Lucky Cement Limited

YB A YUNUS BROTHERS GROUP PROJECT

Lucky Cement

Concrete Progress

Annual Report 2006

Contents

Lucky Cement

Concrete Progress

MOODY INTERNATIONAL CERTIFICATION ISO 9001 APPROVED

UKAS QUALITY MANAGEMENT Registration No.014

PNAC Pakistan National Accreditation Council CBA - 001

A YUNUS BROTHERS GROUP PROJECT YB

Company Information

BOARD OF DIRECTORS
Mr. Muhammad Yunus Tabba (Chairman/Director)
Mr. Muhammad Ali Tabba (Chief Executive)
Mr. Muhammad Sohail Tabba
Mr. Imran Yunus Tabba
Mr. Javed Yunus Tabba
Mrs. Rahila Aleem
Miss Mariam Razzak
Mr. Manzoor Ahmed (NIT)

EXECUTIVE DIRECTOR
Mr. Abdur Razzaq Thaplawala

DIRECTOR FINANCE & COMPANY SECRETARY
Mr. Muhammad Abid Ganatra
FCA, FCMA, FCIS

STATUTORY AUDITORS
M/s. Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

INTERNAL AUDITORS
M/s. A.F. Ferguson & Co.,
Chartered Accountants

COST AUDITORS
M/s. Munaf Yusuf & Co.,
Chartered Accountants

BANKERS
Allied Bank Limited
ABN AMRO Bank
Bank AL-Habib Limited
Citibank - NA
Habib Bank Limited
Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank
United Bank Limited

AUDIT COMMITTEE
Mr. Muhammad Yunus Tabba
Mr. Muhammad Ali Tabba
Mr. Imran Yunus Tabba
Mr. Javed Yunus Tabba
Miss Mariam Razzak

REGISTERED OFFICE / FACTORY
Pezu, District Lakki Marwat,
N.W.F.P.

PRODUCTION FACILITIES
1. Pezu, District Lakki Marwat, N.W.F.P.
2. 58 Kilometers on Main Super Highway
   Gadap Town, Karachi.

HEAD OFFICE
6-A, Muhammad Ali Housing Society,
A. Aziz Hashim Tabba Street,
Karachi-75350
UAN # (021) 111-786-555

SHARES DEPARTMENT
6-A, Muhammad Ali Housing Society,
A. Aziz Hashim Tabba Street,
Karachi-75350
UAN # (021) 111-786-555

WEB SITE ADDRESS
www.lucky-cement.com

E-MAIL ADDRESS
info@lucky-cement.com

MISSION STATEMENT

We are an industrial organization with a big capital base presently engaged in manufacturing and marketing of cement. It is our objective to maximize the value of the Company for the benefits of our shareholders, employees and customers.

Our strategy is to build on the strength of our core business as well as our resources by investing in areas where we see potential for strong, sustainable growth in earning.

The mission that drives us is ongoing and challenging to increase the value of the Company to customers, employees and shareholders by producing quality product at least possible cost and to provide our products and services to the market.

Our objective is to be more successful than our competitors, we must never be satisfied with the status quo. We take calculated risk with a compulsive curiously – curiosity to seek innovative answers to complex problem.

OUR STRATEGY

How we accomplish our mission is as important as the mission itself. Fundamental to success for the Company are these basic values:

People

Our people are the source of our strength. They provide our corporate intelligence and determine our reputation and vitality. Involvement and teamwork are our core human values.

Products

Our products are the end result of our efforts, and they should be the best in serving customers world-wide. As our products are viewed, so are we viewed.

Profits

Our profits are the ultimate measure of how efficiently we provide customers with the best products for their needs. Profits are required to survive and grow.

For achieving our Mission we will follow the following strategy:

- We will play a constructive role in the communities in which our facilities are established, paying due regard to environmental considerations.
- We will encourage and reward the productivity and ingenuity of the people who work in the Company.
- We will ensure our technological leadership by maintaining excellent research and development staff and providing them with the facilities they need.
- We will continue to exercise the style of management which has been proven over many years.
- We will achieve profitable growth from within the Company, through imaginative management of our assets.
- We will encourage further growth through acquisition, partnerships, joint ventures and technical collaboration.
- We will seek to maximize the value of our shareholders' investment by consistently raising earnings per share while maintaining prudent accounting standards.
- We will provide our customers with high quality and competitively price products.
- We will provide our employees with job satisfaction and the opportunity for personal development.
- We will manage our business with integrity.

DIRECTORS' REPORT

The Directors of your Company have pleasure to present before you a review of Company's operating performance during the year ended on June 30, 2006 along with audited annual income statement and balance sheet as on June 30, 2006.

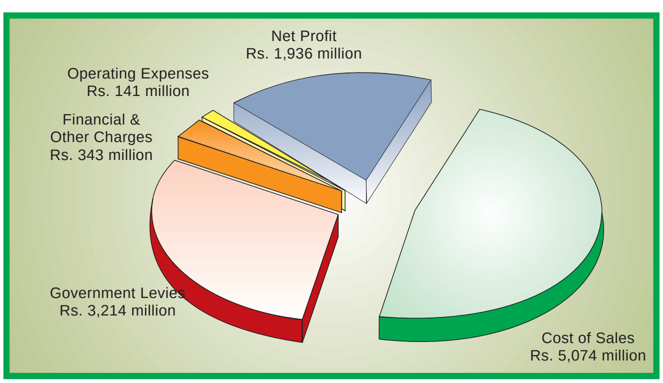
By the grace of almighty Allah, we are pleased to inform you that the expansion projects of your Company which were conceived by the management in calendar year 2004 have now become a reality as all the new expansion projects that is Line C and D of Pezu Plant Unit II and Line E of Karachi Plant Unit III have come into operation during the year under review except Line F of Karachi Plant Unit III which will start cement dispatches by the time this report comes to your hand. All these expansion projects have been completed in a record time period of less than two years.

Alhamdolillah, your Company is now become the largest cement manufacturer in Pakistan with the total production capacity of 21,600 tons per day and 6.5 million tons per annum.

OPERATING RESULTS

The operating performance during the year under review showed a tremendous growth with new level of performance and the best ever results for the Company. The net sales revenue registered a growth of 101% because of higher cement quantity sold with better retention achieved as compared to same period last year. The gross profit also registered a growth of 111% which resultantly contributed the similar impact in the profit before and after tax figures which were increased by 111 % and 134 % respectively as compared to corresponding period last year. A comparison of the operating results is as under:

	2005-06	2004-05	**Increase Percentage**
	(Rupees in '000')		
Sales	**7,984,529**	3,980,109	**101%**
Gross Profit	**2,910,732**	1,379,520	**111%**
Profit before tax	**2,552,976**	1,209,951	**111%**
Profit after tax	**1,935,950**	826,587	**134%**
Earnings per share	**Rs. 7.35**	Rs. 3.14	**134%**



DISTRIBUTION OF REVENUE

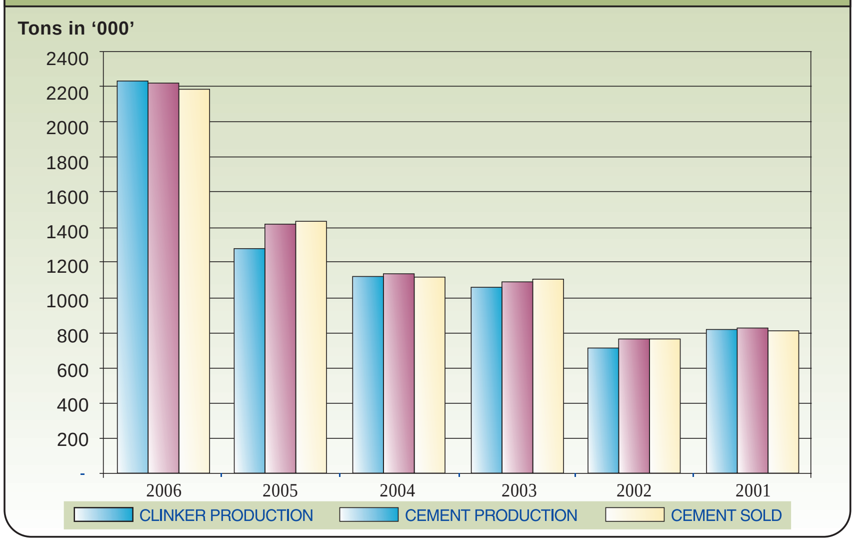
DIRECTORS' REPORT (Continued)

PRODUCTION AND SALES

Your Company has achieved a sizeable growth in the Clinker and Cement production and its sales during the year under review. A comparison of quantitative figures of production and sales for the year under review with the same period last year is as under:

	2005-06 Tons	2004-05 Tons	**Increase Tons**	**Increase Percentage**
Clinker Production	**2,227,878**	1,295,655	**932,224**	**71.95%**
Cement Production	**2,218,292**	1,408,400	**809,892**	**57.50%**
Cement Despatches	**2,196,051**	1,420,369	**775,682**	**54.61%**

CLINKER / CEMENT PRODUCTION & CEMENT SALES OVER THE YEARS



The above quantitative growth of production and sales was mainly attributable due to additional capacity of Line C of Pezu Plant Unit II which was streamed lined in the second quarter of the financial year under review. The production capacities of Line D of Pezu Plant Unit II and Line E of Karachi Plant Unit III also came into operation during the last months of the financial year under review but the contributions of these lines were not very significant because of short time available before the year end. The impact of additional capacity of these two lines together with line F of Karachi Project Unit III would hopefully be evident in the next financial year.

A comparison of the sales quantity and amount of your Company for the year under review with the corresponding period last year is as under:

DIRECTORS' REPORT (Continued)

	2005-06		2004-05		Increase Percentage	
	Quantity Tons	**Amount Rs. '000'**	Quantity Tons	Amount Rs. '000'	Quantity	Value
Local Sales	**1,861,187**	**9,379,135**	1,143,101	4,897,002	**62.82%**	**91.53%**
Export Sales	**334,864**	**1,328,829**	277,268	669,356	**20.77%**	**98.52%**
	2,196,051	**10,707,964**	1,420,369	5,566,358		

The share of your Company in the domestic market during the year under review was 11.06% of the total industry as compared to 7.73% same period last year. The local sales of your Company in quantitative terms registered a growth of 62.82% against the industry growth of 13.83% whereas the local sales in terms of monetary value increased by 91.53% as compared to corresponding period last year.

The share of your Company in the export market during the year under review was 22.25% of the total industry which included 54,485 tons exported to U.A.E. and Iraq whereas remaining quantity was exported to Afghanistan. The prices in the international market were stable and higher retention value realized during the year under review.

