negotiation	Sold to Mr. M Shahzed Habib
Suzuki Cultus VXR Reg # B-2218,	590	171	171	-	Employee car scheme	Mr. Mustamir Khan - Employee
Honda City Reg# B-2214,	880	255	255	-	Employee car scheme	Mr. M. Ayaz - Employee
Honda City Reg# U-9847,	910	430	700	270	Negotiation	Sold to Mr. Arbaaz Khan
Toyota Corolla Reg# B-2241,	1,328	404	404	-	Employee car scheme	Mr. Nasim Ahmed-Employee
Suzuki Cultus VXR Reg# B-2219,	590	164	164	-	Employee car scheme	Mr. Mutee Ur Rehman-Employee
Suzuki Cultus VXR Reg# B-2217,	590	164	164	-	Employee car scheme	Mr. Mohsin Ali-Employee
Suzuki Alto VXR Reg # LEJ-3951,	403	190	190	-	Employee car scheme	Mr. Fida Muhammad-Employee
Equipment						
T16K (15KVA) SDMO Diesel Generator	378	235	235	-	Negotiation	Mr. Akberali Pesnani - Employee
	17,446	6,123	6,897	774		
Aggregate of assets disposed-off having book value below Rs. 50,000/- each						
Power and other installation	96	57	-	(57)		
Vehicles	114	56	83	27		
	210	113	83	(30)		
2011	17,656	6,236	6,980	744		
2010	9,416	4,511	4,997	486		

4.2 Movement of capital-work-in-progress

	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Vehicles	Total
	(Rupees '000)					
Balance as at June 2009	60,499	892,487	2,529	67,547	-	1,023,062
Capital expenditure incurred / advances made during the year	33,168	257,039	-	2,095	1,628	293,930
Transferred to operating property, plant & equipment	(92,962)	(1,137,137)	(2,529)	(69,642)	-	(1,302,270)
Balance as at June 2010	705	12,389	-	-	1,628	14,722
Capital expenditure incurred / advances made during the year	5,450	90,400	6,764	365	-	102,979
Transferred to operating property, plant & equipment	(3,416)	(16,185)	-	-	(1,628)	(21,229)
Balance as at June 2011	2,739	86,604	6,764	365	-	96,472

5 INTANGIBLE ASSET

Description	COST			AMORTISATION			Book value as at June 30,	Amortisation Rate % per annum
	As at July 01,	Additions during the year	As at June 30,	As at July 01,	For the year	As at June 30,		
	(Rupees '000)							
2011 ERP System	20,883	3,413	24,296	870	2,259	3,129	21,167	10
2010 ERP System	5,880	15,003	20,883	-	870	870	20,013	10

	Note	2011	2010
		(Rupees '000)	
5.1 The amortization for the year has been allocated as follows:			
Cost of sales	23	2,157	870
Distribution costs	24	68	-
Administrative expenses	25	34	-
		2,259	870

6 LONG-TERM INVESTMENTS

Investment in related parties			
Interest in a Joint Venture	6.1	106,496	105,526
Available-for-sale	6.2	52,473	16,578
		158,969	122,104

6.1 Movement of interest in a joint venture - under equity method

Company's share in net assets at beginning of the year	105,526	94,636
Investment during the year	1,000	11,000
Share of loss	(30)	(110)
Balance as at June 30	106,496	105,526

6.1.1 The Company has 10,709,997 shares (2010: 10,609,997 shares) representing 50% (2010: 50%) interest
in Madian Hydro Power Limited, a public unlisted company, which is a joint venture 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.

