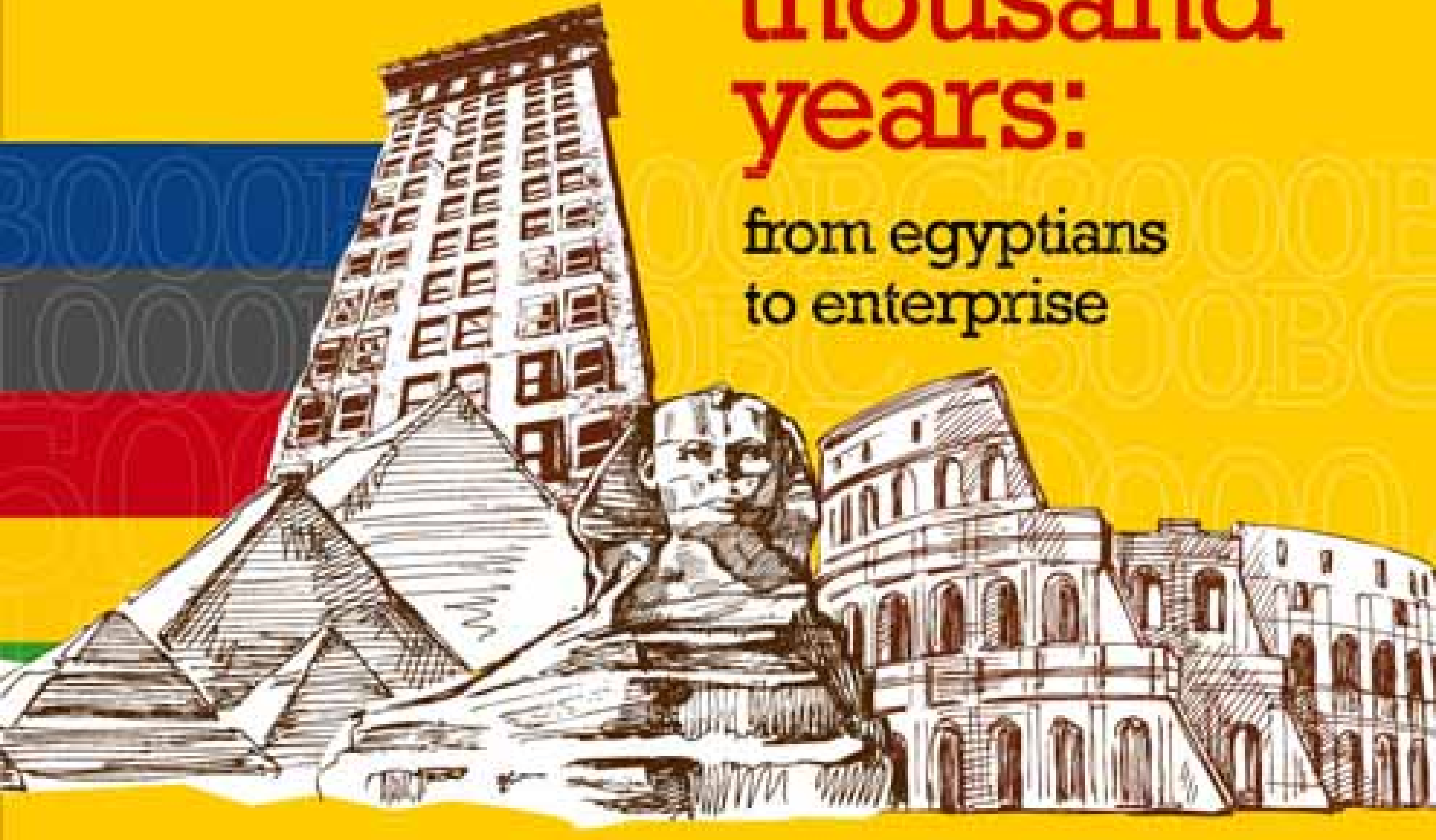
five thousand years:

