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CHERAT CEMENT

annualreport 2008

URS

GHULAM FAROUQUE GROUP

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Cherat Cement Company Limited

A Ghulam Faruque Group Company



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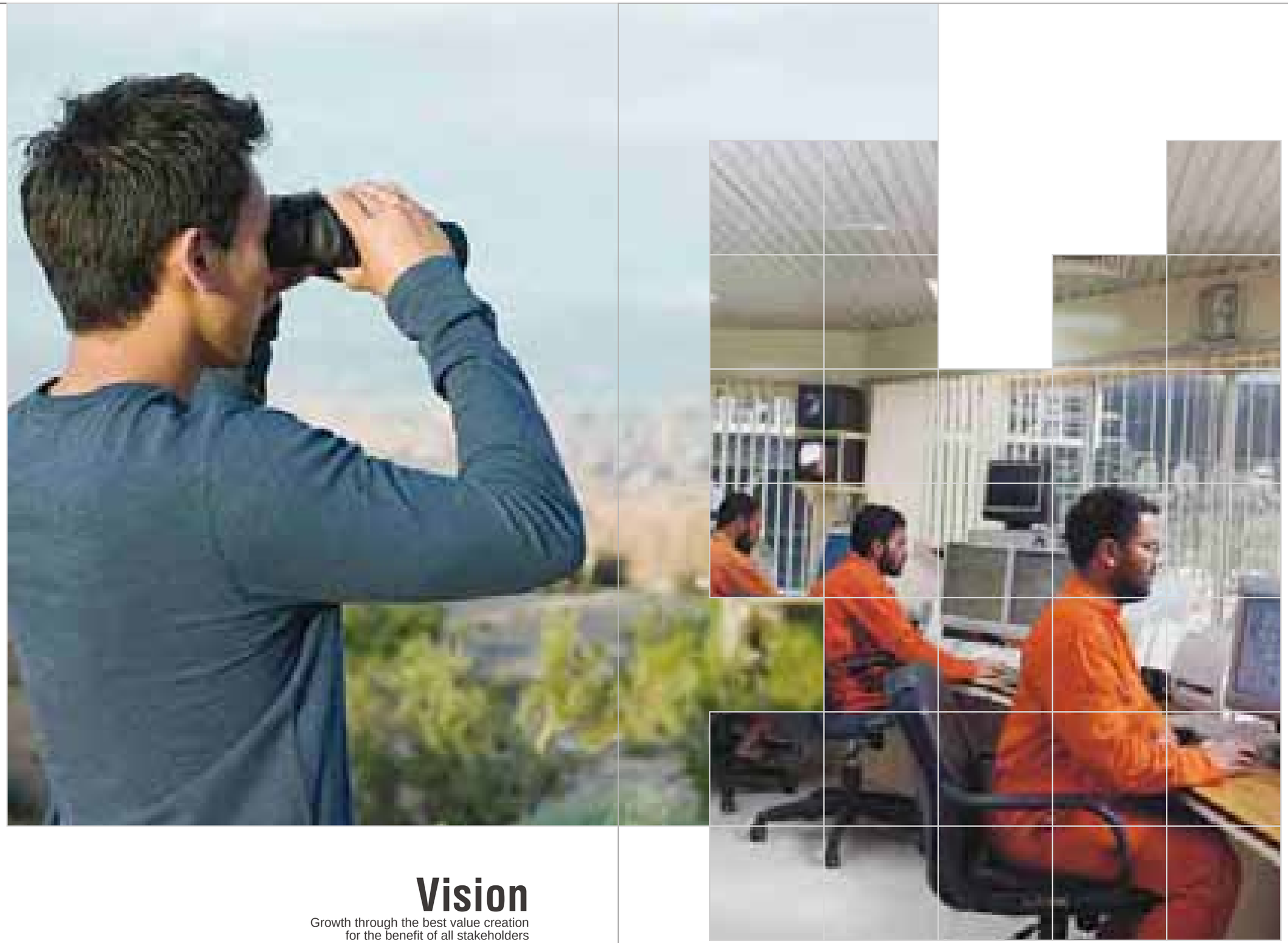
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Proxy Form



Vision

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



Mission

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

Achieve excellence in business.

Maintain competitiveness by leveraging technology.

Continuously develop our human resource.

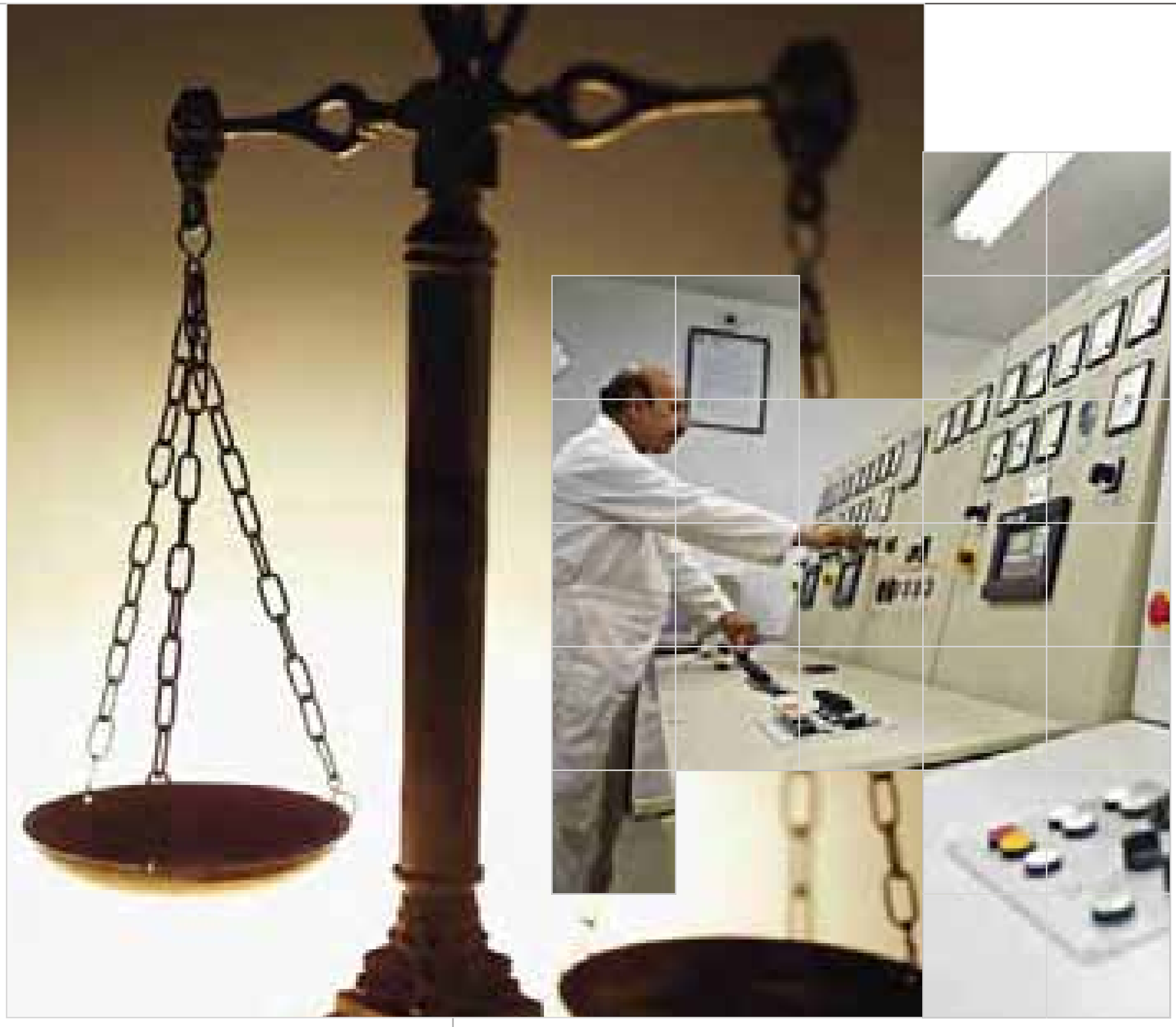
To be regarded by investors as amongst the best blue-chip stocks in the country.



Strategic Objectives

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

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



Core Values

Always deliver the best quality product to our customers.

Maintain the highest level of integrity, honesty and ethics.

Use technology to continuously improve our processes.

Develop the capability of our workforce on an ongoing basis.

Safeguard the interests of all our stakeholders.



Company Information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Muhammad Nawaz Tishna (NIT)	Director
Mr. Javaid Anwar (NIT)	Director
Mr. Raja Sarfaraz Akram (NIT)	Director

Chief Financial Officer
Mr. Yasir Masood

Company Secretary
Mr. Abid A. Vazir

Audit Committee

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

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

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

Registered Office
Modern Motors House
Beaumont Road
Karachi-75530

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

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

Factory
Village Lakrai
P.O. Box 28, Nowshera

Regional Office
3, Sunder Das Road
Lahore

Notice of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of the Company will be held on Thursday, October 23, 2008 at 11:00 a.m. at the Registered Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

ORDINARY BUSINESS

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

2 To appoint Auditors for the year 2008/09 and to fix their remuneration.

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

SPECIAL BUSINESS

4. To approve the placement of the quarterly accounts of the Company on its website.

A statement under Section 160 of the Companies Ordinance 1984, pertaining to the above-mentioned Special Business, is being sent to the Members with this Notice.

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

Karachi: September 18, 2008

NOTES:

1 The register of members of the Company will be closed from Thursday, October 16, 2008 to Thursday, October 23, 2008 (both days inclusive) and no transfers will be registered during that time.

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

3 The shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.

4 The shareholders of the Company are requested to immediately notify the Company of any change in their addresses.

Statement U/S 160 of the Companies Ordinance, 1984

This statement sets out material facts concerning "Special Business" to be transacted at the 27th Annual General Meeting of the company to be held on October 23, 2008.

The approval of the Members of the Company will be sought for:

Item no. 4: Placement of quarterly accounts on website

Securities and Exchange Commission of Pakistan (SECP) vide Circular no. 19 dated 14th April 2004 has allowed the listed companies to place quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders beside saving cost associated with printing and dispatch of the accounts by post.