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

	2011	2010
	(Rupees '000)	
Current assets	141	660
Non-current assets	106,355	104,954
Current liabilities	-	(88)
Net assets	106,496	105,526
Administrative expenses	(30)	(110)

6.1.3 The Company has completed technical feasibility of the project, which has already been approved by Private Power and Infrastructure Board (PPIB). After Army operation in troubled areas, the rehabilitation work has started and situation in Swat and the adjoining areas is returning to normal. However, given the current security situation, the Company sought for an indefinite extension from PPIB for further post feasibility study deadlines applicable to the project. The PPIB's response in this regard is awaited. Some foreign investors have shown their interest in becoming part of this project. In view of the above, the management believes that, since the technical feasibility study is a bankable document, the project will eventually be completed, even if delayed.

	Note	2011	2010
		(Rupees '000)	
6.2 Available-for-sale - at fair value			
Ordinary shares of listed company Cherat Packaging Limited (formerly Cherat Papersack Limited) 1,107,738 (2010: 540,000) fully paid ordinary shares of Rs. 10/- each.		52,473	16,578

7 LONG-TERM LOANS AND ADVANCES - secured, considered good

	Note	2011	2010
Loans to:			
Executives	7.1 & 7.2	2,406	1,628
Employees	7.2	5,974	9,269
		8,380	10,897
Less: Due within one year shown under current portion of loans	11	5,566	5,829
		2,814	5,068

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)			
2011	1,628	1,797	(1,019)	2,406
2010	1,470	1,715	(1,557)	1,628

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.441 million (2010: Rs. 2.213 million).

7.2 Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up up to 15% per annum (2010: up to 14% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

8 DEFERRED TAXATION

	Note	2011	2010
		(Rupees '000)	
Deferred tax liability on taxable temporary difference:			
Accelerated tax depreciation on operating fixed assets		(831,774)	(846,263)
Deferred tax asset on deductible temporary differences:			
Taxable loss		435,780	443,780
Minimum tax		39,497	12,754
Temporary differences not expected to reverse in view of applicability of final tax regime		415,887	395,592
Net deferred tax effect of recognition of fair value of derivative financial instruments directly taken to equity		-	(133)
		59,390	5,730

9 STORES, SPARE PARTS AND LOOSE TOOLS

		2011	2010
Stores		638,139	411,711
Spare parts		472,291	507,475
Loose tools		580	751
		1,111,010	919,937
Add: Stores and spare parts in transit		68,085	11,618
		1,179,095	931,555

10 STOCK-IN-TRADE

		2011	2010
Raw and packing material		92,230	88,513
Work-in-process		243,991	69,468
Finished goods		41,633	43,205
		377,854	201,186

11 LOANS AND ADVANCES - considered good

	Note	2011	2010
Current portion of loans due from:			
Executives		2,148	726
Employees		3,418	5,103
	7	5,566	5,829
Advances to suppliers - unsecured		17,308	5,500
		22,874	11,329

12 OTHER RECEIVABLES

		2011	2010
Accrued return on investments		367	318
Octroi		17	17
Duty drawback receivable		21,573	20,034
Insurance claims receivable		11,444	1,573
Sales tax and Excise duty refundable		8,368	-
Others		4,362	3,525
		46,131	25,467

13 CASH AND BANK BALANCES

	Note	2011	2010
		(Rupees '000)	
With banks in:			
Current accounts		56,183	41,931
Saving accounts	13.1	11,414	9,402
		67,597	51,333
Cash in hand			
Foreign currency		666	989
Local currency		2,425	1,330
		70,688	53,652

13.1 Effective profit rate in respect of saving accounts is 5 percent per annum (2010: 5 percent per annum).

14 SHARE CAPITAL

14.1 Authorized capital

2011	2010		2011	2010
Number of shares			(Rupees '000)	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

14.2 Issued, subscribed and paid-up capital

2011	2010		2011	2010
		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

The following is the detail of shares held by the related parties:	2011	2010
	Number of shares	
Faruque (Private) Limited	16,789,035	16,789,035
Cherat Packaging Limited (formerly Cherat Papersack Limited)	221,239	221,239
Mirpurkhus Sugar Mills Limited	3,427,502	3,427,502
Greaves Pakistan (Private) Limited	1,999,176	1,999,176
Atlas Insurance Limited	1,739,267	1,739,267

15 RESERVES

15.1 Capital reserve

Capital reserve was created due to amalgamation of the companies.