The comparative statistics of the Cement industry in Pakistan for the year under review as compared to last year is as under:

	2005-06 Tons	2004-05 Tons	**Increase/ Decrease**
LOCAL			
North Zone Companies	**13,351,254**	11,481,754	**16.28%**
South Zone Companies	**3,482,729**	3,306,420	**5.33%**
Sub Total	**16,833,983**	14,788,174	**13.83%**
EXPORT			
North Zone Companies	**1,409,292**	1,516,368	**(7.06%)**
South Zone Companies	**95,667**	41,631	**129.80%**
Sub Total	**1,504,959**	1,557,999	**(3.40%)**
Total	**18,338,942**	16,346,173	**12.19%**

DIRECTORS' REPORT (Continued)

TAXATION

In accordance with the International Accounting Standard No. 12 (IAS-12), the directives of Securities & Exchange Commission of Pakistan (SECP) and the prevailing tax laws following tax provisions have been made against current year profit.

	2005-06	2004-05
	(Rupees in '000')	
Profit before tax	**2,552,976**	1,209,951
Less: Taxation:		
- Current	**39,923**	19,927
- Previous year	**-**	2,525
- Deferred	**577,103**	360,912
	617,026	383,364
Profit after tax	**1,935,950**	826,587

The deferred tax allocated in the year under review works out to almost 22% of the Profit before tax. The basic and diluted earning per share therefore works out to Rs. 9.69 per share before taxation and Rs. 7.35 per share after taxation as compared to Rs. 4.59 per share before taxation and Rs. 3.14 per share after taxation in the preceding year.

EXPANSION PROJECTS

As reported above all the expansion projects of the Company have come into smooth operation as per scheduled whereas Line F of Karachi Plant Unit III got slightly delayed because of certain unavoidable circumstances. However, the Clinker and Cement production of Line F has also been started in the month of September 2006 and its dispatches are expected to come in market by the end of this month.

FUTURE OUTLOOK

The focus of the present Government to uplift the economy by allocating sizeable funds for Public Sector Development Plan together with the progress of work on four big dams and various other mega projects canal lining, public sector housing schemes and infrastructure development will definitely help to boost the demand of cement in Pakistan.

The efforts of the Government to allow duty free import of cement even from India with a freight subsidy of Rs. 1,200/- per ton did not materialize and no sizeable import of cement was made. A small quantity of fly ash cement was imported which was of sub standard quality and was sold as Ordinary Portland Cement.

Your Company is the only Company who has manufaturing facilities in both North and South zone markets in Pakistan under one corporate umbrella. Because of our presence near to sea ports in Karachi, your company has got the good potential to capture the growing cement demand in gulf countries with its equal presence in the local markets.

DIRECTORS' REPORT (Continued)

The future of the cement industry in Pakistan looks bright for coming years. Your Company is very well placed to reap the fruits of its early completion of expansion plans because of the visionary decision taken well ahead of other competitors.

APPROPRIATION OF PROFIT

Your Directors' propose to appropriate the profit for the financial year under review as under:

	2006	2005
	(Rupees in '000')	
Amount available for appropriation		
Profit after tax	**1,935,950**	826,587
Unappropriate profits brought forward	**1,509,933**	683,346
Total available for appropriation	**3,445,883**	1,509,933
Proposed appropriation		
Dividend proposed @ 10% i.e. Re. 1/- per share	**263,375**	Nil
Transfer to general reserve	**3,000,000**	Nil
Unappropriated profits carried forward	**182,508**	1,509,933
Total	**3,445,883**	1,509,933

CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the year under review your Company contributed Rs. 3.214 billion to the National Exchequer by way of taxes, levies, excise duty and sales tax.

CODE OF CORPORATE GOVERNANCE

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your Company as required by the Code.

As a part of the compliance of the Code, we confirm the following:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

DIRECTORS' REPORT (Continued)

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

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and is being effectively implemented and monitored. The function of Internal audit has been outsourced to M/s. A.F. Ferguson & Co., Chartered Accountants.

f) The Company has a very sound balance sheet with excellent debt:equity ratio and therefore there is no doubt at all about Company's ability to continue as a going concern.

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

h) We have an Internal Audit Committee the members of which are amongst from the Board of Directors.

i) We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.

j) The Board of Directors has adopted a mission statement and a statement of overall corporate strategy.

k) As required by the Code of Corporate Governance, we have included the following information in this report:

i) Statement of pattern of shareholding has been given separately.
ii) Statement of shares held by associated undertakings and related persons.
iii) Statement of the Board meetings held during the year and attendance by each director has been given separately.
iv) Key operating and financial statistics for last six years.

CHANGES IN THE BOARD OF DIRECTORS

During the year under review the composition of the Board of Directors was changed due to resignation of Mr. Muhammad Abdul Samad – a Director representing NIT and his place Mr. Manzoor Ahmed representing NIT was appointed to fill in the vacancy caused due to resignation of the said Director.

DIRECTORS' REPORT (Continued)

ELECTION OF DIRECTORS

The three years term of the office of existing Board of Directors is being completed and an election of Directors for the next term of three years has been scheduled on October 31, 2006 as per Article 56 and 59 of the Articles of Association of the Company and Section 171 and 178 of the CompaniesOrdinance, 1984. The Board has fixed the same 8 numbers of directors to be elected in the coming election of Directors.

AUDITORS

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

ACKNOWLEDGEMENT

Your Directors record with appreciation, the efforts of the Company's managers, technicians and workers who have worked vigorously to meet the target of expansion plants. Your Directors also extend their appreciation to the Company's bankers, dealers and stockists for the cooperation extended by them during the year.

For and on behalf of the Board

MUHAMMAD YUNUS TABBA
Chairman & Director

Karachi: September 09, 2006

NOTICE OF 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the members of Lucky Cement Limited will be held on Tuesday, October 31, 2006 at 10:30 a.m., at the registered office of the Company situated at factory premises Pezu, District Lakki Marwat, N.W.F.P. to transact the following businesses:

1. To confirm the minutes of 12th Annual General Meeting held on October 20, 2005.
2. To receive, consider and adopt the annual audited accounts for the year ended June 30, 2006 together with the Directors' and Auditors' reports thereon.
3. To declare cash dividend @ 10% i.e., Re. 1/- per share for the year ended June 30, 2006 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year 2006-2007. The present Auditors, Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To elect eight Directors of the Company as fixed by the Board of Directors in accordance with the provisions of the Companies Ordinance, 1984 for a period of three years commencing from October 31, 2006. The names of retiring Directors are as under:
    1. Mr. Muhammad Yunus Tabba
    2. Mr. Muhammad Ali Tabba
    3. Mr. Muhammad Sohail Tabba
    4. Mr. Imran Yunus Tabba
    5. Mr. Javed Yunus Tabba
    6. Mrs. Rahila Aleem
    7. Miss Mariam Razzak
    8. Mr. Manzoor Ahmed
6. To transact any other business with the permission of the Chairman.

By Order of the Board

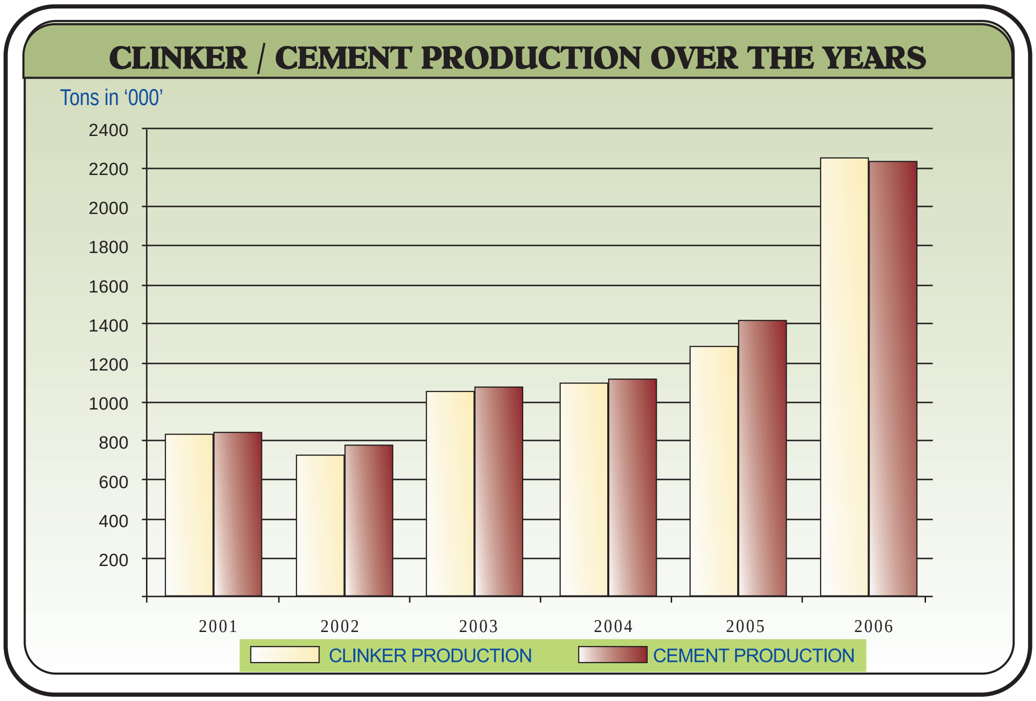
Muhammad Abid Ganatra
Company Secretary

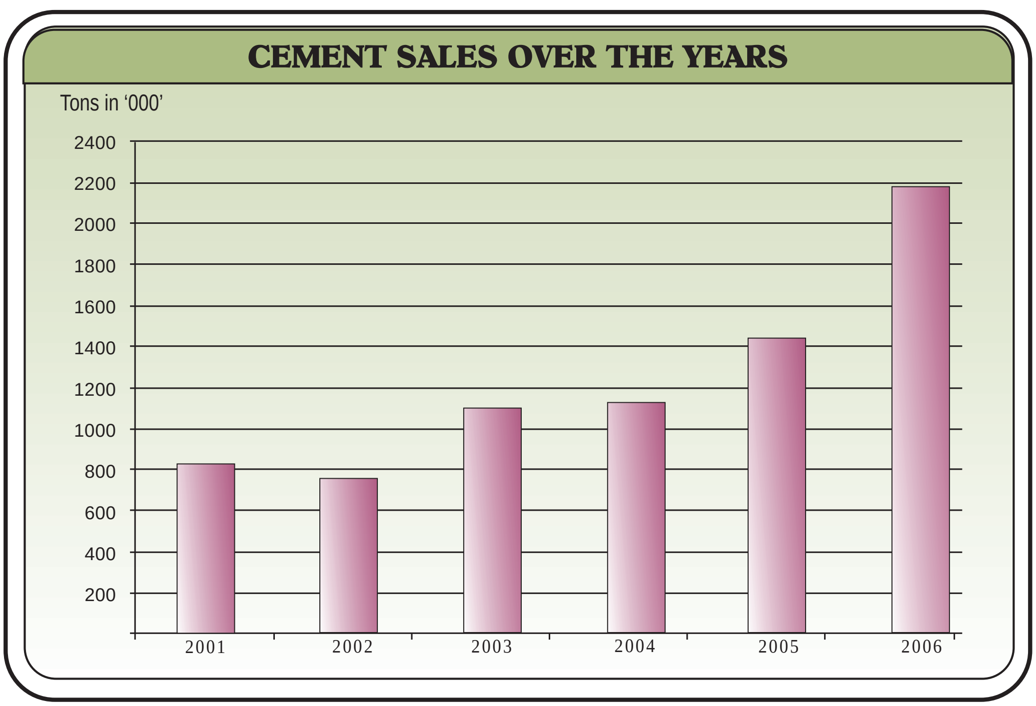
Karachi: September 25, 2006

Notes:

1. The Share Transfer Books of the Company will be closed from Wednesday, October 18, 2006 to Tuesday, October 31, 2006 (both days inclusive).
2. A member entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Nomination from shareholders for the office of Director must be received at least 14 days before the time of meeting at the Registered Office of the Company.
4. An individual beneficial owner of shares from CDC must bring his/her original CNIC or Passport, Account and Participant's I.D. numbers to prove his/her identity. A representative of corporate members from CDC, must bring the Board of Directors' Resolution and/or Power of Attorney alongwith specimen signature of the nominee.
5. The members are requested to notify change in their address, if any, to the Company's shares department at 6 – A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350.