The Company is maintaining its website www.gfg.com.pk. The website contains the latest financial results together with the Company's profile. Permission of the SECP would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply printed copies of the accounts to the shareholders on demand at their registered addresses free of charge.

For the said purpose, the Directors proposed that the following resolution be passed as Special Resolution.

"Resolved that the Company be and is hereby authorized to place the quarterly accounts on its website instead of sending the same to members by post, as allowed by the SECP."

STATUS OF SPECIAL RESOLUTIONS PASSED IN PREVIOUS ANNUAL GENERAL MEETINGS

1. **Loan / advance to Mirpurkhas Sugar Mills Limited:**
The Company did not provide any loan/advance facility to Mirpurkhas Sugar Mills Limited during the year.

2. **Investment in joint venture company – Madian Hydro Power Limited:**
Following the issuance of Letter of Interest (LOI) by PPIB in its favor, Madian Hydro Power Ltd. appointed M/s. Colenco Power Engineering as Owner's Engineers, and M/s. Fichtner GmbH as Project Consultants. The project consultants are presently preparing the feasibility study of the project. Subject to the approval of the feasibility study and successful negotiation of tariff, the Consortium will embark on the construction phase of the project, which will take approximately 4 1/2 years. Major injection of capital in the form of equity investment will be made at this juncture. The proposed Hydro Power Plant is expected to commence operations in the year 2014.

Directors' Report to the Members
for the year ended June 30, 2008

The Board of Directors place before you the annual report of the Company along with the audited accounts for the year ended June 30, 2008.

OVERVIEW

The year 2007/08 proved to be one of the most challenging years for the country in terms of economic out look and performance. Political uncertainty, coupled with a rising trade deficit, a reduction in the PSDP allocation, and a tightening of monetary policy by the Central Bank have adversely impacted all sectors of the national economy. The cement sector was no different. Unlike the previous couple of years, domestic sales remained relatively sluggish and grew by only 6%. However, export sales to Afghanistan and other destinations like Middle East and Africa continued to show unprecedented growth. During the year under review, aggregate sales of the cement industry touched 30 million tons compared to 24 million tons last year mainly on account of increase in export sales. The profitability of the cement plants, however, remained under pressure due to substantial increase in the cost of production.

PERFORMANCE OF THE COMPANY

The year 2007/08 marked the first full year of operations for the Company following the optimization of the plant. During the year, the production and dispatch volumes rose by 15% and 11% respectively compared to last year. However, significant increase in the cost of input items like coal, furnace oil and raw and packing materials, depressed the margins and the Company could only earn an after tax profit of Rs. 10 million against net sales of Rs. 3,014 million compared to an after tax profit of Rs. 184 million against net sales of Rs. 2,620 million in the corresponding period last year.

Production

During the year under review, the clinker production increased by 127,665 tons to 1,000,710 tons while cement production increased by 100,715 tons to 1,026,830 tons.

Comparative production figures of clinker and cement are stated under:

	2007/08 (in tons)	2006/07 (in tons)	Variance
Clinker	1,000,710	873,045	15%
Cement	1,026,830	926,115	11%

Sales and dispatches

While domestic sales of the Company increased only by 3,245 tons due to factors explained above, exports sales increased by 96,354 tons i.e. 35% due to a greater focus on the Afghan market where prices were more attractive during the year. The export figure also includes 700 tons of cement exported to UAE. The contribution of exports sales to the total sales of the Company increased to 36% compared to 30% last year.

	2007/08 (in tons)	2006/07 (in tons)	Variance
Local Sales	656,268	653,023	1%
Export Sales	370,955	274,601	35%
	1,027,223	927,624	11%

Operating performance

Despite almost Rs. 400 million i.e. 15% increase in the sales revenue from the corresponding period last year, there was a drop in the profitability of the Company compared to last year. Depressed cement prices for most part of the year, owing to substantial increase in production capacity of the industry coupled with rising costs of major inputs such as furnace oil, coal and raw and packing materials, reduced margins substantially. There was also a drop in the other income due to reduced level of investments made by the Company. After taking into consideration various expenses and government taxes, the company was able to earn an after tax profit of Rs. 10.35 million during the year under review.

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

	2007/08 (Rs. in million)	2006/07 (Rs. in million)	Variance
Net Sales	3,013.75	2,619.96	15%
Cost of Sales	2,834.33	2,242,30	26%
Gross Profit	179.42	377.66	(52%)
Expenses & Taxes	169.07	193.50	(13%)
Net Profit	10.35	184.16	(94%)

WASTE HEAT RECOVERY

In order to mitigate the risk of rising energy cost which constitutes a major portion of cost of production, the Company has decided to install Waste Heat Recovery Boilers. The installation of this equipment by the end of ensuing financial year is expected to help in reducing the rising cost of production in the days ahead.

MADIAN HYDRO POWER

We wish to update our shareholders that the Project Consultants for Madian Hydro Power Limited - M/s. Fichtner GmbH have almost completed work on the Phase II of the feasibility study and will soon be presenting the draft feasibility report. Given the power shortage situation in the country, the project is of high significance with lots of potential, however, the law and order situation in the project area remains a major cause of concern.

CORPORATE SOCIAL RESPONSIBILTY

As a conscientious member of the corporate community, the Company generously contributed to various social and charitable causes during the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the Company fairly present its state of affairs, the results of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no departure therefrom.
- The system of internal controls has been effectively implemented and is continuously reviewed and monitored.
- The Company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- There is nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on 30th June 2008:

  - Provident Fund Rs. 184,392,362
  - Gratuity Fund Rs. 72,967,659

- The attendance record of board meetings for each director is as follows:

Name of Director	Meetings Attended
Mr. Mohammed Faruque	3 / 5
Mr. Akbarali Pesnani	4 / 5
Mr. Azam Faruque	5 / 5
Mr. Shehryar Faruque	3 / 5
Mr. Arif Faruque	2 / 5
Mr. Muhammad Nawaz Tishna	4 / 5
Mr. Iftikhar Ahmad Bashir*	4 / 4
Mr. Javaid Anwar	4 / 5
Mr. Raja Sarfaraz Akram*	1 / 1

* *Mr. Iftikhar Ahmed Bashir resigned during the year and in his place on the nomination of NIT, Mr. Raja Sarfaraz Akram was co-opted as a director.*

- The pattern of shareholding is annexed.
- Earnings per share (EPS) during the year was Re. 0.11 as against Rs. 1.93 last year.

DIVIDEND

In view of the liquidity requirements for on going projects, the Company will not be able to pay any dividend this year.

FUTURE PROSPECTS

While increased demand for cement from Middle East and other destinations is expected to contribute to higher cement sale volumes, expected reduction in the PSDP allocation, rising interest rates and political uncertainty in the country will continue to have a negative impact on domestic demand. We are hopeful that the government will address these issues effectively, and will take necessary measures to revive the economy which in turn could spur the demand of cement for infrastructural and housing projects and exports through land and sea routes.

AUDITORS

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

ACKNOWLEDGMENT

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

On behalf of the Board of Directors

Karachi: September 18, 2008

Mohammed Faruque
Chairman

Statement of Compliance
with The Best Practices of The Code of Corporate Governance

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

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

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

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

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

4. A casual vacancy that occurred on the Board during the year was filled up within 30 days.

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

6. The Board has developed vision and mission statement/overall corporate strategy and significant policies of the Company.

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

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

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

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

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It presently comprises of three members, of whom two are non-executive directors of the Company.

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

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

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

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

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

On behalf of the Board of Directors



Mohammed Faruque
Chairman

Karachi: September 18, 2008

Statement of Compliance
with The Best Practices of Transfer Pricing

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

On behalf of the Board of Directors



Mohammed Faruque
Chairman

Karachi: September 18, 2008

Review Report to the Members

on statement of compliance with The Best Practices of The Code of Corporate Governance

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended **30 June 2008,** prepared by the Board of Directors of **Cherat Cement Company Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 3 (Chapter XI) of the Listing Regulations of the Islamabad Stock 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 30 June 2008.

Chartered Accountants

KARACHI: September 18, 2008

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Statement of Ethics and Business Practices

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

Product Quality

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

Dealing with Employees

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

Responsibility to Interested Parties

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

Financial Reporting & Internal Controls

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



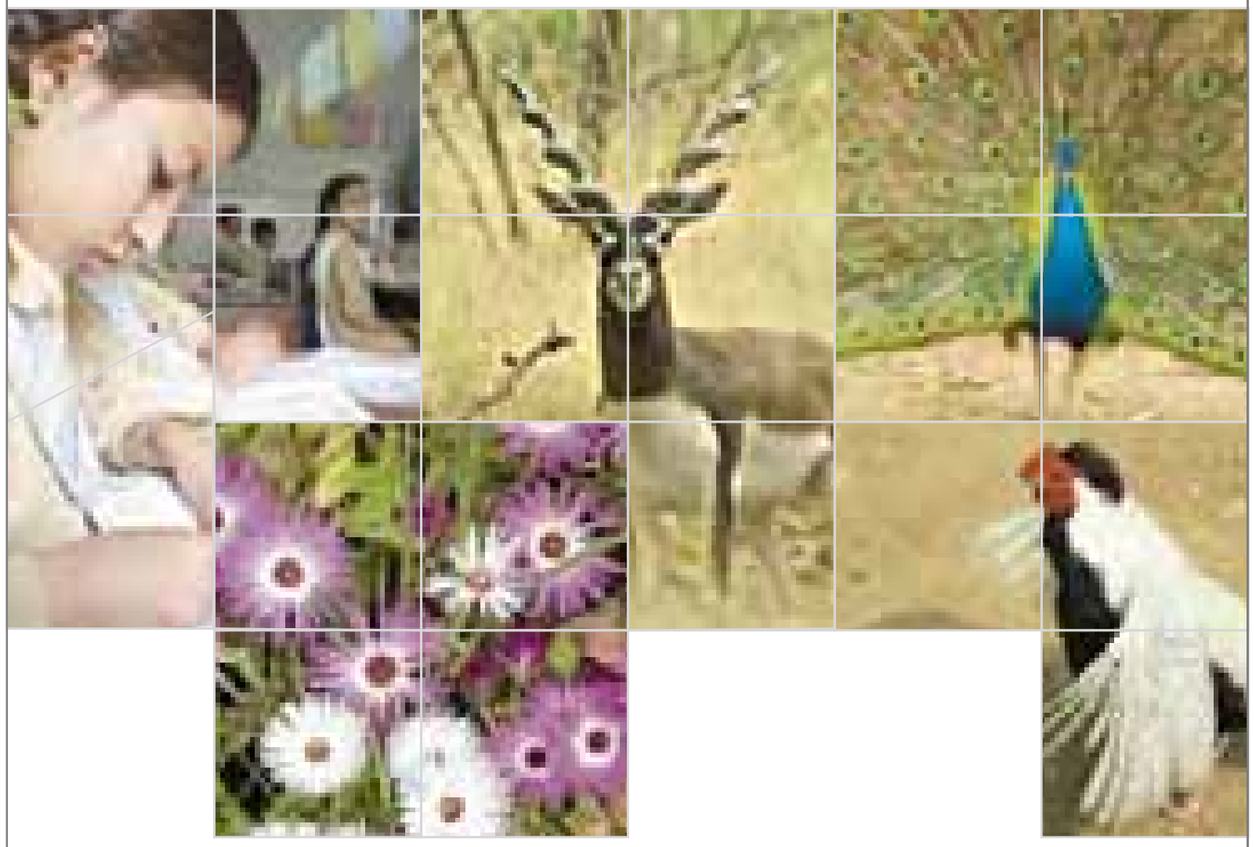
Procurement of Goods & Services
Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any goods or services, obtain quotations from various sources.