from egyptians to enterprise



Annual Report 2012

CHERAT CEMENT

Cherat Cement Company Limited

A Ghulam Faruque Group Company

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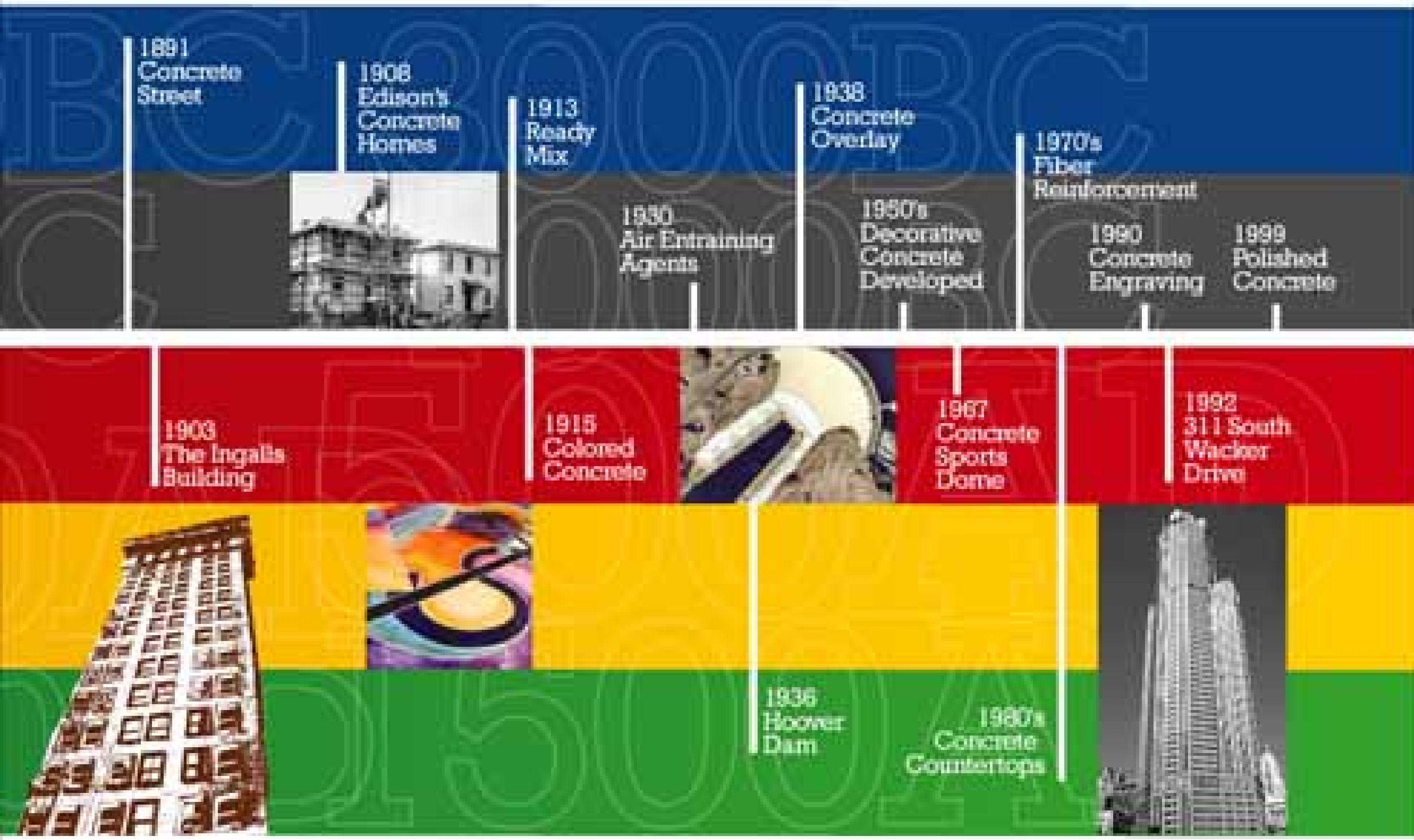


Spanning over 5,000 years, from the time of the Egyptian Pyramids to present day decorative concrete developments, concrete has been used for many amazing things throughout history, including architecture, infrastructure and more.

CHERAT CEMENT

Reference
www.concretenetwork.com/concrete-history/linear-timeline.html

Egyptian Pyramids 3000 BC

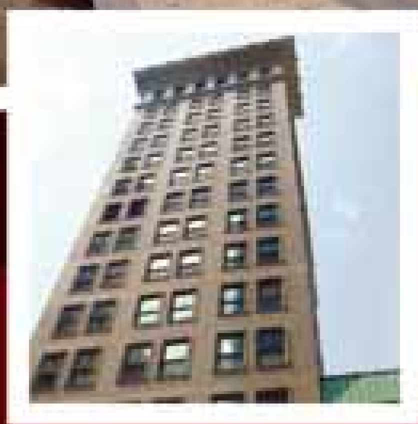
Over 5000 years ago, the Egyptians were using early forms of concrete to build pyramids. Mud and straw were mixed to form bricks while gypsum and lime were being used to make mortars.

Roman Architecture 300 BC - 476 AD

To build many of their architectural marvels, such as the Colosseum, and the Pantheon, the ancient Romans used a material that is remarkably close to modern cement. They also used animal products in their cement as an early form of admixtures.

Alvord Lake Bridge - 1889

Alvord Lake Bridge, the first reinforced concrete bridge was built in San Francisco. It still exists today, over hundred years after it was built.



The Ingalls Building 1903

The Ingalls Building, the first concrete high rise was built in Cincinnati, Ohio. It has fifteen stories and was a great engineering feat of its time.

3000BC 2000BC 1000BC 500BC 100 500 AD 1000 AD 1500 AD 2000 AD

Edison's Concrete Homes 1908

Thomas Alva Edison designed and built the first concrete homes in Union, New Jersey. Everything from shingles to bathtubs to picture frames were cast as a single monolith of concrete, in a process that took just a few hours. Extra stories could be added with a simple adjustment of the molding forms. These $ 1,200 houses would be cheap enough for even the poorest slum-dwellers to afford. These homes still exist today.

Edison's admirers claimed "The time will most certainly come when whole houses will be turned out in one piece," a biographer declared in 1907. When the molds were removed, he wrote, "a solid and almost bomb-proof house will be left behind."

vision

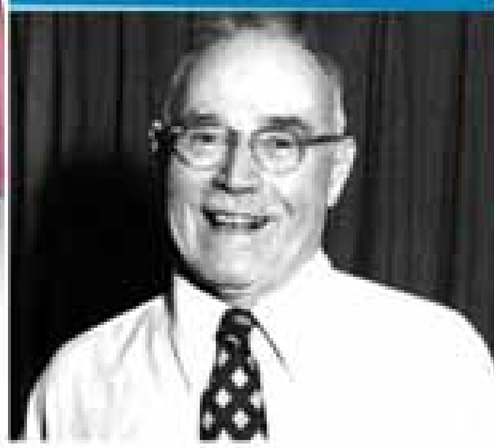
Growth through the best value creation for the benefit of all stakeholders.

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.