GRAPHS


CLINKER / CEMENT PRODUCTION OVER THE YEARS
Tons in '000'
2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
2001
2002
2003
2004
2005
2006
CLINKER PRODUCTION
CEMENT PRODUCTION


CEMENT SALES OVER THE YEARS
Tons in '000'
2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
2001
2002
2003
2004
2005
2006

YEARWISE STATISTICAL SUMMARY

Rupees in Million

	2006	2005	2004	2003	2002	2001
ASSETS EMPLOYED						
Property, plant & equipment	**19,165**	13,462	5,032	4,222	4,182	3,585
Long term investment	-	-	-	-	-	200
Long term deposits and deferred cost	**2**	2	2	3	3	6
Current assets	**4,456**	1,343	1,978	593	684	784
	23,623	14,807	7,012	4,818	4,869	4,575
FINANCED BY						
Shareholder's equity	**7,070**	5,134	4,307	3,621	3,790	3,648
Long-term liabilities						
Long term finance	**10,156**	6,530	1,150	100	221	184
Current portion of long term finance	**2,383**	617	-	-	120	120
	12,539	7,147	1,150	100	341	304
Long term deposits and deferred liabilities	**1,645**	1,000	624	344	119	106
Current liabilities	**4,752**	2,143	931	753	739	637
Current portion of long term finance	**(2,383)**	(617)	-	-	(120)	(120)
	2,369	1,526	931	753	619	517
Total Funds Invested	**23,623**	14,807	7,012	4,818	4,869	4,575
TURNOVER & PROFIT						
Turnover	**7,985**	3,980	2,908	2,190	1,977	2,203
Gross profit	**2,911**	1,380	1,100	448	440	415
Operating profit	**2,770**	1,294	1,034	390	373	346
Profit/(loss) before taxation	**2,553**	1,210	971	343	305	267
Profit/(loss) after taxation	**1,936**	827	686	228	295	256
Cash Dividend	**263**	-	-	184	184	184
Bonus Shares	**-**	-	184	-	-	-
Profit/(loss) carried forward	**3,446**	1,510	867	365	350	392
Earnings per share (Rupees)	**7.35**	3.14	2.60	0.93	1.20	1.04
Break up value per share (Rupees)	**26.84**	19.49	17.58	14.78	15.47	14.89

RATIO ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

	2006	2005
PROFITABILITY		
Gross profit to sales	**36.45%**	34.66%
Operating profit to sales	**34.69%**	32.52%
Profit before tax to sales	**31.97%**	30.40%
Net profit after tax to sales	**24.25%**	20.77%
SOLVENCY		
Working capital ratio	**0.94 :1**	0.63 :1
Acid test ratio	**0.85 :1**	0.57 :1
Inventory turnover (sales)-times	**29.18**	27.63
Inventory turnover (COGS)-times	**18.54**	18.06
OVERALL VALUATION AND ASSESSMENT		
Return on equity after tax	**27.38%**	16.10%
Book value per share	**Rs.26.84**	Rs.19.49
Long-term debts to equity ratio	**58.96%**	55.99%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2006

A. Statement of Compliance with the Code of Corporate Governance

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

The Company had applied the principles contained in the code in the following manner:

1. The board comprises eight directors, including the Chief Executive Officer (CEO). The number of executive directors on the board is two including CEO.

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

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

4. A casual vacancy in the Board was occurred due to resignation of Mr. Muhammad Abdul Samad – NIT Director which was filed by appointment of Mr. Manzoor Ahmed – NIT Director during the current year.

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

6. The Board of Directors has adopted a vision / mission statement and overall corporate strategy of the company and has also formulated significant policies as mentioned in the Code. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.

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

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

9. The Directors of the Company have given a declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges.

   The directors have also attended talks, workshops and seminars on the subject of Corporate Governance.

10. The Board of Directors has approved the appointment of Chief Financial Officer (CFO), Company Secretary and their remuneration and terms and conditions of employment, as determined by 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 the CEO and CFO before approval of the Board.

13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the code.

15. The Board has formed an Audit Committee. It comprises of 5 members, three (3) of whom are non-Executive Directors.

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.

17. The Board has outsourced the scope of Internal Audit work to M/s. A.F. Ferguson & Co., Chartered Accountants. The firm has set-up an effective internal audit function managed by suitable qualified and experience personnel. They are involved in the internal audit function on full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.

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

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

B. Statement of Compliance with the Best Practices on Transfer Pricing

The Company has fully complied with the Best Practices on Transfer Pricing as contained in the Listing Regulation of the Karachi Stock Exchange.

On Behalf of the Board of Directors

MUHAMMAD YUNUS TABBA
Chairman / Director

MUHAMMAD ALI TABBA
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended **June 30, 2006** prepared by the Board of Directors of **Lucky Cement Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and chapter XIII of the Lahore Stock Exchange (Guarantee) Limited 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended **June 30, 2006**.

FORD RHODES SIDAT HYDER & CO.,
Chartered Accountants

Karachi : September 09, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **LUCKY CEMENT LIMITED** as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion :

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.10 (a) to the financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

FORD RHODES SIDAT HYDER & CO.,
Chartered Accountants

Karachi : September 09, 2006

BALANCE SHEET AS AT JUNE 30, 2006

	Note	2006	2005
		(Rupees in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**19,165,108**	13,462,150
Long term security deposits		**2,175**	2,175
		19,167,283	13,464,325
CURRENT ASSETS			
Stores and spares	4	**1,267,000**	863,978
Stock-in-trade	5	**431,418**	115,771
Trade debts – unsecured, considered good		**98,389**	22,808
Loans and advances	6	**202,238**	134,795
Trade deposits and short term prepayments	7	**285,121**	10,100
Other receivables	8	**83,912**	19,936
Taxation-net		**23,661**	33,694
Cash and bank balances	9	**2,063,755**	141,429
		4,455,494	1,342,511
TOTAL ASSETS		**23,622,777**	14,806,836
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	10	**2,633,750**	2,633,750
Reserves		**4,435,883**	2,499,933
		7,069,633	5,133,683
NON - CURRENT LIABILITIES			
Long term finance	11	**10,156,595**	6,530,163
Deferred taxation	12	**1,435,622**	858,519
Deferred liabilities	13	**181,623**	116,346
Long term deposits	14	**27,269**	25,362
		11,801,109	7,530,390
CURRENT LIABILITIES			
Trade and other payables	15	**1,451,086**	597,853
Accrued mark-up	16	**190,130**	125,021
Short term borrowings	17	**645,872**	786,543
Current portion of long term finance	11	**2,382,576**	616,667
Sales tax payable		**82,371**	16,679
		4,752,035	2,142,763
CONTINGENCIES AND COMMITMENTS	18	**–**	–
		23,622,777	14,806,836

The annexed notes from 1 to 36 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

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

	Note	2006	2005
		(Rupees in '000')	
Turnover	19	**7,984,529**	3,980,109
Cost of sales	20	**5,073,797**	2,600,589
Gross profit		**2,910,732**	1,379,520
Distribution costs	21	**33,917**	23,817
Administrative expenses	22	**106,740**	61,355
		140,657	85,172
		2,770,075	1,294,348
Finance costs	23	**82,809**	21,691
Other operating income	24	**(203)**	(1,141)
Other charges	25	**134,493**	63,847
		217,099	84,397
Profit before taxation		**2,552,976**	1,209,951
Taxation - current	26	**39,923**	19,927
- prior years'		**–**	2,525
- deferred		**577,103**	360,912
		617,026	383,364
Profit after taxation		**1,935,950**	826,587
		(Rupees)	
Basic and diluted earnings per share	27		
- before taxation		**9.69**	4.59
- after taxation		**7.35**	3.14

The annexed notes from 1 to 36 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2006

	2006	2005
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**2,552,976**	1,209,951
Adjustments for non cash charges and other items		
Depreciation	**417,441**	237,889
Gain on sale of fixed assets	**(184)**	(1,033)
Provision for gratuity	**73,568**	12,897
Finance cost	**82,809**	21,691
	3,126,610	1,481,395
Working capital changes		
Increase in current assets	**(1,200,691)**	(226,703)
Increase in current liabilities	**1,406,419**	250,208
Cash generated from operations	**3,332,338**	1,504,900
Income tax paid	**(29,890)**	(18,808)
Gratuity paid	**(8,291)**	(2,972)
	(38,181)	(21,780)
Long term deposits	**1,907**	5,144
Net cash inflow from operating activities	**3,296,064**	1,488,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	**(6,054,432)**	(8,514,346)
Sale proceeds of fixed assets	**1,199**	16,182
Net cash used in investing activities	**(6,053,233)**	(8,498,164)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances	**5,392,341**	5,996,830
Mark-up on long term finances paid	**(572,087)**	(63,798)
Dividend paid	**(88)**	138
Net cash inflow from financing activities	**4,820,166**	5,933,170
Net increase in cash and cash equivalents	**2,062,997**	(1,076,730)
Cash and cash equivalents at the beginning of the period	**(645,114)**	431,616
Cash and cash equivalents at the end of the period	**1,417,883**	(645,114)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,063,755**	141,429
Short term borrowings	**(645,872)**	(786,543)
	1,417,883	(645,114)

The annexed notes from 1 to 36 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

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

	Issued, subscribed and paid up capital	Capital reserves		Revenue reserves	Total reserves	Total equity
		Share premium	Reserve for issue of bonus shares	Unappro-priated profit		
	------------------------ (Rupees in '000') ------------------------					
Balance as at June 30, 2004	2,450,000	990,000	-	867,096	1,857,096	4,307,096
Bonus shares issued during the year @ 1 : 0.075 per share	183,750	-	-	(183,750)	(183,750)	-
Net profit for the year	-	-	-	826,587	826,587	826,587
Balance as at June 30, 2005	2,633,750	990,000	-	1,509,933	2,499,933	5,133,683
Balance as at June 30, 2005	2,633,750	990,000	-	1,509,933	2,499,933	5,133,683
Net profit for the year	-	-	-	1,935,950	1,935,950	1,935,950
Balance as at June 30, 2006	2,633,750	990,000	-	3,445,883	4,435,883	7,069,633

The annexed notes from 1 to 36 form an integral part of these financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. THE COMPANY AND ITS OPERATION

1.1 Lucky Cement Limited was incorporated in Pakistan on September 18, 1993 under the Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on all the three stock exchanges in Pakistan. The principal activity of the Company is manufacturing and marketing of cement. The registered office and the project is located at Pezu, District Lakki Marwat in North West Frontier Province (NWFP). The Company has two production facilities at Pezu, District Lakki Marwat in NWFP and at main super highway in Karachi Sindh.