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

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

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

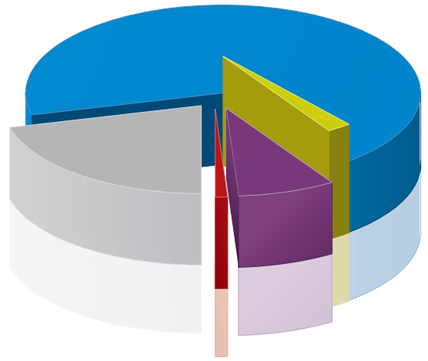
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply cement with care and competence so that customers receive the quality they truly deserve.



Progress Graphs

Wealth Generated & Distributed
During 2007/2008

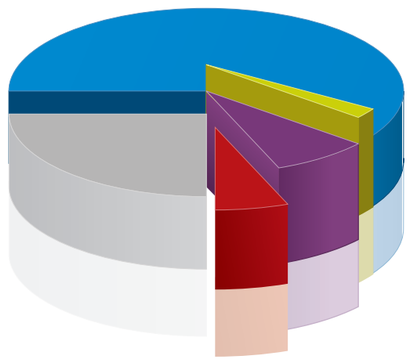
Government	21%
Material & Services	68%
Financial Institutions	2%
Employees	8%
Shareholders & Equity	1%



Total revenue Rs. 3,900.124 million

Wealth Generated & Distributed
During 2006/2007

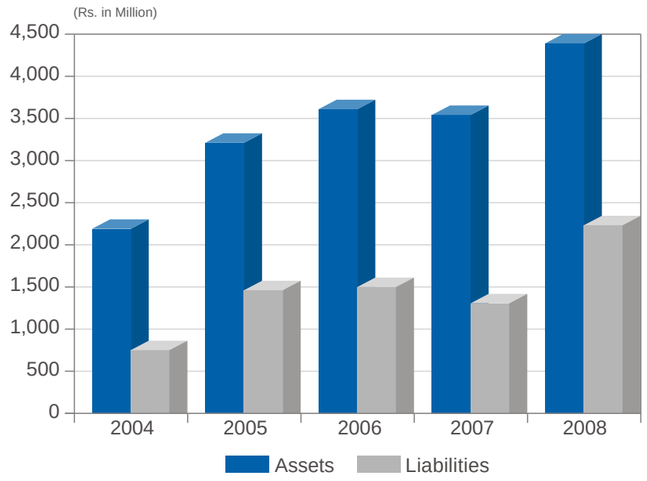
Government	25%
Material & Services	59%
Financial Institutions	2%
Employees	8%
Shareholders & Equity	6%



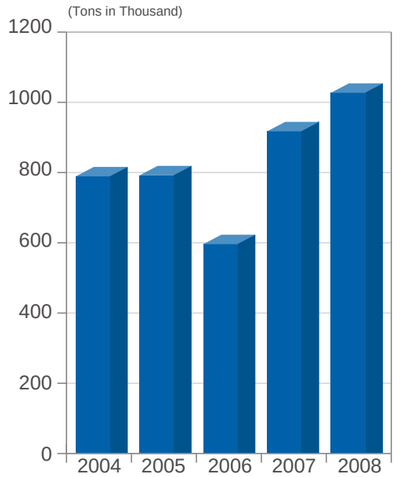
Total revenue Rs. 3,564.825 million

Progress Graphs

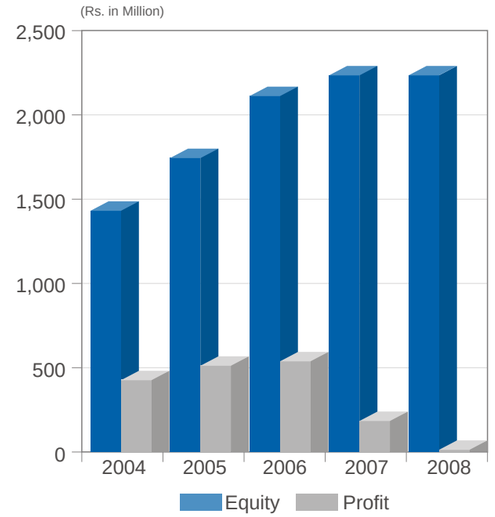
Assets and Liabilities Over the Years



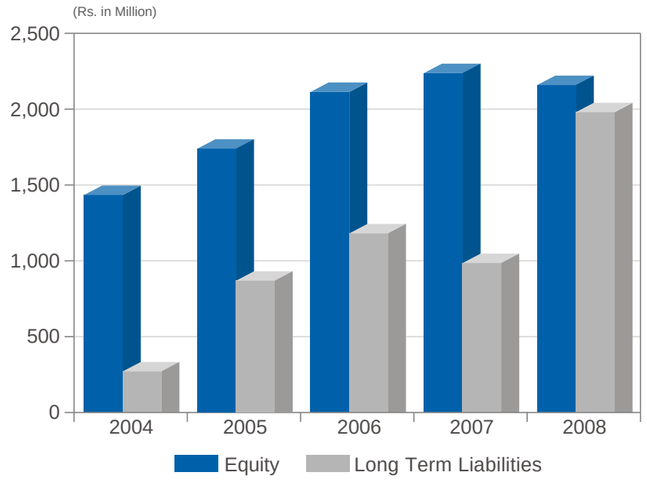
Cement Sales Over the Years



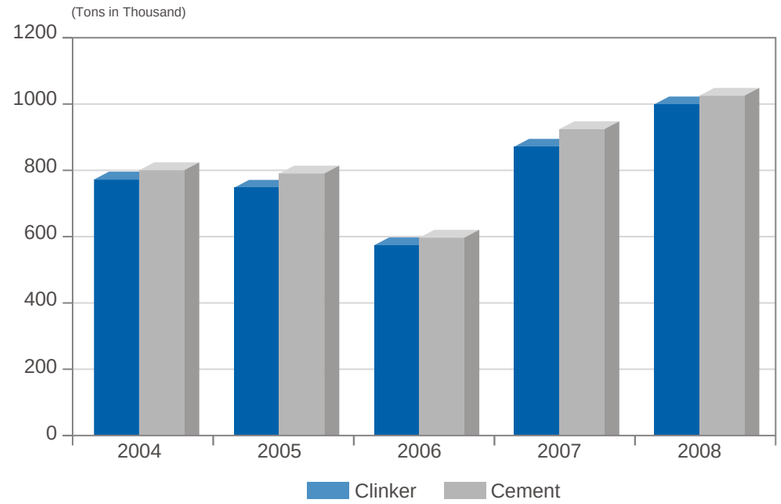
Return on Equity (Including Profit)



Equity and Long Term Liabilities



Clinker / Cement Production Over the Years



Year-Wise Statistical Summary

	2008	2007	2006	2005	2004	2003	2002
							(Tons in '000)
Clinker production	1,001	873	575	749	774	656	528
Cement production	1,027	926	598	792	802	693	555
Cement despatched	1,027	928	596	792	789	706	555
ASSETS EMPLOYED							
							(Rs. in million)
Tangible fixed assets	2,522	2,197	2,270	1,773	1,252	1,276	1,135
Investment and long-term loan, advances & deposits	111	71	33	18	17	19	101
Derivative financial assets	29	25	41	28	-	-	-
Current assets	1,720	1,240	1,268	1,384	913	601	664
Total assets employed	**4,382**	**3,533**	**3,612**	**3,203**	**2,182**	**1,896**	**1,900**
FINANCED BY							
Shereholders equity	2,158	2,236	2,113	1,742	1,432	1,007	1,063
Long-term liabilities	393	452	664	829	210	312	66
Deferred liabilities	233	303	319	167	170	170	175
Derivative financial liabilities	-	-	-	15	-	-	-
Current liabilities	1,598	542	516	450	370	407	596
Total funds invested	**4,382**	**3,533**	**3,612**	**3,203**	**2,182**	**1,896**	**1,900**
TURN OVER & PROFIT							
Turn over (net)	3,014	2,620	2,435	2,401	2,085	1,508	1,423
Operating profit	25	323	799	718	592	59	202
Profit / (loss) before taxation	(56)	247	719	684	574	25	177
Profit after taxation	10	184	538	512	426	10	138
Cash dividend	-	96	83	199	213	66	120
Bonus shares	-	-	125	166	133	-	-
Transfer to reserves	-	-	-	-	-	-	5
Transfer from reserves	-	-	-	-	-	30	-