15.2 Fair value gain / (loss) 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.

16. LONG-TERM FINANCING - secured

From Commercial Banks	Mode & Commencement of repayment	Security	2011 (Rupees '000)	2010 (Rupees '000)	Rate
Plant Expansion Loans					
Tranche - I	Eight bi-annual installments commencing from January 2007	First pari-passu charge on plant and machinery	-	43,750	6 months KIBOR + 0.7%
Tranche - II	Eight bi-annual installments commencing from March 2007	First pari-passu charge on plant and machinery	-	43,750	6 months KIBOR + 0.7%
			-	87,500	
Waste Heat Recovery System Loan					
Tranche - I	Ten bi-annual installments commencing from November 2010	First pari-passu charge on all the present and future plant and machinery.	94,400	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	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%
			976,400	1,000,000	
Fixed Assets Refinance Loan	Nine bi-annual installments commencing from June 2012	First pari-passu charge on plant and machinery.	500,000	-	6 months KIBOR +1%
			1,476,400	1,000,000	
			1,476,400	1,087,500	
Less: Current Maturity					
- Plant Expansion Loans			-	87,500	
- Waste Heat Recovery System Loan			200,000	23,600	
- Fixed Assets Refinance Loan			55,556	-	
			255,556	111,100	
			1,220,844	976,400	

17 LONG-TERM DEPOSITS - unsecured

	Note	2011 (Rupees '000)	2010 (Rupees '000)
Dealers	17.1	11,008	11,018
Suppliers and contractors	17.2	1,782	1,619
		12,790	12,637

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

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

18 TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees '000)	
Creditors		2,831	7,735
Bills Payable		171,312	75,171
Accrued liabilities		113,080	71,306
Advances from customers		27,760	56,169
Payable to provident fund		-	2,196
Retention money		271	5,287
Payable to staff gratuity fund	18.1	11,692	11,776
Workers' Profits Participation Fund (WPPF)		2,964	-
Workers' Welfare Fund		1,127	-
Sales tax payable		3,441	6,924
Royalty and excise duty		75,103	55,915
Others		5,554	10,540
		415,135	303,019

18.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 3.11.1, 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, 2011.

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

	2011	2010
Staff Gratuity Fund Liability	(Rupees '000)	
Present value of defined benefit obligation	156,403	185,144
Fair value of plan assets	(66,231)	(88,501)
Unrecognized actuarial losses	(78,480)	(84,867)
Liability recognized in the balance sheet at June 30	11,692	11,776
Amount charged to profit and loss account		
Current service cost	6,969	8,449
Interest cost	19,402	20,338
Expected return on plan assets	(11,194)	(9,702)
Actuarial loss recognized	4,739	6,733
	19,916	25,818
Movement in the liability recognized in the balance sheet		
Balance as at July 01	11,776	6,958
Net charge for the year	19,916	25,818
Contribution to the fund	(20,000)	(21,000)
Balance as at June 30	11,692	11,776
Movement in the present value of defined benefit obligation		
Balance as at July 01	185,144	164,064
Current service cost	6,969	8,449
Interest cost	19,402	20,338
Benefits paid during the year	(47,859)	(6,053)
Actuarial loss	(7,253)	(1,655)
Balance as at June 30	156,403	185,144

Movement in the fair value of plan assets

	2011	2010
	(Rupees '000)	
Balance as at July 01	88,501	73,374
Expected return	11,194	9,702
Contributions	20,000	21,000
Benefits paid during the year	(47,859)	(6,053)
Actuarial loss	(5,605)	(9,522)
Balance as at June 30	66,231	88,501

Principal actuarial assumptions used are as follows:

	2011	2010
Expected rate of increase in salary level	11%	11%
Valuation discount rate	14%	13%
Rate of return on plan assets	14%	11%