1.2 The Company planned and started work on huge expansion projects in 2003 whereby two new production lines having production capacity of 4200 tpd each at Pezu and a new expansion plan green field project consisting again of two lines having production capacity of 4200 tpd each at Karachi. During the year the Company has completed its expansion at Pezu plant whereby its increased production capacity stands at 13,200 tons per day. One of the two production lines at the Karachi plant having a production capacity of 4200 tons per day has also started commercial production during the last quarter of the financial year ended June 30, 2006. The second production line at Karachi plant will start its commercial production in the Ist the quarter of financial year 2006-07. After completion of total expansion projects, the total production capacity of the Company would be 21,600 tons per day.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting covention

These financial statements have been prepared under the ‘historical cost convention’ except for obligations under certain employee benefits, which are measured at present value and derivative financial instruments at fair value.

2.2 Statement of compliance

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

2.3 Significant accounting judgements and estimates

Estimates and judgments are continually evaluated by the management and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Companien's Accounting policies, management has made the following estimates and judgements which are signficiant to the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

2.3.1 Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 2.10 (a) to the financial statements for valuation of present value of defined benefit obligations.

2.3.2 Property, plant and equipment

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

2.3.3 Future estimation of export sales

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

2.3.4 Interest rate and cross currency swap

The Company has entered into various interest rate and cross currency swap over the last two years. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces.

2.4 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment losses if any, except for free hold land and capital work in progress which are stated at cost.

Cost in relation to certain fixed assets, including capital work in progress, signifies historical cost and financial charges on borrowings for financing the projects until such projects are completed or become operational.

Depreciation is charged to income applying the straight line method on building and quarry equipment and on written down value on all other assets at the rates mentioned in the relevant note. On plant and machinery depreciation is charged on units of production method based on higher of estimated life or production. Full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year. However, capitalization of major projects cost is depreciated proportionately for the period of use.

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

NOTES TO THE FINANCIAL STATEMENTS

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are included in income currently.

2.5 Stores and spares

These are valued at lower of moving average cost and net realizable value, except items in transit, which are stated at cost. Obsolete and used items are recorded at nil value. Value of items is reviewed at each balance sheet date to record provision for any slow moving items.

Net realisable value signifies the selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.6 Stock in trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows :

i) Raw and packing material	- at average cost comprising of quarrying/ purchase price, transportation, government levies and other overheads.
ii) Work in process and finished goods	- at average cost comprising direct cost of raw material, labour and other manufacturing overheads.

Net realizable value signifies estimated selling price in the ordinary course of business less estimated cost necessarily to make the sale.

2.7 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/receivable is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are writen-off when identified.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current and deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements is shown in current liabilities.

2.9 Long term and short term borrowings

These are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid.

NOTES TO THE FINANCIAL STATEMENTS

2.10 Employee benefits

a) Defined Benefit plan

The Company operates an unfunded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee, subject to completion of minimum qualifying period of service.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as of June 30, 2006 using the "Projected Unit Credit Method". The valuation uses a discount rate and increase in salary of 10 (2005: 9) and 10 (2005: 8) percent per annum respectively.

The amount recognized in the balance sheet represents the present value of defined benefit obligations.

Change in accounting policy

Previously, cumulative net unrecognised actuarial gains and losses at the end of previous year which exceeded 10% of the present value of the Company's gratuity obligation were amortised over the expected average remaining working lives of the employees. During the year, the Company has changed its accounting policy and has started recognising actuarial gains and losses immediately. This change in accounting policy is due to the fact that immediate recognition of acutarial gains and losses would give an a more appropriate reflection of the Company’s obligation as at the balance sheet date.

This change in accounting policy has been accounted for prospectively because the impact of the change on prior years' balances has been considered immaterial. Had there been no change in the accounting policy, the profit after tax for the year ended June 30, 2006 would have been higher by Rs. 28.293 million and deferred liabilities would have been lower by Rs. 40.743 million.

b) Compensated absences

The Company accounts for compensated absences in the accounting period in which these are earned.

2.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

NOTES TO THE FINANCIAL STATEMENTS

2.12 Provisions

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

2.13 Taxation

a) Current

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

b) 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 recognized for all taxable temporary differences and deferred tax assets are recognised 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 the Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

2.14 Revenue Recognition

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

- Sales are recorded on despatch of goods to customers.

- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

2.15 Borrowing Costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with profit and loss account in the period in which they are incurred.

2.16 Foreign currency translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet 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 recognised in the profit and loss account.

2.17 Financial assets and liabilities

Financial assets and liabilities are initally measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured at fair value, amortised cost or cost as the case may be. Any gain or loss,on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

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

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

2.18 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to hedge its risk associated with interest rate flucations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measeured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS

Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

2.19 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off-set.

2.20 Impairment

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

2.21 Related Party Transaction

All transactions with related parties are entered into at arm's length basis determined in accordance with "Comparable Uncontrolled Price Method".

2.22 Dividend and appropriation to reserves

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

	Note	**2006**	2005
		(Rupees in '000')	
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	**16,363,715**	7,645,504
Capital work-in-progress	3.6	**2,801,393**	5,816,646
		19,165,108	13,462,150

NOTES TO THE FINANCIAL STATEMENTS

3.1 Operating assets

2006

Particulars	COST At July 01, 2005	COST Additions/ (disposals) /transfers	COST At June 30, 2006	DEPRECIATION At July 01, 2005	DEPRECIATION for the year/ (disposals)/ transfers	DEPRECIATION At June 30, 2006	Book value at June 30, 2006	Rate of depre-ciation %
	---------- Rupees in '000' ----------							
Land - Free hold	5,367	224,738	230,105	–	–	–	230,105	
Building on free hold Land	1,583,573	1,810,392	3,393,965	381,483	87,154	468,637	2,925,328	5
Plant and machinery	5,790,838	5,083,300	10,874,138	886,117	209,433	1,095,550	9,778,588	Units of
Generators	1,537,673	1,593,730	3,131,403	271,902	85,247	357,149	2,774,254	production method
Quarry equipments	272,593	323,693	596,286	72,803	19,140	91,943	504,343	5
Vehicles	53,801	42,195	93,746	23,256	14,404	36,128	57,618	20
		(2,250)			(1,532)			
Furniture and fixtures	11,946	7,442	19,334	4,829	1,478	6,277	13,057	10
		(54)			(30)			
Office equipments	42,872	41,918	84,254	17,896	6,867	24,488	59,766	10
		(536)			(275)			
Other assets	13,226	17,999	31,210	8,099	2,457	10,554	20,656	10
		(15)			(2)			
2006	9,311,889	9,145,407	18,454,441	1,666,385	426,180	2,090,726	16,363,715	
		(2,855)			(1,839)			

2005

Particulars	COST At July 01, 2004	COST Additions/ (disposals) /transfers	COST At June 30, 2005	DEPRECIATION At July 01, 2004	DEPRECIATION for the year/ (disposals)/ transfers	DEPRECIATION At June 30, 2005	Book value at June 30, 2005	Rate of depre-ciation %
	---------- Rupees in '000' ----------							
Land - Free hold	5,367	–	5,367	–	–	–	5,367	
Building on free hold Land	995,680	587,893	1,583,573	330,735	50,748	381,483	1,202,090	5
Plant and machinery	3,539,434	2,251,404	5,790,838	756,598	129,519	886,117	4,904,721	Units of
Generators	633,740	903,933	1,537,673	236,289	35,613	271,902	1,265,771	production method
Quarry equipments	188,309	108,829	272,593	70,219	13,629	72,803	199,790	5
		(24,545)			(11,045)			
Vehicles	36,953	24,352	53,801	21,610	7,637	23,256	30,545	20
		(7,504)			(5,991)			
Furniture and fixtures	7,957	4,031	11,946	4,055	796	4,829	7,117	10
		(42)			(22)			
Office equipments	29,117	13,923	42,872	15,177	2,776	17,896	24,976	10
		(168)			(57)			
Other assets	12,760	474	13,226	7,372	730	8,099	5,127	10
		(8)			(3)			
2005	5,449,317	3,894,839	9,311,889	1,442,055	241,448	1,666,385	7,645,504	
		(32,267)			(17,118)			

NOTES TO THE FINANCIAL STATEMENTS

3.2 The building and plant and machinery of Line D and E have been capitalized during this year as the same were commissioned and started production in June 2006.

3.3 During the year borrowing cost amounting to Rs. 660.134 million (2005: Nil) has been capitalised in the operating assets pertaining to the new expansion project.

3.4 Depreciation charge for the year has been allocated as follows:

	Note	2006	2005
		(Rupees in '000')	
Cost of sales	20	**408,976**	232,939
Distribution cost	21	**3,691**	710
Administration expenses	22	**4,774**	4,240
Capital work-in-progress / Transferred to fixed assets	3.6	**8,739**	3,559
		426,180	241,448

3.5 The detail of property, plant and equipment disposed off during the year are as follows:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
	------------------- Rupees in '000	-------------------				
Vehicles	74	14	60	68	Ins. Claim	Adamjee Insurance Co. Ltd. 6th Floor, Adamjee Insurance Building, I.I. Chundrigar Road, Karachi.
	1,005	740	265	469	Negotiation	Mr. A.R. Thaplawala, C-15, Dawood Co-operative Housing Society, Karachi.
	866	512	354	380	Negotiation	Lt. Col. Waheed A. Kamran, House No. 433, Street No. 16, Chakala Scheme III, Rawalpindi.
	304	266	38	180	Ins. Claim	Adamjee Insurance Co. Ltd. 6th Floor, Adamjee Insurance Building, I.I. Chundrigar Road, Karachi.
Office equipment	204	84	120	15	Negotiation	Paramount Combine Services, R. No.404, 4th Floor, Al-Falah Chamber, Abdullah Haroon Road, Karachi.
	82	55	27	6	Negotiation	Sh. Anwar Ali & Co., Multan, Hussain Agahi Road, Multan
	168	95	73	30	Negotiation	Prince Furniture House, Shumali Circular Road, Near Jans hotel, D.I. Khan.
	83	41	42	10	Negotiation	Mr. Bilal Ahmed Butt, 19, Nisbat Road, Lahore.
Items having book value of less than Rs. 50,000 each	69	32	37	42		
Total	2,855	1,839	1,016	1,200		

NOTES TO THE FINANCIAL STATEMENTS

3.6 The following is the movement in capital work-in-progress during the period/year:

				2006	2005
	Opening	Additions balance	Transferred to operating fixed assets	Closing balance	Closing balance
	----------------------------(Rupees in '000')----------------------------				
Building and civil works	1,556,543	1,452,660	2,186,599	**822,604**	1,556,543
Plant and machinery	4,241,082	3,915,431	6,180,679	**1,975,834**	4,241,082
Advance to suppliers vehicles	19,021	2,955	19,021	**2,955**	19,021
	5,816,646	5,371,046	8,386,299	**2,801,393**	5,816,646

3.6.1 Borrowing costs amounting to Rs. 235.871 million (2005: Rs.168.885 million) and exchange loss of Rs. 5.915 million (2005: Nil) have been capitalized in capital work in progress up to the balance sheet date.