Ratio Analysis on Accounts

for the year ended June 30, 2008

		2008	2007
Profitability:			
1	Gross Profit (percentage)	5.95	14.41
2	Operating Profit (percentage)	0.83	12.31
3	Profit / (loss) Before Tax (percentage)	(1.87)	9.43
4	Net Profit After Tax (pecentage)	0.34	7.03
5	Net Profit to Average Share Holder's Equity (percentage)	0.47	8.47
6	E.P.S (Before Tax)	(0.59)	2.58
7	E.P.S (After Tax)	0.11	1.93
8	Net Profit to Total Assets (Average after tax) (percentage)	2.22	10.22
9	Increase in Sales (Net percentage)	15.03	7.62
10	Raw & Packing Material % of Net Sales	15.22	12.48
11	Labour % of Net Sales	7.33	7.77
12	Other Cost of Sales Expenses % of Net Sales	71.49	65.34
13	Raw & Packing Material as % of Cost of Sales	16.18	14.58
14	Administrative Expenses % of Net Sales	3.08	3.24
15	Distribution Cost % of Net Sales	2.45	2.47
16	Tax % of Net Sales	(2.22)	2.40
17	Finance cost % of Net Sales	2.71	2.88
Short Term Solvency:			
1	Working Capital Ratio	1.08	2.29
2	Acid Test Ratio	0.95	2.07
3	Working Capital Turnover (Net Sales) times	24.65	3.75
4	Inventory Turnover / Times	17.45	17.08
Overall Valuation and Assessment:			
1	Number of Time Interest Cover (before Tax Profit)	0.31	4.27
2	Return on Equity After Tax (average in percentage)	0.47	8.47
3	Book Value Per Share	22.58	23.40
4	Long Term Debts to Equity Ratio (in percentage)	15.43	16.81

Auditors' Report to The Members

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

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We have audited the annexed balance sheet of **CHERAT CEMENT COMPANY LIMITED** as at **30 June 2008** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

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

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

KARACHI: September 18, 2008

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Balance Sheet
as at June 30, 2008

	Note	2008	2007
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,522,040	2,196,964
Long-term investments	4	103,395	63,495
Long-term loans and advances	5	6,832	6,011
Long-term security deposits		1,415	1,356
Derivative financial assets	6	28,643	25,094
		2,662,325	2,292,920
CURRENT ASSETS			
Stores, spare parts and loose tools	7	1,303,721	619,124
Stock-in-trade	8	207,491	117,288
Loans and advances	9	8,279	11,644
Trade deposits and short-term prepayments	10	50,218	3,633
Other receivables	11	71,611	2,138
Short-term investments	12	574	411,132
Taxation – net		12,525	-
Cash and bank balances	13	65,529	75,471
		1,719,948	1,240,430
TOTAL ASSETS		4,382,273	3,533,350
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital	14	955,801	955,801
Reserves	15	1,202,305	1,280,791
		2,158,106	2,236,592
NON-CURRENT LIABILITIES			
Long-term financing	16	380,500	437,500
Long-term deposits	17	13,376	14,477
Deferred taxation	18	232,588	302,756
		626,464	754,733
CURRENT LIABILITIES			
Trade and other payables	19	913,588	211,741
Short-term running finance	20	496,874	94,667
Current maturity of long-term financing	16	175,000	212,500
Taxation – net		-	11,392
Unclaimed dividend		12,241	11,725
		1,597,703	542,025
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		4,382,273	3,533,350

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Profit & Loss Account
for the year ended June 30, 2008

	Note	2008	2007
		(Rupees '000)	
Turnover – net	22	3,013,752	2,619,960
Cost of sales	23	(2,834,336)	(2,242,296)
Gross profit		179,416	377,664
Distribution cost	24	(73,898)	(64,655)
Administrative expenses	25	(92,923)	(84,953)
Other operating expenses	26	(6,608)	(21,541)
		(173,429)	(171,149)
Other operating income	27	19,091	116,043
Operating profit		25,078	322,558
Finance cost	28	(81,576)	(75,531)
Profit / (loss) before taxation		(56,498)	247,027
Taxation			
Current - for the year		(15,095)	(77,145)
- prior years		11,392	3,072
Deferred		70,555	11,204
	29	66,852	(62,869)
Profit after taxation		10,354	184,158
Earnings per share – basic	30	Re. 0.11	Rs. 1.93

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

Cash Flow Statement
for the year ended June 30, 2008

	Note	2008	2007
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		(56,498)	247,027
Adjustment for:			
Depreciation	3.1.2	176,722	236,501
Return on loan to a related party	27	-	(10,970)
Unrealised fair value loss / (gain) on short-term investments	27	717	(15,337)
Return on US Dollar Bonds	27	(145)	(365)
Gain on disposal of operating property, plant and equipment	3.1.4	(1,704)	(651)
Finance cost	28	81,576	75,531
Exchange loss – net		3,112	104
Share of loss in joint venture	4.1.2	413	-
Dividend income	27	(4,973)	(6,365)
		255,718	278,448
Operating profit before working capital changes		199,220	525,475
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(684,597)	(214,887)
Stock-in-trade		(90,203)	27,939
Loans and advances		3,365	147,802
Trade deposits and short-term prepayments		(46,585)	(835)
Other receivables		(70,589)	(426)
		(888,609)	(40,407)
		(689,389)	485,068
Increase / (decrease) in current liabilities			
Trade and other payables		697,298	(67,801)
Short-term running finance		402,207	34,667
		1,099,505	(33,134)
Cash generated from operations		410,116	451,934
Income tax paid - net		(27,620)	(44,039)
Net cash generated from operating activities		382,496	407,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	3.1.1	(293,876)	(82,758)
Sale proceeds of operating property, plant and equipment	3.1.4	5,090	5,849
Capital work-in-progress	3.2	(211,308)	(86,057)
Long-term loans and advances		(821)	2,731
Investments – net		372,817	(237,250)
Dividend received	27	4,973	6,365
Long-term security deposits		(59)	304
Net cash used in investing activities		(123,184)	(390,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing – net		(94,500)	(162,500)
Finance lease payments		-	(1,172)
Long-term deposits		(1,101)	721
Dividend paid		(95,064)	(82,659)
Finance cost paid		(78,589)	(79,507)
Net cash used in financing activities		(269,254)	(325,117)
Net decrease in cash and cash equivalents		(9,942)	(308,038)
Cash and cash equivalents at the beginning of the year		75,471	383,509
Cash and cash equivalents at the end of the year	13	65,529	75,471

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

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

	Issued subscribed and paid-up capital	RESERVES						Total
		Capital Reserve	Revenue Reserves				Total	
			General Reserve	Unrealised gain / (loss) on hedging instruments	Fair Value gain on available-for-sale securities	Unappro-priated profit	Sub total	
	(Rupees '000)							
Balance as at July 01, 2006	831,131	50,900	420,000	28,183	14,480	768,232	1,230,895	1,281,795	2,112,926
Cash dividend for the year ended June 30, 2006 @ Re. 1 per share	-	-	-	-	-	(83,113)	(83,113)	(83,113)	(83,113)
Bonus shares issued during the year @ 15% i.e. 15 share for every 100 shares	124,670	-	-	-	-	(124,670)	(124,670)	(124,670)	-
Effect of recognition of fair value of derivative financial instruments net of deferred tax	-	-	-	(13,494)	-	-	(13,494)	(13,494)	(13,494)
Fair value changes on available-for-sale securities	-	-	-	-	36,115	-	36,115	36,115	36,115
Profit after taxation for the year	-	-	-	-	-	184,158	184,158	184,158	184,158
Balance as at June 30, 2007	955,801	50,900	420,000	14,689	50,595	744,607	1,229,891	1,280,791	2,236,592
Balance as at July 01, 2007	**955,801**	**50,900**	**420,000**	**14,689**	**50,595**	**744,607**	**1,229,891**	**1,280,791**	**2,236,592**
Cash dividend for the year ended June 30, 2007 @ Re. 1 per share	**-**	**-**	**-**	**-**	**-**	**(95,580)**	**(95,580)**	**(95,580)**	**(95,580)**
Effect of recognition of fair value of derivative financial instruments net of deferred tax	**-**	**-**	**-**	**5,427**	**-**	**-**	**5,427**	**5,427**	**5,427**
Fair value changes on available-for-sale securities	**-**	**-**	**-**	**-**	**1,313**	**-**	**1,313**	**1,313**	**1,313**
Profit after taxation for the year	**-**	**-**	**-**	**-**	**-**	**10,354**	**10,354**	**10,354**	**10,354**
Balance as at June 30, 2008	**955,801**	**50,900**	**420,000**	**20,116**	**51,908**	**659,381**	**1,151,405**	**1,202,305**	**2,158,106**

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

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

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of Compliance

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

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for derivatives financial instruments and investments which are valued at fair value.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

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

	Description	Effective date (accounting periods beginning on or after)
IAS-1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS-23	Borrowing Costs (Revised)	January 01, 2009
IAS-27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS-3	Business Combinations	January 01, 2009
IFRS-7	Financial Instruments: Disclosures	July 01, 2008
IFRS-8	Operating Segments	January 01, 2009
IFRIC-12	Service Concession Arrangements	January 01, 2009
IFRIC-13	Customer Loyalty Programs	July 01, 2008
IFRIC-14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interactions	January 01, 2008

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

2.4 Significant accounting judgments and estimates

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

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

2.4.1 Staff retirement benefits
Certain actuarial assumptions have been adopted as disclosed in note 19.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

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

2.4.3 Taxation
In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

Depreciation is charged from the month of the year in which addition / capitalisation occurred. While, no depreciation is charged in the month in which an asset is disposed off (also refer note 3.1.3).

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

2.6 Investments

2.6.1 Investment in Joint Venture
Investment in Madian Hydro Power Limited (MHPL), a joint venture on 50:50 shareholding basis with Shirazi investment (Private) Limited, is accounted for using the equity method.

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

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

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

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

2.7 Stores, spare parts and loose tools
These are valued at lower of average cost and estimated NRV except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

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

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

Cost signifies in relation to:

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

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

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

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

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

2.11 Foreign currency translations
Transactions in foreign currencies are translated to Pak Rupees (functional currency) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak Rupees at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates fo monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

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

2.13 Revenue recognition

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

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

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

Other revenues are accounted for on accrual basis.