Comparisons for past years

As at June 30	2011	2010	2009	2008	2007
	(Rupees '000)				
Present value of defined benefit obligation	156,403	185,144	164,064	127,128	119,807
Fair value of plan assets	(66,231)	(88,501)	(73,374)	(72,736)	(94,190)
Deficit	90,172	96,643	90,690	54,392	25,617
Experience adjustment on plan liabilities	(7,253)	(1,655)	17,231	6,168	8,168
Experience adjustment on plan assets	(5,605)	(9,522)	20,667	25,301	(2,020)
	(12,858)	(11,177)	37,898	31,469	6,148

Composition of plan assets are as follows:

	2011	2010
	(Rupees '000)	
Defence Saving Certificates	4,638	23,536
Special Savings Certificates	23,168	22,588
Mutual Funds / NIT / COIs / PIB	19,048	22,035
Listed Securities	14,571	13,813
Amount in Banks	4,806	6,529
	66,231	88,501

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 2011 was Rs. 5.589 million (2010: Rs. 0.180 million).

19 ACCRUED MARK-UP

	Note	2011	2010
		(Rupees '000)	
Long-term financing		59,262	56,632
Short-term running finance		27,989	25,623
		87,251	82,255

20 SHORT-TERM BORROWINGS - secured

	Note	2011	2010
Short-term running finance	20.1	1,222	289,128
Export refinance	20.2	901,856	825,000
Murabaha financing	20.3	126,991	-
		1,030,069	1,114,128

20.1 These facilities are obtained from various commercial banks and amount to Rs. 1,765 million (2010: Rs. 1,715 million) out of which Rs. 734.931 million (2010: Rs. 600.872 million) remains unutilized at the year end. These carry mark-up ranging from 3 months KIBOR + 0.75% per annum to 3 months KIBOR +

1.75% per annum and 1 month KIBOR + 1.25% per annum. The facilities are secured against registered joint pari passu hypothecation charge over stocks and book debts for Rs. 2,353 million.

20.2 This is a sub-facility of note 20.1 above and carries mark up rate of 11% (2010: 9%) per annum.

20.3 This is a sub-facility of note 20.1 above and carries profit rate of 6 months KIBOR + 0.75% (2010: nil).

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 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 Department filed a review petition against the decision of the Supreme Court of Pakistan. 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.

The aforesaid decision has resulted in creation of a refund claim of Rs. 882 million (June 30, 2010: Rs. 882 million), which was wrongly collected from the Company. However, 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 customers this refund does not belong to the Company. The Company has challenged this show cause notice in the Honourable Peshawar High Court and has taken the stance that this matter had already been 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.

During the year, the Honourable Peshawar High Court settled the writ petition by giving instructions to the Federal Board of Revenue (FBR) to appoint an independent firm of Chartered Accountants for verification of this refund claim. Currently, the Company is in the process of appointing the firm in this regard.

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

21.1.2 The Company has filed various refund cases which are pending at different adjudication levels. The amount involved is around Rs. 57 million (2010: Rs. 66 million). However, keeping in view of the aggregate 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.

21.1.3 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.

The HIHC finally dismissed the writ petition and vacated the stay order. However, the Company filed a writ petition in the Honourable Lahore High Court (HLHC) on this 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 on the Company. The Company simultaneously filed a writ petition in the Honourable Supreme Court of Pakistan challenging this order and also challenging the vires of law. This appeal is still pending adjudication. In line with historic judgement of Honourable Supreme Court of Pakistan dated July 31, 2009 this Competition Commission of Pakistan (CCP) Ordinance requires approval of the National Assembly. The CCP Ordinance was repromulgated as an Ordinance twice with some changes creating further legal complications which were brought in to the knowledge of HLHC by amending our appeal. In view of the above, the management based on the legal advice believes that there are good legal grounds and is hopeful that there will be no adverse outcome for the Company and therefore no provision for the above penalty has been made in these financial statements.