	Note	**2006**	2005
		(Rupees in ‘000’)	
4. STORES AND SPARES			
Stores		**322,645**	528,593
Spares	4.1	**944,355**	335,385
		1,267,000	863,978

4.1 This includes spares in transit of Rs. 84.747 million (2005: Rs. 106.783 million) as at the balance sheet date.

5. STOCK-IN-TRADE		
Raw and packing materials - in hand	**99,066**	55,223
Work-in-process	**264,403**	42,296
Finished goods	**67,949**	18,252
	431,418	115,771

NOTES TO THE FINANCIAL STATEMENTS

	Note	2006	2005
		(Rupees in ‘000’)	
6. LOANS AND ADVANCES			
Considered good			
Secured			
Loans due from :			
Employees		**1,462**	693
Executives	6.1&6.2	**545**	1,888
		2,007	2,581
Unsecured			
Excise Duty		**15,932**	23,856
Advance to suppliers and others		**184,299**	108,358
		200,231	132,214
		202,238	134,795

6.1 Reconciliation of carrying amount of loan to executive

	Opening balance as at July 01	Disbursement	Repayment	Closing balance as at June 30
2006	**1,888**	**250**	**1,593**	**545**
2005	2,998	200	1,310	1,888

6.2 Represents loans provided as per the Company's employee loan policy. These loans are interest free and are repayable in a maximum of 20 installments. These advances are secured against the gratuity fund balance of respective employees. The maximum aggregate balance due from executives at the end of any month during the year was Rs. 1.339 million (2005: Rs. 1.993 million).

	Note	2006	2005
7. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits			
Containers		**2,543**	3,813
Coal supplier		**4,000**	4,000
Others	7.1	**274,444**	1,842
		280,987	9,655
Prepayments			
Insurance		**2,586**	46
Rentals		**282**	264
Others		**1,266**	135
		4,134	445
		285,121	10,100

NOTES TO THE FINANCIAL STATEMENTS

7.1 This includes an amount of Rs. 271.002 million (2005: Rs. Nil) paid to the Privatization Commission of Pakistan as a deposit for a takeover bid of a government held corporation together with other consortium members. This amount has been received back by the Company subsequent to the year end as the takeover bid was declared unsucessful.

	Note	2006	2005
		(Rupees in '000')	
8. OTHER RECEIVABLES - Unsecured, considered good			
Receivable from clearing agents		**94**	11,407
Rebate on export sales		**6,019**	5,624
Accrued return on bank deposits		**919**	1,965
Fair value of derivatives		**73,974**	-
Others		**2,906**	940
		83,912	19,936
9. CASH AND BANK BALANCES			
Cash in hand		**1,132**	453
Sales collection in transit		**219,457**	15,667
Cash at bank - on current accounts		**11,408**	113,863
- on PLS saving accounts	9.1	**1,831,758**	11,446
		1,843,166	125,309
		2,063,755	141,429

9.1 Effective profit rate on PLS saving accounts range between 1% to 10.75% (2005: 1% to 5%) per annum.

10. SHARE CAPITAL

2006	2005		2006	2005
(Number of shares)			**(Rupees in '000')**	
Authorised capital				
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	**5,000,000**	5,000,000
Issued, subscribed and paid-up capital				
245,000,000	245,000,000	Ordinary shares of Rs. 10/- each issued for cash	**2,450,000**	2,450,000
18,375,000	18,375,000	Ordinary shares of Rs. 10/- each issued as bonus shares	**183,750**	183,750
263,375,000	263,375,000		**2,633,750**	2,,633,750

NOTES TO THE FINANCIAL STATEMENTS

11. LONG TERM FINANCE – secured

Long term finance utilized under mark-up arrangements from the following banks:

	Installments		2006	2005
	Number	Commencing from	(Rupees in '000')	
MCB Bank Limited	6 monthly	June 2006	**833,333**	1,000,000
MCB Bank Limited	Bullet payment	July 2007	**500,000**	-
National Bank of Pakistan	6 semi annual	November 2006	**1,000,000**	999,830
National Bank of Pakistan	6 monthly	February 2008	**1,005,838**	-
National Bank of Pakistan	6 quarterly	September 2009	**1,000,000**	-
Standard Chartered Bank	4 semi annual	December 2007	**500,000**	247,000
Habib Bank Limited				
– Demand Finance I	5 semi annual	January 2006	**800,000**	1,000,000
– Demand Finance II	4 semi annual	September 2007	**1,000,000**	1,000,000
United Bank Limited				
– Demand Finance I	4 semi annual	January 2006	**750,000**	1,000,000
– Demand Finance II	4 semi annual	June 2007	**600,000**	600,000
– Demand Finance III	4 semi annual	December 2008	**750,000**	-
Citibank N.A.				
– Demand Finance I	8 quarterly	March 2007	**300,000**	300,000
– Demand Finance II	11 semi annual	June 2007	**1,000,000**	1,000,000
Allied Bank Limited				
– Demand Finance I	Bullet payment	July 2007	**1,500,000**	-
– Demand Finance II	5 monthly	August 2008	**500,000**	-
Bank Al-Habib Limited	6 semi annual	December 2008	**500,000**	-
			12,539,171	7,146,830
Less: Current portion of long term finance			**(2,382,576)**	(616,667)
			10,156,595	6,530,163

11.1 The long term finances carry floating mark-up rates ranging between 6.89% to 10.86% (2005: 2.83% to 9.76%) per annum.

11.2 The above finances are secured by a letter of hypothecation providing charge over plant, machinery, equipments, generators, all tools and spares of the Company and all future modifications and replacement thereof.

11.3 The Company has entered into five interest rate swap agreements with United Bank Limited and MCB Bank Limited for a notional amount of Rs. 3.600 million, maturing upto March 17, 2009. The outstanding balance of these arrangements is Rs. 3,150 million as at the balance sheet date. Under the swap arrangements, the Company would receive 6 months T-Bills or KIBOR rates and pay fixed rates of mark-up ranging between 7.25% to 9.32% as per the respective arrangements, which will be settled semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was Rs. 31.542 million (2005: Rs. 0.491 million) in favour of the Company.

11.4 During the current year the Company has entered into a cross currency swap with Standard Chartered Bank against a long term finance from National Bank of Pakistan for a notional amount of Rs. 1,000 million, maturing upto January 21, 2008. Under the swap arrangement the principal amount payable of Rs. 1,000 million is swapped with US $ component at Rs. 59.95 per US $ making the loan amount to US $ 16.681 million which will be exchanged at the maturity of the swap agreement on January 21, 2008. In addition to the above the Company would receive 6 months KIBOR rates and pay 6 months LIBOR + 1.25 percent as per the respective arrangements, which will be settled semiannually. As at the balance sheet date, the net fair value of this interest rate and cross currency swaps was Rs. 42.432 million in favour of the Company. This swap arrangement has exposed the Company with foreign currency risk on the US $. value converted at the agreement date of the principal amount of the loan.

	Note	2006	2005
		(Rupees in '000')	
12. DEFERRED TAXATION			
This comprises the following			
Deferred tax liability – difference in tax and accounting bases of property, plant and equipments		**2,652,778**	1,338,455
Deferred tax assets			
- Unabsorbed tax losses		**(1,217,156)**	(431,154)
- Provision for staff gratuity		**–**	(14,315)
- Others		**–**	(34,467)
		(1,217,156)	(479,936)
		1,435,622	858,519
13. DEFERRED LIABILITIES			
Staff gratuity	13.1	**113,967**	48,690
Retention money			
Plant and machinery – foreign supplier	13.2	**11,477**	11,477
Encashment of performance guarantee	13.2	**56,179**	56,179
		181,623	116,346

NOTES TO THE FINANCIAL STATEMENTS

	Note	2006	2005
		(Rupees in '000')	

13.1 The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligation		**113,967**	57,636
Unrecognized actuarial loss		–	(8,946)
		113,967	48,690

Movement in the liability recognised in the balance sheet are as follows:

Opening balance		**48,690**	38,765
Net charge for the year		**73,568**	12,897
		122,258	51,662
Payments made during the year		**(8,291)**	(2,972)
Closing balance		**113,967**	48,690

The amount recognized in the profit and loss account is as follows:

Current service cost		**10,919**	9,849
Interest cost		**5,187**	3,048
Actuarial losses recognised		**57,462**	–
		73,568	12,897

13.2 These represent retention money and proceed of encashment of performance guarantee of US $. 1,313,250 furnished by a foreign supplier . The encashment amount of performance guarantee is valued at the conversion rate on the date of encashment as the Company estimates that the ultimate liability of the Company would not exceed the amount encashed. The Company is carrying the above liabilities pending final decision by Honourable High Court of Sindh on the matter as referred to in note no. 18.3.

14. LONG TERM DEPOSITS – Unsecured

	Note	2006	2005
Cement stockists	14.1	**12,884**	11,577
Transporters	14.2	**14,150**	13,650
Others		**235**	135
		27,269	25,362

14.1 These represent interest free security deposits received from stockists and are repayable on cancellation or withdrawal of stockist arrangement and are also adjustable against unpaid amount of sales.

NOTES TO THE FINANCIAL STATEMENTS

14.2 These represent interest free security deposits received from transporters and are repayable on cancellation or withdrawal of contracts.