Coloured Concrete 1915

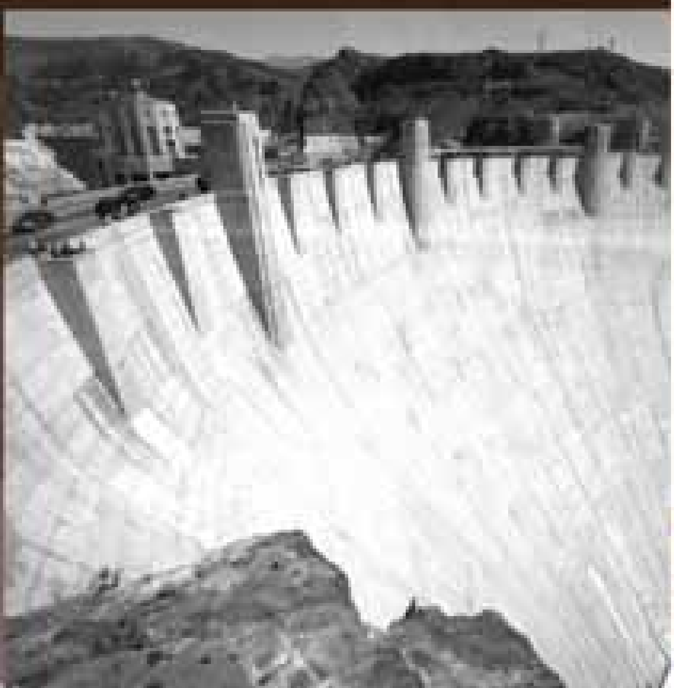
Lynn Mason Scofield redefined concrete for the building industry by being the first company to produce color for concrete.



strategic objectives

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

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



Hoover Dam
1936

The Hoover Dam was built along the Colorado River, bordering Arizona and Nevada. It was the largest scale concrete project ever completed.

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.

Concrete Towers

With the development in the cement industry, the building of tall reinforced concrete structures was made possible. This picture shows the 65-story building known only by its street address, 311 South Wacker Drive, Chicago, Illinois.

company information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Javaid Anwar (NIT)	Director
Mr. Aamir Amin (NIT)	Director
Mr. Saquib H. Shirazi	Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Human Resource and Remuneration Committee

Mr. Javaid Anwar	Chairman
Mr. Azam Faruque	Member
Mr. Arif Faruque	Member

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

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

Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera

Head Office

Modern Motors House, Beaumont Road
Karachi-75530

Sales Offices

Peshawar: 1st Floor, Betani Arcade, Jamrud Road

Lahore: 3, Sunder Das Road

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

Share Registrar

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

notice of annual general meeting

Notice is hereby given that the 31st Annual General Meeting of the company will be held on Wednesday, October 17, 2012 at 11:00 a.m. at the Registered Office of the company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa to transact the following business.

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the company for the year ended June 30, 2012 and the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Final cash dividend @ 20% (Rs. 2.00 per share) for the financial year ended June 30, 2012 as recommended by the Board of Directors.

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

4. To appoint Auditors for the year 2012/13 and to fix their remuneration.

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

By order of the Board of Directors

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: August 24, 2012

NOTES:

1. The register of members of the company will be closed from Wednesday, October 10, 2012 to Wednesday, October 17, 2012 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Registrar of the company M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Tuesday, October 9, 2012 will be treated in time for the entitlement of 20% final cash dividend.

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

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

4. Shareholders of the company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card 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.

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

board of directors

Mr. Mohammed Faruque
Chairman

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

Mr. Azam Faruque
Chief Executive

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

Mr. Akbarali Pesnani
Director

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

Mr. Arif Faruque
Director

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

Mr. Tariq Faruque

Director

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

Mr. Javaid Anwar

Director (NIT)

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

Mr. Aamir Amin

Director (NIT)

Mr. Aamir Amin is the Nominee Director of National Investment Trust on the Board of Cherat Cement Co. Ltd. He is serving as the Chief Financial Officer of NIT. Mr. Amin is a Chartered Accountant by profession from Institute of Chartered Accountants of Pakistan with training from Ernst & Young - Pakistan and is also a Certified Information Systems Auditor. His work experience extends to over 13 years, mostly in the financial services industry.

Mr. Saquib H. Shirazi

Director

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

directors' report
to the members
for the year ended June 30, 2012

The Board of Directors presents the Annual Report of the company along with the audited accounts for the year ended June 30, 2012.

Overview

In spite of several challenges faced by the economy, the performance of the cement industry remained promising. During the year 2011/12, a growth of 3.5% was recorded over the previous year as cement dispatches aggregated to 32.51 million tons. While domestic sales registered an increase of 8.84% to 23.95 million tons, export sales declined by 9.12% to 8.57 million tons mainly due to availability of surplus capacity in the Middle East. However, exports to Afghanistan remained at almost the same level as last year. The catalyst for growth in local dispatches was rise in reconstruction activities after the floods last year, boom in rural economy and inward remittances from expatriate Pakistanis leading to new construction.

During the year under review, there was 29% rise in the turnover of the company from last year. The increase in turnover was attributable to rise in cement dispatches and adjustment in selling price of cement for Afghanistan to offset the impact of hike in the costs of several critical input items.

Production

Comparative production figures of clinker and cement are provided under:

	2012	2011
	(in tons)	
Clinker	893,600	978,670
Cement	1,003,768	985,732

During the period under review, there was about 2% increase in cement production to meet the demand from the market. However, clinker production declined by approximately 9% compared with last year as the company carried out major essential maintenance of the kiln during the third quarter of the year, the benefits of which will be realized in subsequent years. Because of effective planning, dispatches of the company did not suffer as it had built up sufficient stock of clinker from prior months for sale during the maintenance period.