2.14 Staff retirement benefits

2.14.1 Gratuity scheme

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

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

2.14.2 Provident fund

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

2.15 Provisions

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

2.16 Taxation

2.16.1 Current

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

2.16.2 Deferred

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

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

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

2.17 Derivative financial instruments

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

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

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

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

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

2.18 Borrowing costs

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

2.19 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related partices are carried out at arm's lenght.

2.20 Dividend and appropriation to reserves

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

2.21 Functional and presentation currency

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

3. PROPERTY, PLANT AND EQUIPMENT	Note	2008	2007
		(Rupees '000)	
Operating property, plant and equipment	3.1	2,155,930	2,042,162
Capital work-in-progress	3.2	366,110	154,802
		2,522,040	2,196,964

3.1 Operating property, plant and equipment

3.1.1 Following is a statement of operating assets:

2008 Description	COST			DEPRECIATION				Book value as at June 30, 2008	Rate % per annum
	As at July 01, 2007	Additions / (disposals)	As at June 30, 2008	As at July 01, 2007	Adjustment on disposals	For the year	As at June 30, 2008		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	6,855	210	7,065	-	-	-	-	7,065	-
Building on leasehold land	319,713	89,751	409,464	243,408	-	6,276	249,684	159,780	7.5
Plant and machinery	3,719,111	30,714	3,749,825	1,865,104	-	139,468	2,004,572	1,745,253	7.5
Power and other installations	47,890	834	48,724	37,964	-	1,060	39,024	9,700	10-20
Furniture and fittings	29.151	2,870	31,908	18,823	-	1,169	19,911	11,997	10-20
		(113)			(81)				
Quarry, factory and laboratory equipment	169,985	152,566	322,551	134,668	-	16,398	151,066	171,485	10-20
Motor vehicles	70,441	13,570	76,188	28,315	-	9,188	33,013	43,175	20
		(7,823)			(4,490)				
Office equipment	7,698	(239)	7,459	5,336	(218)	333	5,451	2,008	10-20
Computers	44,254	3,361	47,615	40,923	-	2,830	43,753	3,862	33.33
	4,416,703	293,876	4,702,404	2,374,541	(4,789)	176,722	2,546,474	2,155,930	
		(8,175)							

2007 Description	COST			DEPRECIATION				Book value as at June 30, 2008	Rate % per annum
	As at July 01, 2006	Additions / (disposals) / *transfer	As at June 30, 2007	As at July 01, 2006	Adjustment on (disposals) / *transfer	For the year	As at June 30, 2007		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	6,855	-	6,855	-	-	-	-	6,855	-
Building on leasehold land	318,062	1,651	319,713	235,332	-	8,076	243,408	76,305	5-10
Plant and machinery	3,679,961	41,257 (2,107)	3,719,111	1,659,503	- (400)	206,001	1,865,104	1,854,007	10
Power and other installations	44,026	3,864	47,890	36,796	-	1,168	37,964	9,926	10-20
Furniture and fittings	27,852	1,394 (95)	29,151	17,723	- (60)	1,160	18,823	10,328	10-20
Quarry, factory and Laboratory equipment	159,950	10,035	169,985	128,458	-	6,210	134,668	35,317	10-15
Motor vehicles	52,276	21,439 (8,465) *5,191	70,441	19,915	- (5,197) *3,065	10,532	28,315	42,126	20
Office equipment	7,703	15 (20)	7,698	4,953	- (11)	394	5,336	2,362	10-20
Computers	41,419	3,103 (268)	44,254	38,052	- (89)	2,960	40,923	3,331	33.33
	4,339,709	82,758 (10,955) *5,191	4,416,703	2,140,732	(5,757) *3,065	236,501	2,374,541	2,042,162	

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

	Note	2008	2007
		(Rupees '000)	
Cost of sales	23	168,842	227,328
Distribution cost	24	3,260	3,589
Administrative expenses	25	4,620	5,584
		176,722	236,501

3.1.3 Change in estimates

a) Till last year on all significant additions, depreciation was charged from the quarter of the year in which addition / capitalization occurred. Similarly, no depreciation was charged in the quarter of the year in which an asset was disposed off. During the year, the management has reviewed this estimate and now, on all assets, depreciation is charged from the month in which addition / capitalization occurs and no depreciation is charged in the month in which an asset is disposed off. Such change has been considered as a change in accounting estimate.

Had there been no change in the estimate, the depreciation charge and loss before tax for the year ended June 30, 2008 would have been higher by Rs. 24.109 million and the carrying amount of operating property, plant and equipment would have been lower by Rs. 24.109 million.

b) During the year the management carried a review of the useful lives of certain fixed assets, which resulted in the following changes:

Item	Previous depreciation rate	Revised depreciation rate
Building on leasehold land	5% to 10%	7.5%
Plant and machinery	10%	7.5%

The Management believes that the above change reflects a more systematic allocation of the depreciable amount of these assets over their useful lives. This change has been accounted for prospectively in accordance with the requirement of IAS-8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Had there been no change in the estimated useful lives of the above mentioned assets, the depreciation charge and loss before tax for the year ended June 30, 2008 would have been higher by Rs. 37.487 million and the carrying amount of operating property, plant and equipment would have been lower by Rs. 37.487 million.

3.1.4 Disposal of operating property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain (Loss)	Mode of Disposal	Sold to	
	(Rupees '000)						
Vehicles							
Suzuki Cultus Reg #ACU-667	511	84	132	48	Employee Car Scheme	Mr. Aftab A. Siddiqui Karachi	Employee
Suzuki Alto VXR Reg #ALS-579	464	365	464	99	Insurance Claim	EFU General Insurance Ltd.	
Suzuki Khyber Reg # B-1709	492	77	238	161	Tender	Mr. Naeem Akhter Peshawer	Employee
Honda City Reg #AER-095	735	221	420	199	Tender	Mr. Akber Nawaz Peshawer	Outside party
Suzuki Alto VXR Reg #ADD-302	283	106	116	10	Employee Car Scheme	Mr. Ishtiaq A. Khan Karachi	Employee
Honda City Reg #AEQ-848	762	228	249	21	Employee Car Scheme	Mr. M. Shafique Nowshera	Employee
Suzuki Cultus Reg #IDL-752	579	113	145	32	Employee Car Scheme	Mr. Ikram Q. Kayani Islamabad	Employee
Suzuki Cultus Reg #AEA-862	550	132	152	20	Employee Car Scheme	Mr. Janas Khatak Nowshera	Employee
Suzuki Cultus Reg #AEA-861	576	131	151	20	Employee Car Scheme	Mr. Taimur Badshah Nowshera	Employee
Toyota Camry Reg #ALS-050	2,750	1,797	2,700	903	Insurance Claim	EFU General Insurance Ltd.	
Honda CG-125 Motorcycle	70	70	66	(4)	Negotiation	Mr. Aziz-ur-Rehman Peshawer	Outside party
	7,772	3,324	4,833	1,509			

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

Furniture and fittings	113	32	11	(21)
Vehicles	51	9	221	212
Office equipment	239	21	25	4
	403	62	257	195
2008	8,175	3,386	5,090	1,704
2007	10,955	5,198	5,849	651

	Note	2008	2007
		(Rupees '000)	
3.2 Capital work-in-progress			
Civil works		3,151	1,183
Plant and machinery		294,362	153,155
Power and other installations		65,797	-
Advance against vehicle		2,800	464
		366,110	154,802
4. LONG-TERM INVESTMENTS			
In Joint Venture	4.1	49,100	10,100
Less: Share of loss	4.1.2	(413)	-
		48,687	10,100
Available-for-sale-related party	4.2	54,708	53,395
		103,395	63,495

4.1 In Joint Venture

The Company has 4,909,997 share (2007: 1,009,997) representing 50% (2007: 50%) interest in Madian Hydro Power Limited, which is a public unlisted company. This is a project of the Company and Shirazi Investments (Private) Limited. This investment has been made in terms of approval by the members in the Annual General Meeting held on October 24, 2005.

		Note	2008	2007
			(Rupees '000)	
4.1.1	The Company's Interest in assets and liabilities of joint venture is as follows:			
	Current assets		787	2,523
	Non-current assets		47,935	22,629
	Current liabilities		(35)	(15,052)
	Net assets		48,687	10,100
4.1.2	The Company's share in profit and loss of the joint venture is as follows:			
	Adminstrative Expenses		(413)	-

4.1.3 During the year, the Company has reviewed its earlier classification of investment in Madian Hydro Power Limited. Accordingly, the management has decided to reclassify MHPL as joint venture. Till last year, the same was presented as an associate. As the Company was also following equity method prviously, hence, no adjustments as a result of the aforesaid reclassification are required in the financial statement.

		2008	2007
		(Rupees '000)	
4.2	**Available-for-sale – related party**		
	Ordinary shares of listed company		
	Cherat Papersack Limited		
	432,000 (2007: 345,600) fully paid ordinary shares of Rs. 10/- each	54,708	53,395

5. LONG-TERM LOANS AND ADVANCES - CONSIDERED GOOD

			2008	2007
Loans to:				
Executives		5.1 & 5.2	830	1,139
Employees		5.2	10,977	8,982
			11,807	10,121
Less: Due within one year shown under current portion of loans		9	4,975	4,110
			6,832	6,011

5.1 Reconciliation of carrying amount of loans to executives

	Opening balance as at July 01	Disbursement	Repayment	Closing balance as at June 30
	(Rupees '000)			
2008	**1,139**	**850**	**1,159**	**830**
2007	581	918	360	1,139

5.2 Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 11% per annum (2007: upto 11% per annum) and are repayable within 3 to 6 years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.254 million (2007: Rs. 1.165 million). These loans are secured against the provident fund balances of respective employees.