	Note	2006	2005
		(Rupees in '000')	
15. TRADE AND OTHER PAYABLES			
Creditors		**459,322**	263,765
Accrued liabilities		**58,936**	29,014
Running account with customers		**176,525**	167,703
Retention money		**537,683**	52,509
Bills payable		**86,876**	–
Workers' profit participation fund	15.1	**103,685**	63,847
Excise duty payable		**6,699**	–
Unclaimed dividend		**8,015**	8,103
Others		**13,345**	12,912
		1,451,086	597,853

15.1 Workers' profit participation fund

		2006	2005
Balance at July 01		**63,847**	51,755
Allocation for the year		**134,493**	63,847
Interest provided		**2,334**	3,145
		200,674	118,747
Payments during the year		**(96,989)**	(54,900)
		103,685	63,847

16. ACCRUED MARK-UP

		2006	2005
Long term finances		**181,626**	108,442
Short term borrowings		**8,504**	16,579
		190,130	125,021

17. SHORT TERM BORROWINGS – Secured

	Note	2006	2005
Running finance under mark-up arrangements from banks	17.1 & 17.2	**645,872**	786,543

NOTES TO THE FINANCIAL STATEMENTS

17.1 Represents utilized portion of aggregate financing facilities amounting to Rs. 4,200 million (2005: Rs. 1,300 million) available from various banks. These facilities are payable on various dates by June 30, 2007. These facilities are secured by way of hypothecation on stores, stock and trade debts.

17.2 The rate of mark-up for these facilities ranges between Re. 0.2153 to Re.0.2715 (2005: Re. 0.075 to Re. 0.213) per Rs. 1,000 per day net of prompt payment rebates. These facilities are renewable subject to payment of repurchase price on specified dates.

18 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

18.1 Under SRO 484(1)/92 dated May 14, 1992 the plant and machinery not being manufactured locally was exempt from customs duty, if imported before June 30, 1995. The Company obtained certificates from the Ministry of Industries and Central Board of Revenue (CBR) that the machinery being imported was not manufactured locally. In April 1995 the Central Board of Revenue advised the Customs authorities that the local industry was capable of manufacturing some of the equipment being imported by the Company and that exemption from customs duty on such equipment be denied. The Company filed a writ petition against CBR's instructions before the Peshawar High Court. The Honorable High Court has decided the case in favor of the Company. The Collector of Customs, Karachi has filed an appeal in the Supreme Court of Pakistan against the Order of Peshawar High Court. The case is pending before the Supreme Court of Pakistan.

18.2 The Company was entitled to sales tax exemption on cement produced by it from the date of commissioning to June 30, 2001 vide SROs 580 (1) / 91 and 561 (1) /94 dated 27-06-1991 and 9-06-1994 respectively. In June 1997 the Federal Government withdrew the sales tax from the entire cement industry and deprived the Company from the advantage of its sales tax exemption. Being aggrieved by the denial of the benefit of sales tax exemption, the Company had filed a writ petition in the Peshawar High Court. Subsequently, the sales tax exemption was restored on September 5, 2000. The writ petition was therefore withdrawn on legal advice but at the same time a suit for compensation was filed by the Comapny in the appropriate court.

18.3 The Company filed suits in 1998 against the supplier of main plant and machinery in the High Court of Sindh, Karachi on account of uneconomical operation, short supply of equipment and parts and supply of sub-standard/ defective parts etc. The suits are pending with the High Court of Sindh. The total amount of these claims is not determinable in monetary terms at this stage.

NOTES TO THE FINANCIAL STATEMENTS

18.4 On September 5, 2000, the Government of Pakistan imposed sales tax on cement which resulted in the restoration of statutory sales tax exemption available to the Company upto June 30, 2001. On September 20, 2000 the Sales Tax Wing, Central Board of Revenue (CBR) issued a letter stating that all dealers/distributors/whole sellers and suppliers of cement are required to be registered irrespective of their purchases from a cement manufacturer whose supplies are taxable or exempt. It also advised not to supply cement to any unregistered dealer/distributor/whole seller and supplier of cement. Being aggrieved from this letter, the Company filed a writ petition in the Peshawar High Court. The High Court has decided the case and declared that the Company's dealers/distributors/whole sellers are not liable to be registered upto the statutory exemption period of the Company. The CBR has filed an appeal before the Supreme Court of Pakistan and the case is pending before it.

18.5 The Income Tax department levied tax of Rs. 85 million on certain pre- operational earnings for assessment years 1994-95, 1995-96 and 1996-97. The CIT (Appeal) has reversed the order of the assessing officer and decided the case in favour of the Company. The Tax Department filed appeal before Income Tax Appellate Tribunal who deleted the order of CIT (Appeal). The Company filed appeal in Peshawar High Court and the Court has decided the case against the Company. The Company has now filed appeal in the Supreme Court of Pakistan and also referred the matter to CBR for constitution of Dispute Resolution Committee. The amount of tax has alreay been deposited and as a matter of prudence the same has been provided in the financial statements.

18.6 Dispute with a civil contractor is under arbitration. The amount is not ascertainable at this stage.

		2006	2005
		(Rupees in '000')	
	COMMITMENTS		
18.7	**Capital commitments**		
	Plant and machinery under letters of credit	**368,160**	2,866,670
	Civil works and others	**170,705**	926,822
18.8	**Other commitments**		
	Stores, spares and packing material under letters of credit	**545,153**	156,404

NOTES TO THE FINANCIAL STATEMENTS

19. TURNOVER - net

	Note	2006	2005
		(Rupees in '000')	
Sales - local		**9,379,135**	4,897,002
- export		**1,328,829**	669,356
		10,707,964	5,566,358
Less: Excise duty		**1,370,932**	857,327
Sales tax		**1,226,275**	639,587
Commission and rebates on sales		**56,656**	40,824
Loading and other charges		**69,572**	48,511
		2,723,435	1,586,249
		7,984,529	3,980,109

20. COST OF SALES

	Note	2006	2005
Raw material consumed		**181,465**	93,490
Packing material [net of duty draw back on export sales amounting to Rs. 6.967 million (2005: Rs. 12.881 million)]		**404,852**	242,446
Salaries, wages and benefits	22.1	**257,341**	141,360
Fuel and power		**3,582,761**	1,581,383
Stores and spares consumed		**356,899**	143,650
Repairs and maintenance		**36,391**	24,891
Depreciation	3.4	**408,976**	232,939
Insurance		**37,168**	35,461
Other manufacturing expenses		**79,748**	42,736
		5,345,601	2,538,356
Work-in-process			
Opening		**42,296**	90,916
Closing		**(264,403)**	(42,296)
		(222,107)	48,620
Cost of goods manufactured		**5,123,494**	2,586,976
Finished goods			
Opening		**18,252**	31,865
Closing		**(67,949)**	(18,252)
		(49,697)	13,613
		5,073,797	2,600,589

NOTES TO THE FINANCIAL STATEMENTS

	Note	2006	2005
		(Rupees in '000')	
21. DISTRIBUTION COSTS			
Salaries and benefits	22.1	**20,541**	11,267
Communication		**1,591**	1,623
Travelling and conveyance		**963**	848
Printing and stationery		**389**	396
Insurance		**919**	890
Rent, rates and taxes		**1,690**	1,550
Utilities		**499**	559
Vehicles running and maintenance		**1,222**	939
Repairs and maintenance		**163**	136
Fees, subscription and periodicals		**199**	232
Advertisement and sales promotion		**1,140**	3,763
Entertainment		**325**	411
Depreciation	3.4	**3,691**	710
Others		**585**	493
		33,917	23,817

	Note	2006	2005
22. ADMINISTRATIVE EXPENSES			
Salaries and benefits	22.1	**62,105**	29,197
Communication		**4,260**	3,869
Travelling and conveyance		**2,542**	1,608
Insurance		**762**	717
Rent, rates and taxes		**1,138**	644
Vehicles running and maintenance		**4,596**	1,544
Printing and stationery		**1,779**	1,853
Fees and subscription		**3,431**	4,400
Security services		**1,475**	362
Legal and professional		**5,734**	3,912
Transportation and freight		**232**	123
Utilities		**1,402**	1,040
Repairs and maintenance		**565**	587
Advertisement		**1,647**	–
Donations	22.2	**7,395**	5,014
Auditors' remuneration	22.3	**1,414**	374
Depreciation	3.4	**4,774**	4,240
Octroi refundable written off		**–**	714
Others		**1,489**	1,157
		106,740	61,355

NOTES TO THE FINANCIAL STATEMENTS

22.1 Salaries, wages and benefits under notes 20, 21 and 22 include Rs. 73.568 million (2005: Rs. 12.897 million) in respect of staff retirement benefits.

22.2 Directors and Chief Executive and their spouses do not have any interest in any donee's fund to which donations were made.

		2006	2005
		(Rupees in '000')	
22.3 Auditors' remuneration			
Statutory auditors (Ford Rhodes Sidat Hyder & Co.)			
Audit fee		**350**	200
Half yearly review fee		**150**	80
Fee for the review of Code of Corporate Governance		**80**	-
Out of pocket expenses		**161**	59
		741	339
Internal auditors (A.F. Ferguson & Co.)			
Remuneration		**500**	-
Others		**116**	-
		616	-
Cost auditors (Munaf Yusuf & Co.)			
Cost audit fee		**55**	35
Out of pocket expenses		**2**	-
		57	35
		1,414	374

23. FINANCE COST

Mark-up on long term finances		**97,495**	-
Mark-up on short term borrowings		**51,797**	12,916
Interest on workers' profit participation fund		**2,351**	3,145
Bank charges and commission		**5,140**	5,630
		156,783	21,691
Fair value of derivative	11.3 & 11.4	**(73,974)**	-
		82,809	21,691

24. OTHER OPERATING INCOME

Gain on disposal of assets	**184**	1,033
Others	**19**	108
	203	1,141

NOTES TO THE FINANCIAL STATEMENTS

	2006	2005
	(Rupees in '000')	

25. OTHER CHARGES

	2006	2005
Workers' profit participation fund	**134,493**	63,847

26. TAXATION

26.1 In view of tax loss for the year, provision for current taxation represents the minimum tax under section 113 of the income tax ordinance 2001.

26.2 The tax assessments of the Company have been finalized upto and including the tax year 2005 and assessed tax losses amounting to Rs.1,518.192 million are available to be carried forward.

26.3 Since the Company is liable for minium tax, therefore, no numerical tax reconciliation is given.

27 EARNINGS PER SHARE - Basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2006	2005
Weighted average number of ordinary shares (in thousands)	**263,375**	263,375
Profit before tax (Rupees in thousands)	**2,552,976**	1,209,951
Earnings per share – before tax (Rupees)	**9.69**	4.59
Profit after tax (Rupees in thousands)	**1,935,950**	826,587
Earnings per share – after tax (Rupees)	**7.35**	3.14

NOTES TO THE FINANCIAL STATEMENTS

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

28.1 Aggregate amounts charged in the financial statements are as follows:

	Rupees in '000'							
	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Remuneration	3,440	3,440	2,256	2,256	21,112	8,606	26,808	14,302
House rent allowance	1,376	1,376	902	902	9,438	3,659	11,716	5,937
Utility allowance	343	343	226	226	2,111	860	2,680	1,429
Conveyance allowance	-	-	-	-	5,110	834	5,110	834
	5,159	5,159	3,384	3,384	37,771	13,959	46,314	22,502
Number	1	1	1	1	26	12	28	14

In addition the Chief Executive, Director and some Executives are provided with free use of Company maintained cars.