Sales & marketing

Comparative figures of domestic and export sales are provided under:

	2012	2011
	(in tons)	
Domestic sales	610,164	565,739
Export sales	390,452	424,590
	1,000,616	990,329

The cement dispatches of the company increased by 10,287 tons from last year. On the back of strong brand recognition and pickup in construction activities in our target market, local dispatches of the company rose by 8% i.e. 44,425 tons from the previous year.

Financial performance

As mentioned earlier, there has been 29% increase in the sales revenue of the company from last year. Higher cement dispatches and requisite price adjustment in Afghanistan were the factors behind the rise in net turnover of the company during the year. Rising costs of production due to escalation in prices of major input items like electricity tariff, packaging material and freight etc. offered considerable challenge to the company. Depreciation of the Pak Rupee vis-a-vis US dollar was another factor behind the increase in costs. However, improved sales margins and efficient utilization of Waste Heat Recovery (WHR) plant coupled with use of alternative sources of fuels helped contain the production costs to a manageable level. The management of the company is taking further steps to find alternate sources of cheaper fuels. There was some increase in finance cost of the company from last year due to long term loans obtained by the company. Despite challenging economic environment for the business industry, the company staged a turnaround in its financial performance from previous years by posting an impressive after tax profit of Rs. 436.83 million during the year 2011/12.

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

	2012	2011
	(Rupees in million)	
Net sales	5,457.21	4,244.01
Cost of sales	4,304.75	3,677.16
Gross Profit	1,152.46	566.85
Expenses & taxes	715.63	498.20
Net Profit	436.83	68.65

Alternate fuels

Energy costs constitute a major portion of the cost of production for a cement manufacturer. Following the installation of Waste Heat Recovery plant and utilizing shredded tyres and local coal to efficiently contain its energy costs, the company has now embarked on Refuse Derived Fuel project. The project involves utilizing municipal solid waste for use at the kiln. In this regard, the company has recently signed an agreement with a German supplier for supply of equipment. Suitable arrangements have also been made for sourcing of municipal solid waste. We are confident that by taking these measures, the company will be able to reduce its energy costs in the future.

Dividend

At its meeting held on August 24, 2012 the Board of Directors has proposed a cash dividend @ 20% (Rs. 2 per share) for the year ended June 30, 2012. The approval of members for cash dividend will be obtained at the Annual General Meeting to be held on October 17, 2012.

Corporate social responsibilty

The company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The company also participated in the relief effort when several parts of the country were hit by unprecedented floods last year, which caused wide spread devastation to the lives and properties of the people. The employees of the company also contributed their one day salary to the cause. The company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Safety, health and environment

Being a responsible corporate citizen, the company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements. The installation of WHR plant has also helped improve the environment in the areas surrounding the factory. The company is currently in the process of obtaining the certification of ISO 14001.

Statement on corporate and financial reporting framework

- The financial statements prepared by the management of the company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- 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 charges except for those which are being made in normal course of business.
- The company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2012.

Provident Fund	Rs. 333.179 million
Gratuity Fund	Rs. 119.496 million

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

Name of Director	Meetings Attended
Mr. Mohammed Faruque	3
Mr. Akbarali Pesnani	5
Mr. Azam Faruque	5
Mr. Arif Faruque	4
Mr. Tariq Faruque	4
Mr. Javaid Anwar	5
Mr. Aamir Amin	5
Mr. Saquib H. Shirazi	5

- During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
Mr. Mohammed Faruque	4
Mr. Akbarali Pesnani	3
Mr. Tariq Faruque	2

- Pattern of shareholding is annexed with the report.
- No trading in the shares of the company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year.
- Earnings per share (EPS) during the year was Rs. 4.57 as against Re. 0.72 last year.

Contribution to national exchequer

The company contributed over Rs. one (1) billion to the government treasury in shape of taxes, excise duty, income tax and sales tax.

Future prospects

Despite very challenging economic and security environment for the business industry in Pakistan, the cement industry had a satisfactory year. Taking several measures to mitigate the risk of inflating input costs especially energy, your company employed alternative fuel sources like Refuse Derived Fuel (RDF), which shall be beneficial for the company. The use of RDF shall reduce the reliance of the company on fuel sources like coal and furnace oil and shall help the company in overcoming price volatility and foreign exchange risk. Increased private spending has boosted the confidence of the industry and it is expected that domestic demand shall continue to play a significant role for increase in cement dispatches in the coming days. Buoyed by growth in demand for cement, we anticipate improved results in the days ahead. The government is also expected to make a greater outlay of PSDP budget this year by commencing work on major infrastructure projects, which would also boost the cement demand. Inward remittances from expatriate Pakistanis and improved performance by agriculture sector are likely to result in commencement of construction activities in the country. Further, we also hold a positive outlook for cement demand in Afghanistan and also in India, which is an attractive market.

We take this opportunity to thank the government for reducing Federal Excise Duty on sale of cement in the Federal Budget 2012 by Rs. 100 per ton. We would request the government to completely eliminate the same going forward. We would also like to thank the State Bank for reducing the discount rate and providing a much required relief to the industry. We would like to urge the government to take necessary measures to stimulate the demand for cement in the country by initiating major infrastructure and housing projects and provide further incentives to the cement sector by reducing its tax burden, which is one of the highest in any industry.