6. DERIVATIVE FINANCIAL ASSETS

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

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

Hedged item- Plant Expansion Loans	Pay	Receive	Notional Amount	2008 Derivative Asset- Fair Value	2007 Derivative Asset- Fair Value
				(Rupees '000)	
Tranche – I					
First interest rate swap effective January 31, 2005	6 months EURIBOR plus 4.85%	6 months KIBOR	218,750	8,844	7,058
Second interest rate swap effective July 31, 2005	Fixed 2.93%	6 months EURIBOR	218,750	5,689	6,103
Tranche – II					
First interest rate swap effective March 31, 2005	6 months EURIBOR plus 5%	6 months KIBOR	218,750	8,446	4,692
Second interest rate swap effective September 30, 2005	Fixed 2.90%	6 months EURIBOR	218,750	5,664	7,241
				28,643	25,094

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

			2008	2007
			(Rupees '000)	
7. STORES, SPARE PARTS AND LOOSE TOOLS				
Stores		7.1	898,992	284,710
Spare parts			358,859	233,964
Loose tools			712	490
			1,258,563	519,164
Add: Stores and spare parts in transit			45,158	99,960
			1,303,721	619,124

7.1 Includes coal and furnace oil of Rs. 593 million and Rs. 219 million (2007: Rs. 87 million and Rs. 135 million) respectively

			2008	2007
8. STOCK-IN-TRADE				
Raw and packing material		23	69,638	48,858
Work-in-process		23	98,386	32,915
Finished goods		23	39,467	35,515
			207,491	117,288
9. LOANS AND ADVANCES				
Current portion of loans due from:				
Executives			538	709
Employees			4,437	3,401
		5	4,975	4,110
Advances to suppliers – unsecured, considered good			3,304	7,534
			8,279	11,644
10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS				
Margin on letters of credit			38,201	540
Security deposits			6	6
Short-term prepayments			12,011	3,087
			50,218	3,633
11. OTHER RECEIVABLES				
Accrued return on investments			100	1,216
Octroi			17	17
Sales tax adjustable			62,182	-
Duty drawback receivable			7,488	-
Others			1,824	905
			71,611	2,138

	Note	2008	2007
		(Rupees '000)	
12. SHORT-TERM INVESTMENTS			
Investments at fair value through profit or loss			
National Investment Trust (NIT)		-	31,133
Alfalah GHP Value Fund		-	36,141
NAFA Stock Fund		-	29,245
Askari Income Fund		-	45,804
HBL Income Fund		-	45,703
AKD Value Fund		-	45,796
NAFA Cash Fund		-	53,108
First Habib Income Fund		-	20,318
Alfalah Income Multiplier Fund		-	25,082
United Growth & Income Fund		-	70,854
Ordinary shares of Shakerganj Sugar Mills Limited		574	-
		574	403,184
Available-for-sale investment			
Ordinary shares of Oil & Gas Development Company Limited		-	2,995
Held-to-maturity investment			
US Dollar Bonds	12.1	-	4,953
		574	411,132

12.1 Represents US Dollar Bonds having redemption value of Rs. Nil (2007: Rs. 4.953 million). The above investment was matured during the year and carried mark-up at a rate of 2 percent above the LIBOR.

	Note	2008	2007
		(Rupees '000)	
13. CASH AND BANK BALANCES			
With banks in:			
Current accounts		52,061	60,562
PLS accounts	13.1	12,681	14,343
		64,742	74,905
Cash in hand		787	566
		65,529	75,471

13.1 Effective profit rate in respect of PLS accounts ranges from 1 to 6 percent per annum (2007: 1 to 6 percent per annum).

14. SHARE CAPITAL

14.1 Authorised capital

Number of shares			2008	2007
2008	2007		(Rupees '000)	
225,000,000	150,000,000	Ordinary shares of Rs. 10/- each	2,250,000	1,500,000

14.2 Issued, subscribed and paid-up capital

Fully paid ordinary shares of Rs. 10/- each

Number of shares			2008	2007
2008	2007		(Rupees '000)	
19,842,000	19,842,000	Issued for cash	198,420	198,420
		Issued as fully paid bonus shares		
70,678,008	58,211,050	- Opening balance	706,781	582,111
-	12,466,958	- Issued during the year	-	124,670
70,678,008	70,678,008	Closing balance	706,781	706,781
90,520,008	90,520,008		905,201	905,201
5,060,000	5,060,000	Issued for consideration other than cash on amalgamation	50,600	50,600
95,580,008	95,580,008		955,801	955,801

15. RESERVES

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

16. LONG-TERM FINANCING – SECURED

From Commercial Banks	Mode & Commencement of repayment	Security	2008	2007	Rate
			(Rupees '000)		
Term Finance					
Term Finance – I	Eight bi-annual installments commencing from February 2004	First pari-passu charge on plant and machinery.	-	25,000	6 months KIBOR + 1%
Term Finance – II	Eight bi-annual installments commencing from February 2004	First pari-passu charge on plant and machinery.	-	12,500	6 months KIBOR + 1%
			-	37,500	
Plant Expansion Loans					
Tranche – I	Eight bi-annual installments commencing from January 2007	First pari-passu charge on plant and machinery	218,750	306,250	6 months KIBOR + 0.7% (Also refer note 6)
Tranche – II	Eight bi-annual installments commencing from March 2007	First pari-passu charge on plant and machinery	218,750	306,250	6 months KIBOR + 0.7% (Also refer note 6)
			437,500	612,500	
Waste Heat Recovery System Loan					
Tranche-I	Ten bi-annual installments commencing from Novermber 2010	Fist pari-passu charge on all the present and future plant and machinery.	118,000	-	1st & 2nd year: 6 months KIBOR + 0.4% 3rd & 4th year: 6 months KIBOR + 0.5% 5th, 6th & 7th year: 6 months Kibor + 0.9%
			555,500	650,000	
Less: Current Maturity					
- Term Finance			-	37,500	
- Plant Expansion Loans			175,000	175,000	
			175,000	212,500	
			380,500	437,500	

	Note	2008	2007
		(Rupees '000)	
17. LONG-TERM DEPOSITS-UNSECURED			
Dealers	17.1	12,100	12,283
Suppliers and contractors	17.2	1,276	2,194
		13,376	14,477

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

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

	Note	2008	2007
		(Rupees '000)	
18. DEFERRED TAXATION			
Represents the tax effect of temporary differences relating to:			
Accelerated tax depreciation allowance		438,709	398,739
Unabsorbed business losses		(41,590)	-
Unabsorbed tax losses		(3,744)	-
Provisions		(2,035)	(2,035)
		391,340	396,704
Less: Temporary differences not expected to reverse in view of applicability of final tax regime		(164,367)	(99,176)
		226,973	297,528
Net deferred tax effect of recognition of fair value of derivative financial instruments directly taken to equity		5,615	5,228
		232,588	302,756
19. TRADE AND OTHER PAYABLES			
Creditors		18,398	20,197
Bills payable		661,896	2,923
		680,294	23,120
Accrued liabilities			
Accrued interest / mark-up			
Long-term loans – secured		17,633	25,532
Short-term finance – secured		9,309	688
		26,942	26,220
Others			
Salaries payable		1,680	1,628
Bonus payable		9,591	11,578
Staff benefits payable		21,833	31,148
Accrued expenses		44,463	17,957
		77,567	62,311
Other liabilities			
Advances from customers		41,492	44,350
Advances against scrap sales		-	765
Staff provident fund		95	95
Retention money		1,972	6,347
Payable to staff gratuity fund	19.1	3,038	4,603
Insurance payable		4,052	1,359
Workers' Profits Participation Fund	19.2	-	13,267
Workers' Welfare Fund		-	5,041
Sales tax payable		-	1,073
PSI marking fee		5,813	5,813
Royalty and excise duty		69,892	14,811
Others		2,431	2,566
		128,785	100,090
		913,588	211,741

19.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 2.14.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2008

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

	Note	2008	2007
		(Rupees '000)	
Staff Gratuity Fund			
Present value of defined benefit obligation		127,128	119,807
Fair value of plan assets		(72,736)	(94,190)
Unrecognised actuarial loss		(51,354)	(21,014)
Liability recognised in the balance sheet		(3,038)	4,603
Amounts charged to profit and loss account:			
Current service cost		6,344	6,537
Interest cost		11,981	9,883
Expected return on plan assets		(9,419)	(8,253)
Actuarial gain recognised		1,129	712
		10,035	8,879
Movement in the liability recognised in the balance sheet:			
Balance as at July 01		4,603	724
Net charge for the year		10,035	8,879
Contribution to the fund		(11,600)	(5,000)
Balance as at June 30		3,038	4,603
Movement in the present value of defined benefit obligation:			
Balance as at July 01		119,807	98,834
Current service cost		6,344	6,537
Interest cost		11,981	9,883
Benefits paid during the year		(17,172)	(3,615)
Actuarial loss		6,168	8,168
Balance as at June 30		127,128	119,807
Movement in the fair value of plan assets:			
Balance as at July 01		94,190	82,532
Expected return		9,419	8,253
Contributions		11,600	5,000
Benefits paid during the year		(17,172)	(3,615)
Actuarial gain		(25,301)	2,020
Balance as at June 30		72,736	94,190
Principal actuarial assumptions used are as follows:			
Expected rate of increase in salary level		12%	10%
Valuation discount rate		12%	10%
Rate of return on plan assets		12%	10%

Comparisons for past years:

As at June 30	2008	2007	2006	2005	2004
	(Rupees '000)				
Present value of defined benefit obligation	127,128	119,807	98,834	76,326	65,469
Fair value of plan assets	(72,736)	(94,190)	(82,532)	(83,018)	(76,555)
Deficit / (surplus)	54,392	25,617	16,302	(6,692)	(11,086)
Experience adjustment on plan liabilities	6,168	8,168	25,272	6,623	2,845
Experience adjustment on plan assets	25,301	(2,020)	(3,694)	4,940	(23,830)
	31,469	6,148	21,578	11,563	(20,985)

	Note	2008	2007
		(Rupees '000)	
Composition of plan assets are as follows:			
Defence Saving Certificates		24,375	35,169
TDRs / TFCs		4,823	5,470
Mutual Fund		17,528	30,457
Listed Securities		25,847	21,919
Amount in Bank		163	1,175
		72,736	94,190

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

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2008 was Rs. (15.882) million (2007: Rs.12.931 million).