28.2 An aggregate amount of Rs. 62,500/= was paid to 8 directors during the year on account of board meeting fee (2005: 8 directors Rs. 77,500/=)

29. Transactions with Related Parties

29.1 Related parties comprise companies with common directorship, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2006	2005
	(Rupees in '000')	
Associated companies		
Lucky Textile Mills Limited		
Sales	**19,502**	19,292
Gadoon Textile Mills Limited		
Sales	**5,383**	6,257
Purchase of fixed assets	–	63,973
Yunus Textile (Private) Limited		
Sales	**9,276**	29,273
Fazal Textile Mills Limited		
Sales	**109**	–

NOTES TO THE FINANCIAL STATEMENTS

29.2 There are no transactions with key management personnel other than under the terms of employment.

29.3 Associated companies held 15,510,375 (2005: 15,910,375) ordinary shares in the Company at year end.

29.4 In addition to the above related parties, the Company has related party relationship with Lucky Energy (Private) Limited and Security Electric Power Company Limited due to common directorship.

30. RECENT ACCOUNTING DEVELOPMENTS

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

IAS-19 (Amendments) - Employee Benefits	Effective from January 01, 2006
IAS-39 Financial Instruments: Recognition and Measurement - Fair Value Option	Effective from January 01, 2006
IAS-1 Presentation of financial Statements - Capital Disclosures	Effective from Januany 01, 2007

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

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

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

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

31. PRODUCTION CAPACITY – Clinker

	2006	2005
	Matric Tons	
Pezu Plant		
Unit 1 (Line A&B)		
Designed capacity 4000 tpd (300 days)	**1,200,000**	1,200,000
Upgraded capacity 4800 tpd (300 days)	**1,440,000**	1,440,000
Actual Production	**1,269,400**	1,295,655
Unit 2 (Line C&D)		
Designed capacity 8400 tpd (300 days)	**2,520,000**	1,260,000
Actual Production Line C	**823,290**	-
Karachi Plant		
Unit 3 (Line E)		
Designed capacity 4200 tpd (300 days)	**1,260,000**	-
Actual Production	**135,188**	-

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk by limiting significant exposure to any individual customers, by obtaining advance against sales and does not have significant exposure to any individual customer.

Mark-up rate risk

The Company has long term and short term Rupee based loans at variable rates. Part of the variable rate Rupee loans are hedged against interest rate risk by instituting fixed interest rate swap arrangements. This protects the Company against any adverse movement in mark-up rates. Rates on short term finances are effectively fixed and are disclosed in the relevant notes.

Liquidity risk

The Company is in the phase of major expansion as discussed in note 1.2 and has incurred huge capital expenditure during the year and has obtained long term finances for the said expansion. The balance sheet of the Company shows a negative working capital as at the year end which is mainly due to the current maturity portion of the respective long term finances. Since, the operations at Linc "C" had started in June 2005 and during the year the operation of Lines "D" and "E" have started, the management feels no liquidity risk arising out of this situation. The Company's management closely monitors the Company's liquidity and cash flow position and foresees that the said negative working capital position will become favourable during the next year due to increased revenue from the expanded production capacity.

Foreign currency risk management

Foreign currency risk arises mainly due to conversion of foreign currency assets and libilities into local currency. The Company is exposed to foreign currency risk on long term finance amounting to US $. 16.681 (2005:Nil) as explained in note 11.4 to the financial statements.

Fair values of financial assets and liabilities

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

32.1 Yield/mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/mark-up rate risk in respect of the following :

NOTES TO THE FINANCIAL STATEMENTS

2006

	Effective interest rate %	Total	Exposed to yield/mark-up rate risk: Maturity upto one year	Exposed to yield/mark-up rate risk: Maturity after one year	Exposed to yield/mark-up rate risk: Sub Total	Not exposed to yield/ mark-up rate risk
		-----------------------	-----------------------	Rupees in '000'	-----------------------	
FINANCIAL ASSETS						
Long term deposits	-	**2,175**	-	-	-	**2,175**
Trade debts - unsecured, considered good	-	**98,389**	-	-	-	**98,389**
Loans and advances		**202,238**	-	-	-	**202,238**
Trade deposits	-	**285,121**	-	-	-	**285,121**
Other receivables	-	**83,912**	**73,974**	-	**73,974**	**9,938**
Cash and bank balances	**1 to 10.75**	**2,063,755**	**1,831,758**	-	**1,831,758**	**231,997**
		2,735,590	**1,905,732**	-	**1,905,732**	**829,858**
FINANCIAL LIABILITIES						
Long term finances	**6.89 to 10.86**	**12,539,171**	**2,382,576**	**10,156,595**	**12,539,171**	**-**
Long term deposits	-	**27,269**	-	-	-	**27,269**
Trade and others payables	**11.5**	**1,451,086**	**103,685**	-	**103,685**	**1,347,401**
Accrued mark-up	-	**190,130**	-	-	-	**190,130**
Short-term borrowings	**7.85 to 9.91**	**645,872**	**645,872**	-	**645,872**	**-**
		14,853,528	**3,132,133**	**10,156,595**	**13,288,728**	**1,564,800**
Total yield / mark-up rate risk sensitivity gap		**(12,117,938)**	**(1,226,401)**	**(10,156,595)**	**(11,382,996)**	**(734,942)**

2005

	Effective interest rate %	Total	Exposed to yield/mark-up rate risk: Maturity upto one year	Exposed to yield/mark-up rate risk: Maturity after one year	Exposed to yield/mark-up rate risk: Sub Total	Not exposed to yield/ mark-up rate risk
		-----------------------	-----------------------	Rupees in '000'	-----------------------	
FINANCIAL ASSETS						
Long term deposits	-	2,175	-	-	-	2,175
Trade debts - unsecured, considered good	-	22,808	-	-	-	22,808
Loans and advances		134,795	-	-	-	134,795
Trade deposits	-	9,655	-	-	-	9,655
Other receivables	-	19,936	-	-	-	19,936
Cash and bank balances	1 to 5	141,429	11,446	-	11,446	129,983
		330,798	11,446	-	11,446	319,352
FINANCIAL LIABILITIES						
Long term finances	2.83 to 9.76	7,146,830	616,667	6,530,163	7,146,830	-
Long term deposits	-	25,362	-	-	-	25,362
Trade and others payables	11.5	597,853	63,847	-	63,847	534,006
Accrued mark-up	-	125,021	-	-	-	125,021
Short-term borrowings	2.75 to 7.77	786,543	786,543	-	786,543	-
		8,681,609	1,467,057	6,530,163	7,997,220	684,389
Total yield / mark-up rate risk sensitivity gap		(8,350,811)	(1,455,611)	(6,530,163)	(7,985,774)	(365,037)

NOTES TO THE FINANCIAL STATEMENTS

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 09, 2006 by the Board of Directors of the Company.

34. CORRESPONDING FIGURES

There were no material reclassifications to report.

35. DIVIDEND AND APPROPRIATIONS

The Board of Directors in their meeting held on September 09, 2006 (i) approved the transfer of Rs. 3.0 billion from unappropriated profit to general reserve; and (ii) proposed a final dividend of Re.1/- per share for the year ended June 30, 2006 amounting to Rs. 263.375 million for approval of the members at the Annual General Meeting to be held on October 31, 2006. These financial statements do not reflect these appropriations and the dividend payable.

36. GENERAL

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

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2006

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		SHAREHOLDING TO	TOTAL SHARES HELD
937	1	-	100	42,507
1577	101	-	500	579,070
4173	501	-	1000	2,530,783
1087	1001	-	5000	2,688,152
253	5001	-	10000	1,972,986
113	10001	-	15000	1,387,596
62	15001	-	20000	1,129,345
41	20001	-	25000	942,620
26	25001	-	30000	716,762
18	30001	-	35000	593,375
16	35001	-	40000	609,636
13	40001	-	45000	558,486
18	45001	-	50000	888,418
12	50001	-	55000	650,982
7	55001	-	60000	405,013
9	60001	-	65000	569,525
3	65001	-	70000	204,000
12	70001	-	75000	883,199
4	75001	-	80000	314,000
5	80001	-	85000	413,612
8	85001	-	90000	705,004
2	90001	-	95000	190,000
8	95001	-	100000	800,000
2	100001	-	105000	205,500
5	105001	-	110000	539,962
1	110001	-	115000	112,000
3	115001	-	120000	351,500
3	120001	-	125000	371,162
1	125001	-	130000	127,790
1	140001	-	145000	140,500
7	145001	-	150000	1,047,450
3	150001	-	155000	460,030
2	155001	-	160000	320,000
1	160001	-	165000	162,500
1	165001	-	170000	167,500
3	170001	-	175000	518,237
1	180001	-	185000	182,875
7	195001	-	200000	1,394,500
2	205001	-	210000	415,500
4	210001	-	215000	857,500
1	220001	-	225000	225,000
1	235001	-	240000	237,500
2	240001	-	245000	482,199
1	260001	-	265000	262,840
2	270001	-	275000	545,500
2	275001	-	280000	552,962
3	285001	-	290000	863,111
1	290001	-	295000	294,722
3	295001	-	300000	899,500
1	315001	-	320000	320,000
1	325001	-	333000	330,000
1	340001	-	345000	342,000
1	345001	-	350000	350,000
1	370001	-	375000	373,025
4	395001	-	400000	1,598,287
2	400001	-	405000	808,900
1	420001	-	425000	421,000
4	425001	-	430000	1,717,300
1	435001	-	440000	440,000
1	450001	-	455000	453,000
1	540001	-	545000	541,700
1	545001	-	550000	546,000
1	550001	-	555000	551,500
1	580001		585000	582,000

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
1	640001	-	645000	645,000
1	735001	-	740000	736,000
1	780001	-	785000	783,000
1	820001	-	825000	825,000
1	835001	-	840000	837,500
1	850001	-	855000	851,000
1	865001	-	870000	865,412
1	875001	-	880000	877,000
2	895001	-	900000	1,800,000
1	930001	-	935000	931,800
1	945001	-	950000	949,500
1	955001	-	960000	960,000
1	1015001	-	1020000	1,016,500
1	1270001	-	1275000	1,273,100
1	1390001	-	1395000	1,391,000
3	1420001	-	1425000	4,272,724
1	1440001	-	1445000	1,443,510
1	1470001	-	1475000	1,474,412
1	1595001	-	1600000	1,600,000
1	1695001	-	1700000	1,700,000
1	1795001	-	1800000	1,799,050
1	1845001	-	1850000	1,850,000
2	1925001	-	1930000	3,858,900
1	2255001	-	2260000	2,257,575
1	2470001	-	2475000	2,474,000
1	2685001	-	2690000	2,687,500
1	2750001	-	2755000	2,755,000
1	3045001	-	3050000	3,048,000
1	3095001	-	3100000	3,097,250
1	3160001	-	3165000	3,163,000
2	3215001	-	3220000	6,438,900
1	3275001	-	3280000	3,278,750
1	3975001	-	3980000	3,977,500
1	4140001	-	4145000	4,143,625
1	4835001	-	4840000	4,837,500
3	5370001	-	5375000	16,125,000
2	6065001	-	6070000	12,140,000
1	6535001	-	6540000	6,535,550
1	7485001	-	7490000	7,485,275
1	7535001	-	7540000	7,535,275
1	8155001	-	8160000	8,158,700
1	8955001	-	8960000	8,958,351
1	9940001	-	9945000	9,944,735
1	11530001	-	11535000	11,532,875
1	13565001	-	13570000	13,566,550
2	22800001	-	22805000	45,606,058
8,544				263,375,000