Appointment of auditors

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

Acknowledgment

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 24, 2012

statement of compliance
with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a 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 of Corporate Governance in the following manner:

1. The company encourages representation of independent Non-Executive Directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent Director	Mr. Saquib H. Shirazi
Executive Director	Mr. Azam Faruque
Non-Executive Directors	Mr. Mohammed Faruque Mr. Akbarali Pesnani Mr. Arif Faruque Mr. Tariq Faruque Mr. Javaid Anwar (NIT) Mr. Aamir Amin (NIT)

The independent director meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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. No casual vacancy occurred on the Board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-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 atleast once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated atleast 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 their responsibilities. Further, an orientation course for Directors was arranged by the company to apprise Directors of their duties and responsibilities. Two Directors of the company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance 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 of Corporate Governance.
15. The board has formed an Audit Committee. It comprises of three members who are Non-Executives Directors.
16. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a Human Resource and Remuneration Committee. It comprises three members of whom two are non-executive directors and the chairman of the committee is a non-executive Director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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.
21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Related Party transactions have been placed before the Audit Committee and approved by the Board of Directors alongwith pricing methods for such transactions.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 24, 2012

statement of compliance
with the best practices of transfer pricing

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

On behalf of the Board of Directors

Mohammed Faruque
Chairman

Karachi: August 24, 2012

review report to the members

on statement of compliance with the code of corporate governance

ERNST & YOUNG

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

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012, prepared by the Board of Directors of **Cherat Cement Company Limited** (the Company) to comply with the Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement 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 systems 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.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended **30 June 2012**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi: August 24, 2012

code of conduct

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

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

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

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

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

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

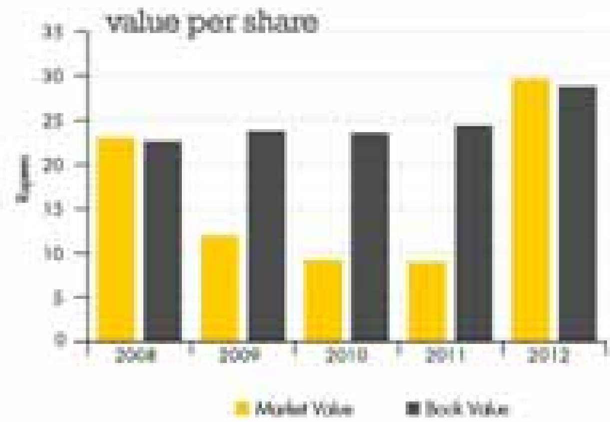
Conflict of Interest
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

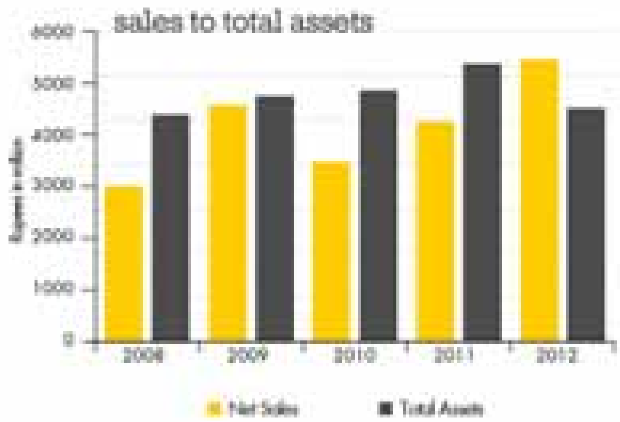
Adherence to Laws of the Land
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

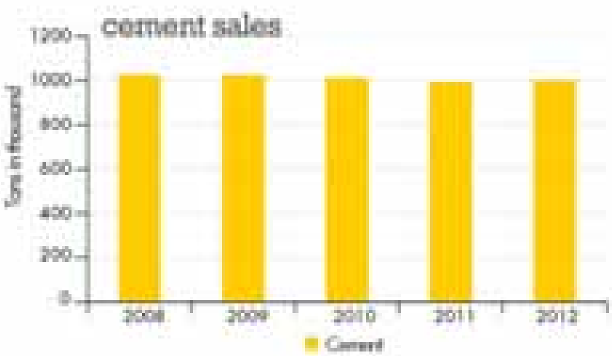
Environmental Protection
To protect environment and ensure health and safety of the work force and well-being of the people living in the adjoining areas of our plant.

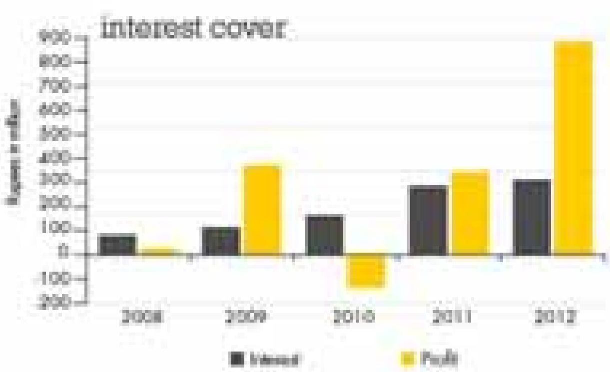
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply cement with care and competence so that customers receive the quality they truly deserve.