21.1.4 During last year, the Honourable Peshawar High Court had decided against the Company the case relating to levy of marking fee by the Pakistan Standards and Quality Control Authority (PSQCA). Accordingly, the bank guarantee amounting to Rs.8.5 million has been encashed. This encashment net of the Rs.2.687 million payable to PSQCA has been recorded in other receivable. The management has challenged the decision in the Honourable Supreme Court of Pakistan and the case is pending there. The management is confident that the ultimate outcome of the case will be in favour of the Company. Accordingly, no provision has been made against the aforesaid amount in these financial statements.

	Note	2011	2010
		(Rupees '000)	
21.2 Commitments			
Letters of credits issued by commercial banks		187,010	175,240

22 TURNOVER - NET

Local sales		3,451,290	2,638,931
Less: Sales tax		504,957	369,431
Federal excise duty		396,018	403,140
Special excise duty		40,648	18,910
		941,623	791,481
		2,509,667	1,847,450
Export sales		1,734,342	1,621,661
		4,244,009	3,469,111

23 COST OF SALES

Raw and packing material consumed			
Opening stock		88,513	82,277
Purchases		683,474	616,147
		771,987	698,424
Closing stock	10	(92,230)	(88,513)
		679,757	609,911
Duty drawback on exports		(6,009)	(13,630)
		673,748	596,281
Manufacturing overheads			
Salaries, wages and benefits	23.1	329,222	306,728
Stores and spare parts consumed		148,294	116,131
Fuel and power		2,300,633	1,927,127
Rent, rates and taxes		49,951	31,529
Insurance		40,829	47,502
Vehicle running expenses		25,871	26,874
Traveling and conveyance		7,151	3,956
Printing and stationery		960	1,750
Legal and professional charges		2,357	2,121
Laboratory expenses		118	228
Depreciation	4.1.3	249,993	208,837
Amortisation	5.1	2,157	870
Repairs and maintenance		11,217	16,271
Communication expenses		1,747	1,450
Stores written-off		637	641
Miscellaneous		5,225	6,003
		3,850,110	3,294,299
Work-in-process			
Opening		69,468	136,622
Closing	10	(243,991)	(69,468)
Cost of goods manufactured		3,675,587	3,361,453
Finished goods			
Opening		43,205	61,689
Closing	10	(41,633)	(43,205)
		3,677,159	3,379,937

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 7.881 million and Rs. 11.332 million, respectively (2010: Rs. 7.339 million and Rs. 14.028 million, respectively).

24 DISTRIBUTION COSTS

	Note	2011	2010
		(Rupees '000)	
Salaries, wages and benefits	24.1	84,986	77,603
Export expenses		3,826	3,404
Traveling and conveyance		2,214	1,883
Staff training expenses		305	371
Vehicle running expenses		5,938	4,738
Communication		3,474	2,243
Printing and stationery		1,093	1,033
Rent, rates and taxes		2,178	2,394
Freight and forwarding		2,749	19,219
Utilities		4,194	3,840
Repairs and maintenance		2,433	1,981
Insurance		1,687	1,506
Advertisement		2,464	2,022
Entertainment		120	97
Depreciation	4.1.3	5,055	4,455
Amortisation	5.1	68	-
License and subscription		123	103
Others		1,794	1,728
		124,701	128,620

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 2.899 million and Rs. 4.404 million, respectively (2010: Rs. 2.666 million and Rs. 5.493 million, respectively).