19.2 Workers' Profits Participation Fund

Balance as at July 01		13,267	37,942
Interest thereon	28	336	252
		13,603	38,194
Less: Payments during the year		(13,603)	(38,194)
		-	-
Contribution for the year		-	13,267
		-	13,267

20. SHORT-TERM RUNNING FINANCE - SECURED

This represents utilised portion of running finance facilities aggregating Rs. 1,097.00 million (2007: Rs. 808.50 million) obtained from various commercial banks. These carry mark-up ranging from 3 months KIBOR + 0.5% to 3 months KIBOR + 1% per annum. The facilities are secured against registered joint pari passu hypothecation charge over stocks and book debts for Rs. 1,448.50 million.

	2008	2007
	(Rupees '000)	
21. CONTINGENCIES AND COMMITMENTS		
21.1 Contingencies		
21.1.1 Claim pending adjudication by Honourable High Court of Peshawar against marking fee for the period from July 01, 1985 to June 30, 2008	13,096	11,709

21.1.2 During last year, the Honourable Supreme Court of Pakistan decided a case in favour of the Company. This case pertains to the realization of excise duty on the Retail Price inclusive of excise duty during the period 1994 to 1999. This stand point of the Revenue Department was challenged by the Company and Peshawar and Sindh High Courts have agreed with the Company's point of view that excise duty shall not be included as a component for determining the value i.e. Retail Price for levying excise duty.

On an appeal filed by the Department, the Honourable Supreme Court of Pakistan upheld the point of view of the High Courts. The Department filed a review petition against the decision of Supreme Court which has not yet come up for hearing.

This decision has resulted in creation of a refund claim of approximately Rs. 882 million (2007: Rs. 882 million), which was wrongly collected from the Company. During the year, while verifying the refund claim, the Collector of Excise and Sales Tax Peshawar has issued a show cause notice to the Company raising certain objections against the release of said refund. The management has challenged the aforesaid notice in Honourable Peshawar High Court and got a stay order on June 24, 2008.

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

22.1.3 The Company has filed various refund cases which are pending at different adjudication levels. The amount involved is around Rs. 66 million (2007: Rs. 70 million). However, keeping in view of the inherent uncertainties involved in such matters and the fact that it is difficult to determine the outcome of these cases at this stage, no amount has been recognized as income in these financial statements.

	Note	2008	2007
		(Rupees '000)	
21.2 Commitments			
21.2.1 Guarantee issued by a commercial bank on behalf of the Company		8,500	8,500
21.2.2 Letters of credit issued by commercial banks	21.2.4	1,191,612	278,977

21.2.3 In respect of investment in Madian Hydro Power Limited, approval was given by the shareholders in the Company's annual general meeting held on October 20, 2006. However, the project is still in technical feasibility study phase. The remaining cost of this technical feasibility is around Rs. 81.212 million, half of which will be contributed by the Company. Any subsequent future commitment will depend upon the final negotiation with the Government and hence cannot be ascertained at present.

21.2.4 Includes commitments relating to capital expenditure amounting to Rs. 464.610 million (2007: Rs. 127.854 million).

	Note	2008	2007
		(Rupees '000)	
22. TURNOVER – NET			
Local sales net of trade discounts and volume rebate		2,746,006	2,639,186
Less: Sales tax	22.1	356,159	339,055
Federal excise duty		492,201	489,767
Special excise duty		18,921	-
		867,281	828,822
		1,878,725	1,810,364
Export sales net of trade discounts		1,135,027	809,596
		3,013,752	2,619,960

22.1 Includes an amount of Rs. 5.595 million net refundable (2007: Rs. 8.142 million paid) pertaining to CBR's various notifications.

23. COST OF SALES			
Raw and packing material consumed			
Opening stock		48,858	44,459
Purchases		479,473	331,246
		528,331	375,705
Closing stock	8	(69,638)	(48,858)
		458,693	326,847
Duty drawback on exports		(10,743)	(36)
		447,950	326,811
Manufacturing overheads			
Salaries, wages and benefits	23.1	221,017	203,500
Stores and spare parts consumed		102,771	114,497
Fuel and power		1,852,507	1,239,708
Rent, rates and taxes		42,308	34,809
Insurance		23,621	23,647
Vehicle running expenses		18,566	15,663
Traveling and conveyance		3,023	2,481
Printing and stationery		1,499	1,310
Legal and professional charges		1,768	1,198
Laboratory expenses		1,385	1,228
Depreciation	3.1.2	168,842	227,328
Repairs and maintenance		13,909	12,004
Communication expenses		1,105	910
Miscellaneous manufacturing overheads		3,488	4,864
		2,903,759	2,209,958
Work-in-process			
Opening		32,915	60,266
Closing	8	(98,386)	(32,915)
Cost of goods manufactured		2,838,288	2,237,309
Finished goods			
Opening		35,515	40,502
Closing	8	(39,467)	(35,515)
		2,834,336	2,242,296

23.1 This includes Rs. 5.041 million (2007: Rs. 5.588 million) in respect of provident fund and Rs. 5.934 million (2007: Rs. 5.310 million) in respect of gratuity fund.

	Note	2008	2007
		(Rupees '000)	
24. DISTRIBUTION COST			
Salaries, wages and benefits	24.1	49,156	42,207
Export expenses		3,454	2,657
Traveling and conveyance		978	965
Staff training expenses		198	197
Vehicle running expenses		3,157	2,892
Communication		1,682	1,519
Printing and stationery		662	565
Rent, rates and taxes		1,261	1,523
Utilities		2,634	2,566
Repairs and maintenance		1,264	912
Insurance		960	586
Advertisement		2,403	2,033
Entertainment		267	86
Depreciation	3.1.2	3,260	3,589
License and subscription		195	69
Miscellaneous		2,367	2,289
		73,898	64,655

24.1 This includes Rs. 1.734 million (2007: Rs. 1.361 million) in respect of provident fund and Rs. 1.862 million (2007: Rs. 1.495 million) in respect of gratuity fund.

25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	25.1	55,837	52,784
Traveling and conveyance		5,283	5,195
Depreciation	3.1.2	4,620	5,584
Vehicle running expenses		2,992	2,638
Communication		2,050	1,935
Printing and stationery		1,691	1,555
Rent, rates and taxes		3,928	1,992
Utilities		1,135	1,116
Repairs and maintenance		2,781	2,423
Legal and professional charges		4,366	2,990
Insurance		1,186	934
Subscription		4,628	3,570
Advertisement		649	387
Staff training expenses		521	226
Entertainment		680	726
Miscellaneous		576	898
		92,923	84,953

25.1 This includes Rs. 2.014 million (2007: Rs. 1.794 million) in respect of provident fund and Rs. 2.239 million (2007: Rs. 2.074 million) in respect of gratuity fund.

26. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund		-	13,267
Workers' Welfare Fund		-	5,041
Donations	26.1	1,193	1,730
Share of loss of joint venture	4.1.2	413	-
Auditors' remuneration	26.2	1,175	1,377
Exchange loss		3,827	126
		6,608	21,541

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

	Note	2008	2007
		(Rupees '000)	
26.2 Auditors' Remuneration			
Audit fee		480	450
Tax, corporate and other services		570	801
Out of pocket expenses		125	126
		1,175	1,377

27. OTHER OPERATING INCOME			
Income from financial assets			
Gain on disposal of short-term investments		6,296	19,753
Profit on PLS accounts with banks		482	17,443
Unrealised fair value (loss) / gain on short-term investments		(717)	15,337
Reversal of accrued interest on foreign currency loan		-	13,492
Return on loan to a related party		-	10,970
Dividend income from a related party		691	518
Dividend income – Others		4,282	5,847
Return on US Dollar Bonds		145	365
Exchange gain on translation of held-to-maturity Investment		715	22
		11,894	83,747
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	3.1.4	1,704	651
Other			
Scrap sales		5,226	29,258
Miscellaneous income		267	2,387
		5,493	31,645
		19,091	116,043

28. FINANCE COST			
Mark-up on long-term financing		45,900	66,168
Finance cost on lease arrangement		-	33
Mark-up on short-term running finance and bank charges		35,340	9,078
Interest on WPPF	19.2	336	252
		81,576	75,531

29. TAXATION

The assessments of the Company for and upto the tax year 2007 have been completed or deemed to be assessed.

29.1 Relationship between accounting profit and tax expense		
Accounting profit / (loss) before taxation	(56,498)	247,027
Tax rate	35%	35%
Tax charge on accounting profit	-	86,459
Tax effects of:		
- Permanent differences	418	606
- Income subject to lower rate of tax	(1,715)	(1,910)
- Estimate of future taxable income under final tax regime	(33,327)	(2,069)
- Turnover tax	(13,380)	-
- Carried forward unabsorbed business losses	(41,590)	-
- Income appearing under final tax regime	11,350	(17,145)
Prior year taxation	11,392	(3,072)
Tax (income) / expense for the current year	(66,852)	62,869

	Note	2008	2007
		(Rupees '000)	
30. EARNINGS PER SHARE – Basic			
Profit after taxation		10,354	184,158
		(Number of shares)	
Weighted average number of ordinary shares in issue during the year	14.2	95,580,008	95,580,008
Earnings per share – Basic		Re.0.11	Rs. 1.93

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

31. FINANCIAL INSTRUMENTS

31.1 Yield / Mark-up rate risk

The Company's exposure to yield risk and the effective rates on its financial assets and liabilities as of June 30, 2008 are summarised as follows:

	2008					2007				
	INTEREST BEARING			NON INTEREST BEARING	Total	INTEREST BEARING			NON INTEREST BEARING	Total
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees '000)					(Rupees '000)				
Financial assets:										
Long-term investments	**-**	**-**	**-**	**103,395**	**103,395**	-	-	-	63,495	63,495
Long-term loans and advances	**4,975**	**6,832**	**11,807**	**-**	**11,807**	4,110	6,011	10,121	-	10,121
Long-term security deposits	**-**	**-**	**-**	**1,415**	**1,415**	-	-	-	1,356	1,356
Derivative financial assets	**-**	**28,643**	**28,643**	**-**	**28,643**	-	25,094	25,094	-	25,094
Loans and advances	**-**	**-**	**-**	**3,304**	**3,304**	-	-	-	7,534	7,534
Trade deposits	**-**	**-**	**-**	**38,207**	**38,207**	-	-	-	546	546
Other receivables	**100**	**-**	**100**	**1,824**	**1,924**	1,216	-	1,216	905	2,121
Short-term investments	**-**	**-**	**-**	**574**	**574**	4,953	-	4,953	406,179	411,132
Cash and bank balances	**12,681**	**-**	**12,681**	**52,848**	**65,529**	14,343	-	14,343	61,128	75,471
	17,756	**35,475**	**53,231**	**201,567**	**254,798**	24,622	31,105	55,727	541,143	596,870
Financial liabilities:										
Long-term financing	**175,000**	**380,500**	**555,500**	**-**	**555,500**	212,500	437,500	650,000	-	650,000
Long-term deposits	**-**	**-**	**-**	**13,376**	**13,376**	-	-	-	14,477	14,477
Trade and other payables	**26,942**	**-**	**26,942**	**810,941**	**837,883**	26,220	-	26,220	145,516	171,736
Short-term running finance	**496,874**	**-**	**496,874**	**-**	**496,874**	94,667	-	94,667	-	94,667
Unpaid and unclaimed Dividend	**-**	**-**	**-**	**12,241**	**12,241**	-	-	-	11,725	11,725
	698,816	**380,500**	**1,079,316**	**836,558**	**1,915,874**	333,387	437,500	770,887	171,718	942,605

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

31.2 Concentration of credit risk

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

31.3 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at June 30, 2008 and 2007 were as follows:

	2008	2007
	(Rupees '000)	
Long-term financing including current portion	555,500	650,000
Accrued interest / mark up	26,942	26,220
Short-term borrowings	496,874	94,667
Total debt	1,079,316	770,887
Cash and cash equivalents	(65,529)	(75,471)
Net debt	1,013,787	695,416
Share Capital	955,801	955,801
Reserves	1,202,305	1,280,791
Total Capital	2,158,106	2,236,592
Capital and net debt	3,171,893	2,932,008
Gearing ratio	31.96%	23.72%

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

31.4 Liquidity Risk

The Company applies prudent risk management policies by maintianing sufficient cash and bank balances and by keeping committed credit lines. At the balance sheet date the Company has unavailed credit facility of Rs. 600.126 million (2007: Rs. 713.833 million).

31.5 Foreign exchange risk management

Foreign currency risk arises mainly where investments, receivables, loans and payables are denominated in foreign currencies. As at the balance sheet date, the carrying value of assets exposed to exchange risk is Rs. 85.617 million (2007: Rs. 4.953 million). The Company occasionally enters into foreign exchange forward contracts to minimise foreign currency risks.

31.6 Fair Value of financial instruments

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

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2008			2007		
	Chief Executive	Director	Executives / Key Employees	Chief Executive	Director	Executives / Key Employees
	(Rupees '000)			(Rupees '000)		
Managerial remuneration	**9,110**	**13,440**	**60,522**	8,292	11,760	51,288
Housing allowance	**720**	**-**	**15,749**	626	-	13,942
Retirement benefits	**1,120**	**1,209**	**6,315**	1,000	1,100	5,766
Utilities	**291**	**104**	**3,443**	301	135	3,162
Leave fare	**560**	**550**	**3,413**	500	-	3,064
	11,801	**15,303**	**89,442**	10,719	12,995	77,222
	1	**1**	**35**	1	1	34

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

32.2 The aggregate amount charged in the financial statements for the year for fee to 6 directors amounted to Rs. 0.180 million (2007: 6 directors - Rs. 0.080 million).

33. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	2008	2007
		(Rupees '000)	
Group companies	Purchase of explosives	7,516	15,527
	Purchase of packing material	328,501	230,809
	Purchase of raw material	38,109	-
	Sales of goods	5,889	-
	Dividend received	691	518
	Dividend paid	20,906	17,360
	Software consultancy charges	3,331	1,920
	Royalty	6,186	11,408
Other related parties	Contribution to staff provident and gratuity funds	20,936	13,196
	Insurance premium	25,435	23,869

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

34. CAPACITY – Clinker

	2008	2007
	(Tons)	
Annual Installed capacity as of June 30	1,000,000	1,000,000
Actual production	1,000,710	873,045

35. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 18, 2008 by the Board of Directors of the Company.

36. CORRESPONDING FIGURES

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

37. GENERAL

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

No. of Shareholders	Shareholding From	Shareholding To	Shares held	Percentage
730	1	100	32,339	0.0338
1,268	101	500	428,214	0.4480
611	501	1,000	504,166	0.5275
1,268	1,001	5,000	3,433,046	3.5918
382	5,001	10,000	2,987,958	3.1261
156	10,001	15,000	1,906,421	1.9946
145	15,001	20,000	2,574,920	2.6940
116	20,001	25,000	2,576,254	2.6954
54	25,001	30,000	1,521,848	1.5922
19	30,001	35,000	602,993	0.6309
26	35,001	40,000	988,805	1.0345
28	40,001	45,000	1,212,717	1.2688
13	45,001	50,000	621,583	0.6503
9	50,001	55,000	466,450	0.4880
7	55,001	60,000	402,805	0.4214
7	60,001	65,000	434,276	0.4544
6	65,001	70,000	411,159	0.4302
10	70,001	75,000	722,863	0.7563
3	75,001	80,000	230,717	0.2414
2	80,001	85,000	165,987	0.1737
5	85,001	90,000	435,862	0.4560
3	90,001	95,000	279,646	0.2926
2	100,001	105,000	204,080	0.2135
1	105,001	110,000	108,963	0.1140
1	110,001	115,000	111,145	0.1163
1	115,001	120,000	118,753	0.1242
2	130,001	135,000	267,668	0.2800
1	140,001	145,000	145,000	0.1517
2	145,001	150,000	294,241	0.3078
2	165,001	170,000	337,310	0.3529
1	175,001	180,000	179,687	0.1880
1	190,001	195,000	192,826	0.2017
1	195,001	200,000	200,0000	0.2092
2	200,001	205,000	405,999	0.4248
1	210,001	215,000	213,671	0.2236
1	215,001	220,000	217,934	0.2280
1	220,001	225,000	221,239	0.2315
1	225,001	230,000	228,143	0.2387
2	240,001	245,000	480,631	0.5029
2	280,001	285,000	565,704	0.5919
1	285,001	290,000	287,969	0.3013
1	305,001	310,000	305,342	0.3195
1	310,001	315,000	310,566	0.3249
1	320,001	325,000	323,437	0.3384
1	330,001	335,000	333,812	0.3492
1	385,001	390,000	387,943	0.4059
1	435,001	440,000	437,646	0.4579
1	490,001	495,000	494,140	0.5170
1	515,001	520,000	517,565	0.5415
1	555,001	560,000	558,475	0.5843
1	590,001	595,000	591,900	0.6193
1	600,001	605,000	601,100	0.6289
1	650,001	655,000	653,818	0.6841
1	655,001	600,000	659,804	0.6903
1	670,001	675,000	670,750	0.7018
1	695,001	700,000	697,091	0.7293
1	730,001	735,000	732,129	0.7660
1	1,055,001	1,060,000	1,057,700	1.1066
1	1,735,001	1,740,000	1,739,267	1.8197
1	1,755,001	1,760,000	1,759,076	1.8404
1	1,935,001	1,940,000	1,936,672	2.0262
1	3,425,001	3,430,000	3,427,502	3.5860
1	8,015,001	8,020,000	8,016,267	8.3870
1	12,755,001	12,760,000	12,755,776	13.3457
1	13,135,001	13,140,000	13,139,503	13.7471
1	15,750,001	15,755,000	15,750,735	16.4791
4,919			95,580,008	100.0000

Categories of Shareholders as at June 30, 2008

Categories	No. of Shareholders	Shares held	Percentage
Individuals	4,756	27,832,324	29.1194
Financial Institutions	37	35,535,616	37.1789
Insurance Companies	8	4,310,265	4.5096
Joint Stock Companies	84	23,159,889	24.2309
Modarabas	2	20,393	0.0213
Mutual Funds	6	1,468,613	1.5365
Investment Companies	5	58,097	0.0608
Others	21	3,194,811	3.3426
	4,919	95,580,008	100.0000

Pattern of Shareholding
as at June 30, 2008

Additional Information

Shareholders' Category	Shares Held
Associated companies	
Faruque (Private) Limited	15,750,735
Mirpurkhas Sugar Mills Limited	3,427,502
Greaves Pakistan (Private) Limited	1,759,076
Cherat Papersack Limited	221,239
Government Institutions	
National Bank of Pakistan (Trustee of NIT)	12,755,776
NBP Trustee-NI(U)T (LOC) Fund	13,139,503
National Investment Trust Ltd. (Admin. Fund)	43,585
National Investment Trust Ltd.	28,119
Directors, Chief Executive and their spouses	
Mr. Mohammed Faruque	10,421
Mrs. Nighat Faruque W/o Mr. Mohammed Faruque	204,404
Mr. Azam Faruque	240,531
Mrs. Samia Faruque W/o Mr. Azam Faruque	28,523
Mr. Akbarali Pesnani	44,921
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	43,774
Mr. Shehryar Faruque	79,062
Mr. Arif Faruque	169,143
Executives	192,826
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	15,497,705
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	15,750,735
National Bank of Pakistan (Trustee of NIT)	12,755,776
NBP Trustee-NI(U)T (LOC) Fund	13,139,503

Proxy Form

27th Annual General Meeting 2008

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

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

Number of shares held: _____

I / We _____

of _____

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

_____ of _____ another member of the Company as my / our proxy to attend & vote for me / us and on my / our behalf at the 27th Annual General Meeting of the Company to be held on Thursday, 23rd October, 2008 at 11:00 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature: _____
   Name: _____
   Address: _____
   _____
   NIC or _____
   Passport No. _____

2. Signature: _____
   Name: _____
   Address: _____
   _____
   NIC or _____
   Passport No. _____

Signature of Shareholder

Please affix Revenue Stamp Rs.5/-

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

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

Circular

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No. 1 of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETING AND APPOINTMENT OF PROXIES

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

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

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

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

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

B. Appointment of Proxies:

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

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

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

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

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

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