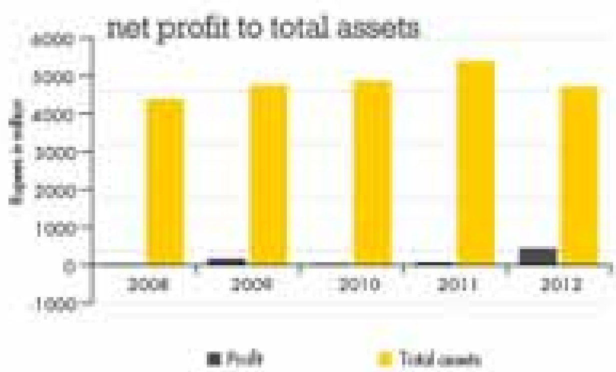
progress graphs

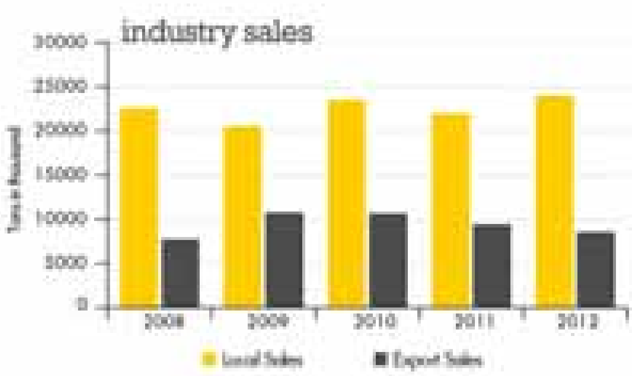


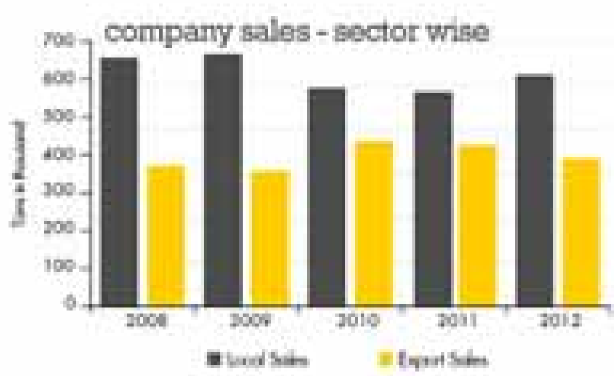


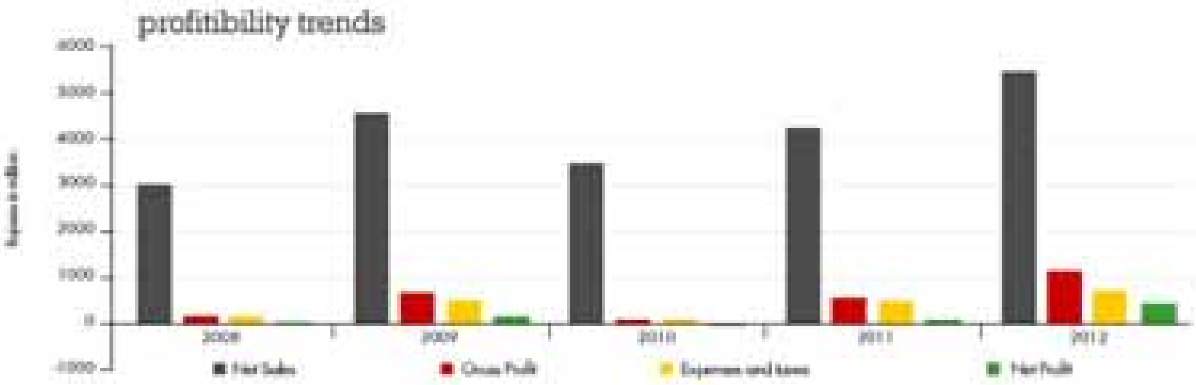


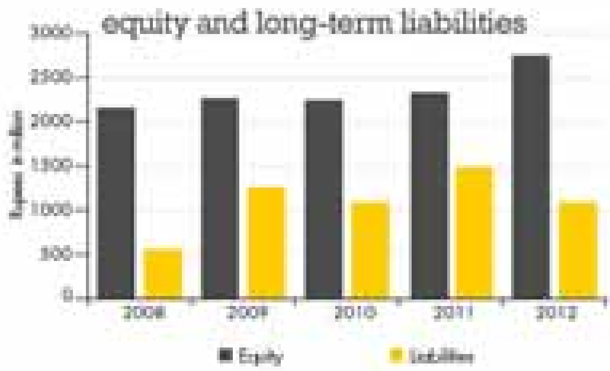


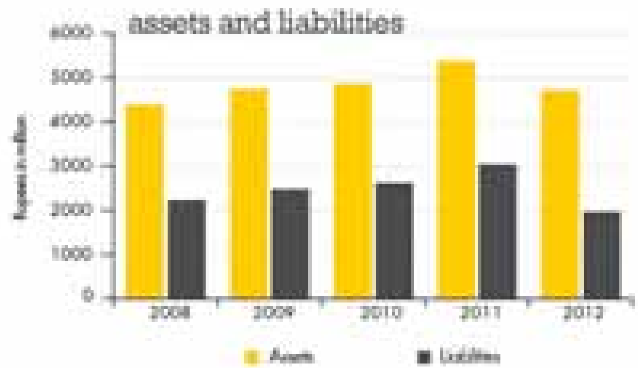


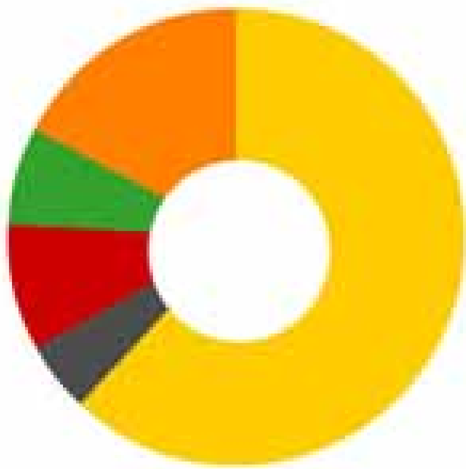










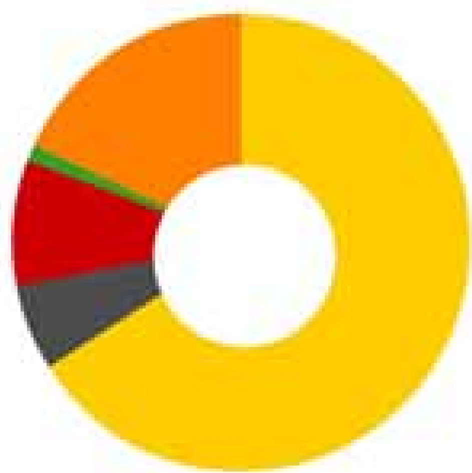


wealth and its distribution during 2011-12

Government	17%
Material and Services	62%
Financial Institutions	5%
Employees	9%
Shareholders and Equity	7%

wealth and its distribution during 2010-11

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



year-wise
statistical summary

	2012	2011	2010	2009	2008	2007	2006
	(Tons in '000)						
Clinker Production	894	979	946	967	1,001	873	575
Cement Production	1,004	986	1,009	1,025	1,027	926	598
Cement Dispatched	1,001	990	1,011	1,023	1,027	928	596
	(Rs. in million)						
ASSETS EMPLOYED							
Property, Plant and Equipment	3,245	3,388	3,446	3,258	2,522	2,197	2,270
Intangible Assets	19	21	20	6	-	-	-
Investment, Long-term Loan & Advances and Deposits	158	238	150	122	111	71	33
Derivative Financial Assets	-	-	2	14	29	25	41
Current Assets	1,289	1,718	1,239	1,343	1,720	1,240	1,268
Total Assets Employed	4,711	5,365	4,857	4,743	4,382	3,533	3,612
FINANCED BY							
Shareholders' Equity	2,748	2,331	2,246	2,268	2,158	2,236	2,113
Long-term Liabilities	923	1,234	989	1,100	393	452	664
Deferred Liabilities	-	-	-	304	233	303	319
Derivative Financial Liabilities	-	-	-	-	-	-	-
Current Liabilities	1,040	1,800	1,622	1,071	1,598	542	516
Total Funds Invested	4,711	5,365	4,857	4,743	4,382	3,533	3,612
TURNOVER & PROFIT							
Turnover (net)	5,457	4,244	3,469	4,567	3,014	2,620	2,436
Operating Profit / (Loss)	882	342	(136)	371	25	323	799
Profit / (Loss) before taxation	572	55	(297)	257	(56)	247	719
Profit / (Loss) after taxation	437	69	(14)	159	10	184	538
Cash Dividend	191	-	-	-	-	96	83
Stock Dividend	-	-	-	-	-	-	125

ratio analysis

	2012	2011
Profitibility:		
Gross Profit (percentage)	21.12	13.36
Operating Profit (percentage)	16.17	8.05
Profit Before Tax (percentage)	10.47	1.30
Net Profit After Tax (pecentage)	8.00	1.62
E.P.S (Before Tax)	5.98	0.58
E.P.S (After Tax)	4.57	0.72
Net Profit to Total Assets (Average after tax) (percentage)	5.36	0.51
Increase in Sales (Net percentage)	28.59	22.34
Raw & Packing Material % of Net Sales	13.26	16.02
Labour % of Net Sales	7.08	7.76
Other Cost of Sales Expenses % of Net Sales	58.54	62.87