S.No.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARESHELD	PERCENTAGE
1.	INDIVIDUAL	8,225	139,852,191	53.13
2.	INVESTMENT COMPANY	24	49,737,700	18.89
3.	INSURANCE COMPANY	9	2,243,510	00.85
4.	JOINT STOCK COMPANY	159	24,874,793	09.45
5.	FINANCIAL INSTITUTION	65	21,812,995	08.28
6.	MODARABA COMPANY	15	361,786	00.14
7.	LEASING COMPANY	3	2,200,000	00.83
8.	FUNDS	3	824,125	00.31
9.	OTHERS	41	21,467,900	08.15
		8,544	263,375,000	100.00

	June 30, 2006 (No. of shares)
Associated Companies, undertakings and related parties (name wise detail):	
Lucky Energy (Private) Limited	11,532,875
Younus Textile (Private) Limited	3,977,500
NIT & ICP (name wise detail):	
Investment Corporation of Pakistan	294,722
National Bank of Pakistan (NIT)	10,571,697
Directors, CEO and their spouse and minor children (name wise detail)	
Mr. Muhammad Yunus Tabba (Chairman / Director)	9,814,300
Mrs. Khairunnisa W/o. Muhammad Yunus Tabba (Spouse)	8,062,500
Mr. Muhammad Ali Tabba (Chief Executive / Director)	10,416,275
Mrs. Feroza Tabba W/o. Muhammad Ali Tabba (Spouse)	645,000
Mr. Muhammad Sohail Tabba (Director)	12,372,775
Mrs. Saima Sohail W/o. Muhammad Sohail Tabba (Spouse)	6,070,000
Mr. Imran Yunus Tabba (Director)	12,860,275
Mrs. Meher Imran W/o. Imran Yunus Tabba (Spouse)	6,070,000
Mr. Javed Yunus Tabba (Director)	18,941,550
Mrs. Rahila Aleem (Director)	4,693,862
Miss Mariam Razzak (Director)	3,353,862
Mr. Manzoor Ahmed (Director)	Nominee of N.I.T
Executives (name wise detail)	
Abdur Razzaq Thaplawala	32,250
Public Sector Companies and Corporations (name wise detail)	
House Building Finance Corporation	276,000
Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (name wise detail)	
Allied Bank Limited	158,500
Askari Commercial Bank Limited	160,000
Atlas Bank Limited	197,000
Bank Al Habib Limited	120,700
Bank Alfalah Limited	212,500
Bankislami Pakistan Limited	825,000
Crescent Commercial Bank Limited	11,250
Deutsche Bank	8,500
Faysal Bank Limited	375,074
Habib Bank AG Zurich	970,037

	June 30, 2006 (No. of shares)
Habib Bank Limited	53,750
Habibsons Bank Limited	40,000
KASB Bank Limited	50,500
Mellon Bank N.A.	171,237
Metropolitan Bank Limited	9,000
PICIC Commercial Bank Limited	1,334,290
Prime Commercial Bank Limited	150
Soneri Bank Limited	45,000
The Bank of Khyber	74,091
The Bank of New York	54,800
Union Bank Limited	152,795
United Bank Limited	299,500
Abu Dhabi Investment Authority	87,000
Atlas Investment Bank Limited	407,500
Brown Brothers Harriman & Company	1,000
Credit Suisse Singapore	14,500
Crescent Standared Investment Bank Limited	30,000
Escorts Investment Bank Limited	512,000
Fabron PTE Limited	4,300
First Credit and Investment Bank Limited	5,000
First Dawood Investment Bank Limited	174,249
First International Investment Bank Limited	149,500
IFI Associates	10,000
International Housing Finance Limited	15,000
Investors Bank & Trust Company	931,800
Orix Investment Bank Pakistan Limited	949,500
Pak Libya Holding Company Private Limited	50,000
Pakistan Kuwait Investment Company (Private) Limited	421,000
Security Investment Bank Limited	414,502
State Street Bank and Trust Company U.S.A.	903,375
Trust Leasing & Investment Bank Limited	2,768,000
Atlas Insruance Limited	275,000
Century Insurance Company Limited	10,000
Habib Insurance Company Limited	80,000
International General Insurance Company of Pakistan Limited	20,000
New Jubilee Insurance Company Limited	150,000
New Jubilee Life Insurance Company Limited	150,000
Saudi Pak Insurance Company Limited	10,000
Shaheen Insurance Company Limited	105,000
State Life Insurance Corporation of Pakistan	1,443,510
First Alnoor Modaraba	35,375
First Confidence Modaraba	537
First Equity Modaraba	155,000
First Fidelity Leasing Modaraba	4,000
First National Bank Modaraba	10,000
First Pak Modaraba	3,000
First Prudential Modaraba	7,500
First UDL Modaraba	45,042
Guardian Modaraba	78,425

ATTENDANCE OF BOARD MEETING

Industrial Capital Modaraba	4,407
Modaraba Al Tijarah	18,500
Asian Stock Fund Limited	25,125
CDC - Trustee Abamco Composite Fund	1,600,000
CDC - Trustee First Dawood Mutual Fund	62,500
CDC - Trustee PICIC Growth Fund	3,163,000
CDC - Trustee Unit Trust of Pakistan	1,700,000
CDC - Trustee United Growth and Income Fund	883,000
CDC - Trustee UTP Income Fund	200,000
CDC - Trustee UTP Islamic Fund	400,000
CDC - Trustee Pakistan Income Fund	582,000
CDC - Trustee Pakistan Stock Market Fund	1,423,900
CDC - Trustee Pakistan Strategic Allocation Fund	2,474,000
CDC - Trustee UTP Growth Fund	3,048,000
First Capital Matual Fund Limited	125,000
Pakistan Premier Fund Limited	1,273,100
Safeway Mutual Fund Limited	110,000
Trustee - UTP A30+Fund	64,500

Shareholders holding ten percent or more voting interest (name wise details):

None

Details of trading in the shares by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

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

Attendance of Directors at Board Meetings:

During the year under review, 4 board meetings were held and attendance of each director is as under:

S. No.	Name	No. of Meeting Attended
1.	Mr. Muhammad Yunus Tabba	3
2.	Mr. Muhammad Ali Tabba	4
3.	Mr. Muhammad Sohail Tabba	4
4.	Mr. Imran Yunus Tabba	2
5.	Mr. Javed Yunus Tabba	3
6.	Mrs. Rahila Aleem	4
7.	Miss Mariam Razzak	3
8.	Mr. Muhammad Abdul Samad - NIT	2
9.	Mr. Manzoor Ahmed - NIT	0

CORPORATE SOCIAL RESPONSIBILITY

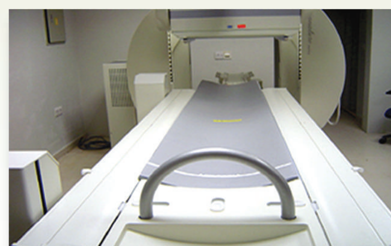
AZIZ TABBA FOUNDATION

A business group has obligations to various sectors of the society. Apart from its obligations to the shareholders, customers and government it also has an obligation to contribute for welfare of community at large. The Yunus Brothers Group has taken care of its obligations to public at large very seriously and has established Aziz Tabba Foundation. The foundation is assisting a number of social projects which includes financial help to several educational and health institutes run by various welfare organizations in addition to the projects being run by itself.

The foundation has sponsored following social welfare centres:

TABBA HEART INSTITUTE

A most modern state of the art 120 Bedded Heart Institute on an area of 6,800 sq. yards, equipped with latest equipments for Cardiac pre and post surgery procedures has been set up in Federal 'B' Area, Karachi. The centre has been established with a cost of approx. Rs. 70 crores and comprises of basement, ground + four floors. The Tabba Heart Institute was inaugurated by Honorable Prime Minister of Pakistan on 8th March, 2005.



AZIZ TABBA DIALYSIS CENTRE

A Kidney Dialysis Centre in Karachi having 20 modern Toray Dialysis machines serving more than 200 patients every day. The centre is one of its kind to provide round the clock medical facilities with fully trained staff and utmost care of the patients.

DONATION TO WOMEN & CHILDREN HOSPITAL GHAZNI KHEL N.W.F.P.

A donation of Rs. 50,000/- per month is regularly given to Women & Children Hospital – Ghazni Khel, to assist them in providing necessary medical facilities to the poor and needy people.

LUCKY WELFARE DISPENSARY, PEZU N.W.F.P.

A dispensary operating at Lucky Cement Pezu Plant providing treatment facilities to the employees at very low charges.

Lucky Cement Limited

Concrete Progress

YB
Yunus Brothers

FORM OF PROXY

I/We ____ of

____ being

member(s) of **Lucky Cement Limited** holding ____________________ Ordinary shares as

per Share Register Folio No.__________ and/or CDC Participant I.D. No. ____________

and Sub Account No. ____________ hereby appoint ___________________________

of __________ or failing him/her _____________________________ of ____________

who is also a member of **Lucky Cement Limited**, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Company to be held on October 31, 2006 and/or any adjournment thereof.

Signed by __________________________ day of October, 2006.

Witnesses:

1. Signature: ______________________
   Name ______________________
   Address ______________________
   CNIC No. ______________________

2. Signature: ______________________
   Name ______________________
   Address ______________________
   CNIC No. ______________________

Signature on Rs. 5/- Revenue Stamp

Signature of members should match with the specimen signature registered with the Company.

Important:

1. In order to be effective, this form of proxy duly completed, stamped, signed and witnessed alongwith Power of Attorney, or other instruments (if any), must be deposited at the Registered Office of the Company at factory premises Pezu, District Lakki Marwat, NWFP at least 48 hours before the time of the meeting.
2. If a member appoints more than one proxy and more than one form of proxy are deposited by a member with the Company, all such forms of proxy shall be rendered invalid.
3. In case of Proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owner's National Identity Card or Passport, Account and Participant's ID numbers must be deposited alongwith the form of proxy. In case of proxy for representative of corporate members from CDC, Board of Directors' Resolution and/or Power of Attorney with the specimen signature of the nominee must be deposited alongwith the form of proxy. The proxy shall produce his/her original National Identity Card or Passport at the time of the meeting.