25 ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries, wages and benefits	25.1	65,992	68,750
Traveling and conveyance		4,881	5,332
Staff training expenses		365	575
Vehicle running expenses		3,710	3,526
Communication		2,929	2,524
Printing and stationery		1,893	2,081
Rent, rates and taxes		2,797	2,653
Utilities		3,241	2,448
Repairs and maintenance		1,257	2,146
Legal and professional charges		7,373	9,466
Insurance		2,072	1,597
Subscription		1,979	2,079
Advertisement		321	325
Depreciation	4.1.3	6,405	5,822
Amortisation	5.1	34	-
Entertainment		692	729
Others		902	1,167
		106,843	111,220

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 2.690 million and Rs. 4.180 million, respectively (2010: Rs. 3.272 million and Rs. 6.297 million, respectively).

26 OTHER OPERATING EXPENSES

	Note	2011	2010
Workers' Profits Participation Fund		2,964	-
Workers' Welfare Fund		1,127	-
Auditors' remuneration	26.1	1,594	1,543
Share of loss in a joint venture		30	110
Donations	26.2	5,780	1,103
Exchange gain		-	(141)
		11,495	2,615

	Note	2011	2010
		(Rupees '000)	

26.1 Auditors' Remuneration

Audit fee		660	600
Tax, corporate and other services		817	833
Out of pocket expenses		117	110
		1,594	1,543

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

27 OTHER OPERATING INCOME

	Note	2011	2010
Income from financial assets			
Profit on saving accounts with banks		895	691
Gain on sale of shares of short term investment		66	(39)
Dividend income from a related party		1,080	-
		2,041	652
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.4	744	486
Others			
Scrap sales		14,965	15,456
Miscellaneous income		104	206
		15,069	15,662
		17,854	16,800

28 FINANCE COSTS

		2011	2010
Mark-up on long-term financings		134,699	45,653
Mark-up on short term borrowings		149,786	112,299
Bank charges and commission		1,984	2,965
		286,469	160,917

29 TAXATION

The assessments of the Company for and upto the tax year 2010 have been completed or deemed to be assessed. In view of unabsorbed losses the Company is only liable to pay minimum tax, final tax and flood surcharge in the current year, therefore, no numerical tax reconciliation is given.

30 EARNINGS / (LOSS) PER SHARE

	2011	2010
	(Rupees '000)	
Profit / (loss) after taxation	68,651	(13,755)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	95,580,008	95,580,008
Earnings / (loss) per share - basic	Re. 0.72	Re. (0.14)

30.1 There is no dilutive effect on basic earnings per share of the Company.

31 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:

31.1 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.

31.1.1 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 swap 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. Apart from interest rate swap arrangements, export refinance facility has been obtained at a fixed rate of 11% per annum (2010: 9%). At June 30, 2011 after taking into account the effect of interest rate swaps and export refinance, approximately 41% (2010: 41%) of the Company borrowings are at fixed rate of interest.

Sensitivity Analysis

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax (Rupees '000)
2011		
KIBOR	+200	(44,670)
KIBOR	-200	44,670
2010		
KIBOR	+200	(41,811)
KIBOR	-200	41,811

31.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate 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, comprehensive hedging is not allowed against US Dollar. For other currencies, management keeps on evaluating different options available.

31.1.3 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. 52,473 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 5.247 million on the other comprehensive income or profit and loss account depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact other comprehensive income in the similar amount but will not have an effect on income unless there is an impairment charge associated with it.

31.2 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.

31.2.1 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:

	2011	2010
	(Rupees '000)	
Long-term investments		
Counter parties without credit rating	158,969	122,104
Derivative financial assets		
AA+	-	1,935
Short term investment		
Counter party without credit rating	-	114
Cash at bank and short-term deposits		
Current accounts - A1+	56,183	41,931
Saving accounts - A1+	11,414	9,402
	67,597	51,333

31.3 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. 734.931 million (2010: Rs. 600.872 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.