Raw & Packing Material % of Cost of Sales	16.81	18.49
Administrative Expenses % of Net Sales	2.07	2.52
Distribution Cost % of Net Sales	2.64	2.94
Tax % of Net Sales	2.47	(0.32)
Finance cost % of Net Sales	5.69	6.75
Short-term Solvency:		
Current Ratio	1.24	0.95
Acid Test Ratio	0.93	0.74
Inventory Turnover / Times	12.36	12.70
Overall Valuation and Assessment:		
Number of Times Interest Earned	2.84	1.19
Return on Equity After Tax (Average in percentage)	17.19	3.00
Book Value Per Share	28.75	24.40
Longterm Debts to Equity Ratio (percentage)	24.73	34.60

auditors' report

to the members

ERNST & YOUNG

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

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

We have audited the annexed balance sheet of **Cherat Cement Company Limited** (the Company) as at **30 June 2012** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.3 to the financial statements, with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2012** and of the profit, the comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 24, 2012

balance sheet

as at June 30, 2012

	Note	2012	2011
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	3,245,352	3,388,276
Intangible assets	5	19,055	21,167
		3,264,407	3,409,443
Long-term investments	6	138,658	158,969
Long-term loans and advances	7	2,177	2,814
Long-term security deposits		17,116	17,144
Deferred taxation	8	-	59,390
		157,951	238,317
		3,422,358	3,647,760
CURRENT ASSETS			
Stores, spare parts and loose tools	9	869,760	1,179,095
Stock-in-trade	10	318,503	377,854
Loans and advances	11	11,174	22,874
Trade deposits, short-term prepayments and other receivables	12	37,283	47,619
Taxation - net		14,758	19,425
Cash and bank balances	13	37,728	70,688
		1,289,206	1,717,555
TOTAL ASSETS		4,711,564	5,365,315
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	955,801	955,801
Reserves	15	1,792,219	1,375,963
		2,748,020	2,331,764
NON-CURRENT LIABILITIES			
Long-term financing	16	888,974	1,220,844
Long-term deposits	17	13,923	12,790
Deferred taxation	8	20,485	-
		923,382	1,233,634
CURRENT LIABILITIES			
Trade and other payables	18	339,905	415,135
Accrued mark-up	19	52,381	87,251
Short-term borrowings	20	436,040	1,030,069
Current maturity of long-term financing	16	200,000	255,556
Unclaimed dividend		11,836	11,906
		1,040,162	1,799,917
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		4,711,564	5,365,315