	2011					2010				
	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 financings	255,556	1,220,844	1,476,400	-	1,476,400	111,100	976,400	1,087,500	-	1,087,500
Long-term deposits	-	-	-	12,790	12,790	-	-	-	12,637	12,637
Trade and other payables	-	-	-	332,500	332,500	-	-	-	240,180	240,180
Accrued mark-up	-	-	-	87,251	87,251	-	-	-	82,255	82,255
Short-term running finance	1,030,069	-	1,030,069	-	1,030,069	1,114,128	-	1,114,128	-	1,114,128
Unclaimed and unpaid Dividend	-	-	-	11,906	11,906	-	-	-	11,915	11,915
	1,285,625	1,220,844	2,506,469	444,447	2,950,916	1,225,228	976,400	2,201,628	346,987	2,548,615

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

31.4 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, 2011.

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 2011, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2011 and 2010 were as follows:

	2011	2010
	(Rupees '000)	
Long-term financing including current portion	1,476,400	1,087,500
Accrued interest / mark-up	87,251	82,255
Short-term running finance	1,030,069	1,114,128
Total debt	2,593,720	2,283,883
Cash and cash equivalents	(70,688)	(53,652)
Net debt	2,523,032	2,230,231
Share capital	955,801	955,801
Reserves	1,375,963	1,290,164
Total capital	2,331,764	2,245,965
Capital and net debt	4,854,796	4,476,196
Gearing ratio	51.97%	49.82%

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

31.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

Financial assets measured at fair value	Total	Level 1	Level 2	Level 3
	(Rupees '000)			
30 June 2011				
Available for sale securities	52,473	52,473	-	-
30 June 2010				
Derivative financial assets	1,935	-	1,935	-
Available for sale securities	16,578	16,578	-	-
Designated investment at fair value through profit or loss	114	114	-	-
	18,627	16,692	1,935	-

During the year ended June 30, 2011, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2011			2010		
	Chief Executive	Director	Executives / Employees	Chief Executive	Director	Executives / Employees
	(Rupees '000)			(Rupees '000)		
Managerial remuneration	13,660	7,111	109,478	13,525	14,029	102,143
Housing allowance	1,320	1,650	33,156	1,282	3,300	30,806
Retirement benefits	1,880	983	11,848	1,760	1,830	12,260
Utilities	618	407	7,185	431	759	6,698
Leave fare assistance	940	915	6,134	880	760	6,479
	18,418	11,066	167,801	17,878	20,678	158,386
	1	1	68	1	1	60

32.1 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.

32.2 The aggregate amount charged in the financial statements for the year for fee to 6 directors amounted to Rs. 0.440 million (2010: 6 directors - Rs. 0.210 million).

33 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	2011	2010
		(Rupees '000)	
Group companies	Purchase of packing material	438,149	405,627
	Purchase of raw material	77,822	67,602
	Sale of goods	2,291	400
	Dividend received	1,080	-
	Software consultancy charges	5,940	4,600
Other related parties	Insurance premium	41,196	31,563

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

34 CAPACITY - Clinker

	2011	2010
	(Tons)	
Annual Installed capacity as of June 30	1,000,000	1,000,000
Actual production	978,670	946,410

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

35 DATE OF AUTHORIZATION

These financial statements were authorized for issue on August 15, 2011 by the Board of Directors of the Company.

36 CORRESPONDING FIGURES

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

37 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, 2011

No. of Shareholders	Shareholding From	Shareholding To	Shares held
662	1	100	28,293
1,139	101	500	386,658
543	501	1000	451,376
1,175	1001	5000	3,211,358
370	5001	10000	2,886,453
145	10001	15000	1,774,906
128	15001	20000	2,268,880
112	20001	25000	2,486,327
47	25001	30000	1,303,247
20	30001	35000	639,243
22	35001	40000	834,090
30	40001	45000	1,294,265
19	45001	50000	924,614
8	50001	55000	417,239
7	55001	60000	406,296
9	60001	65000	564,159
9	65001	70000	607,133
10	70001	75000	725,603
1	75001	80000	75,468
5	80001	85000	414,876
5	85001	90000	435,924
2	90001	95000	187,185
1	95001	100000	100,000
2	100001	105000	204,319
1	105001	110000	108,963
1	125001	130000	126,500
2	130001	135000	263,721
2	135001	140000	277,445
1	145001	150000	148,241
1	155001	160000	158,292
1	160001	165000	162,487
1	165001	170000	169,143
2	175001	180000	358,147
2	190001	195000	389,161
1	195001	200000	200,000
1	210001	215000	213,671
1	215001	220000	217,934
1	220001	225000	221,239
2	240001	245000	480,555
1	275001	280000	279,042
2	295001	300000	595,569
2	310001	315000	624,999
1	320001	325000	323,437
1	330001	335000	333,812
1	345001	350000	350,000
2	355001	360000	711,818
1	375001	380000	377,540
1	455001	460000	457,457
1	470001	475000	470,614
1	650001	655000	653,818
1	655001	660000	659,804
1	730001	735000	732,130
1	760001	765000	765,000
1	930001	935000	931,786
1	1080001	1085000	1,085,000
1	1190001	1195000	1,191,743
1	1210001	1215000	1,214,269
1	1600001	1605000	1,603,254
1	1735001	1740000	1,739,267
1	1805001	1810000	1,805,331
1	1935001	1940000	1,936,672
1	1995001	2000000	1,999,176
1	2725001	2730000	2,729,464
1	3425001	3430000	3,427,502
1	6410001	6415000	6,413,013
1	6500001	6505000	6,500,269
1	12755001	12760000	12,755,776
1	16785001	16790000	16,789,035
4,523			95,580,008

categories of shareholders

as at June 30, 2011

Categories	No. of Shareholders	Shares held	Percentage
Charitable Trust	1	17,000	0.02
Cooperative Society	1	7,733	0.01
Financial Institutions	19	20,747,763	21.71
Individuals	4,423	29,341,324	30.70
Insurance Companies	6	4,170,010	4.36
Investment Company	1	179	0.00
Joint Stock Companies	54	24,928,902	26.07
Modarabas	4	9,072	0.01
Mutual Fund	1	12,755,776	13.35
Others	13	3,602,249	3.77
Total	4,523	95,580,008	100.00

additional information

Shareholders' Category	Shares held
Associated Companies, Undertakings and Related Parties	
Faruque (Private) Limited	16,789,035
Cherat Packaging Limited (Formerly Cherat Papersack Limited)	221,239
Mirpurkhas Sugar Mills Limited	3,427,502
Greaves Pakistan (Private) Limited	1,999,176
Atlas Insurance Limited	1,739,267
Directors, Chief Executive and their spouses	
Mr. Mohammed Faruque	1
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. Arif Faruque	169,143
Mr. Tariq Faruque	310,566
Mr. Saquib H. Shirazi	1
Executives	314,433
Government Institutions	
Investment Corporation of Pakistan	340
National Bank of Pakistan	7,714,538
National Bank of Pakistan - Trustee Department NI(U)T Fund	12,755,776
Public Sector Companies and Corporations	10,082,206
Banks, Development Financial Institutions, Non Banking Financial Institutions Insurance Companies, Modarabas and Mutual Funds	6,678,498
General Public	33,020,538
Shareholders holding 10% or More Voting Interest	
Faruque (Private) Limited	16,789,035
National Bank of Pakistan - Trustee Department NI(U)T Fund	12,755,776

proxy form

30th Annual General Meeting 2011

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 Head 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 30th Annual General Meeting of the Company to be held on Monday, 31st October 2011 at 11:00 a.m. and at any adjournment thereof.

WITNESSES:

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

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

Signature of Shareholder

Please affix Revenue Stamp

(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)

GHULAM FARUQUE
GROUP

REGISTERED TO ISO 9001: 2008 NO. 2102
URS
CHERAT CEMENT COMPANY LIMITED

**Cherat Cement
Company Limited**

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Modern Motors House
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Karachi 75530 Pakistan
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Fax: (9221) 35683425
Web: www.gfg.com.pk