The annexed notes from 1 to 38 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

profit and loss account for the year ended June 30, 2012

	Note	2012	2011
		(Rupees '000)	
Turnover - net	22	5,457,207	4,244,009
Cost of sales	23	(4,304,750)	(3,677,159)
Gross profit		1,152,457	566,850
Distribution costs	24	(143,982)	(124,701)
Administrative expenses	25	(112,999)	(106,843)
Other operating expenses	26	(33,687)	(11,495)
		(290,668)	(243,039)
Other operating income	27	20,529	17,854
Operating profit		882,318	341,665
Finance costs	28	(310,701)	(286,469)
Profit before taxation		571,617	55,196
Taxation			
Current - for the year		(54,916)	(44,194)
- prior years		-	4,121
Deferred		(79,875)	53,528
	29	(134,791)	13,455
Profit after taxation		436,826	68,651
Earnings per share - basic	30	Rs. 4.57	Re. 0.72

The annexed notes from 1 to 38 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

statement of comprehensive income

for the year ended June 30, 2012

	2012	2011
	(Rupees '000)	
Profit for the year	436,826	68,651
Other comprehensive income:		
Unrealized loss on hedging instruments	-	(705)
Income tax relating to hedging instruments	-	132
	-	(573)
Unrealised (loss) / gain on available-for-sale securities	(20,570)	17,721
Other comprehensive income - net of tax	(20,570)	17,148
Total comprehensive income for the year	416,256	85,799

The annexed notes from 1 to 38 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

cash flow statement

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		571,617	55,196
Adjustment for:			
Depreciation	4.1.3	255,983	261,453
Amortization	5	2,465	2,259
Gain on sale of short-term investment	27	-	(66)
Gain on disposal of operating property, plant and equipment	4.1.4	(8,730)	(744)
Finance costs	28	310,701	286,469
Share of loss in a joint venture	6.1.2	91	30
Dividend income	27	(2,769)	(1,080)
		557,741	548,321
		1,129,358	603,517
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		309,335	(247,540)
Stock-in-trade		59,351	(176,668)
Loans and advances		11,700	(11,545)
Trade deposits, short-term prepayments and other receivables		10,336	(19,525)
		390,722	(455,278)
		1,520,080	148,239
(Decrease) / increase in current liabilities			
Trade and other payables		(75,230)	112,116
Cash generated from operations		1,444,850	260,355
Income tax paid		(50,249)	(45,945)
Net cash generated from operating activities		1,394,601	214,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(172,307)	(128,274)
Proceeds from disposal of operating property, plant and equipment	4.1.4	10,576	6,980
Capital work-in-progress	4.2	57,402	(81,750)
Intangible asset acquired	5	(353)	(3,413)
Proceeds from sale of short-term investment		-	180
Long-term loans and advances		637	2,254
Investment in joint venture / available for sale securities	6.1	(350)	(19,174)
Dividend received		2,769	1,080
Long-term security deposits		28	1
Net cash used in investing activities		(101,598)	(222,116)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		(387,426)	388,900
Long-term deposits		1,133	153
Short-term borrowings		(594,029)	(84,059)
Dividends paid		(70)	(9)
Finance costs paid		(345,571)	(280,243)
Net cash (used in) / generated from financing activities		(1,325,963)	24,742
Net (decrease) / increase in cash and cash equivalents		(32,960)	17,036
Cash and cash equivalents at the beginning of the year		70,688	53,652
Cash and cash equivalents at the end of the year	13	37,728	70,688

The annexed notes from 1 to 38 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, 2012

	Issued subscribed and paid-up capital	RESERVES: Capital Reserve	Revenue Reserves: General Reserve	Unrealized gain / (loss) on hedging instruments net of tax	Fair value gain / (loss) on available-for-sale securities	Unappropriated profit	Sub total	Total	Total
	(Rupees '000)								
Balance as at July 01, 2010	955,801	50,900	420,000	573	13,778	804,913	1,239,264	1,290,164	2,245,965
Profit for the year	-	-	-	-	-	68,651	68,651	68,651	68,651
Other comprehensive income	-	-	-	(573)	17,721	-	17,148	17,148	17,148
Total comprehensive income for the year	-	-	-	(573)	17,721	68,651	85,799	85,799	85,799
Balance as at June 30, 2011	955,801	50,900	420,000	-	31,499	873,564	1,325,063	1,375,963	2,331,764
Balance as at July 01, 2011	955,801	50,900	420,000	-	31,499	873,564	1,325,063	1,375,963	2,331,764
Profit for the year	-	-	-	-	-	436,826	436,826	436,826	436,826
Other comprehensive income	-	-	-	-	(20,570)	-	(20,570)	(20,570)	(20,570)
Total comprehensive income for the year	-	-	-	-	(20,570)	436,826	416,256	416,256	416,256
Balance as at June 30, 2012	955,801	50,900	420,000	-	10,929	1,310,390	1,741,319	1,792,219	2,748,020

The annexed notes from 1 to 38 form an integral part of these financial statements.

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

1 CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Company Act, 1913 (now the Companies Ordinance, 1984) in the year 1981. Its main business activity is manufacturing, marketing and sale of cement. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges.

The registered office of the Company is situated at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for available-for-sale securities that have been measured at fair value in accordance with IAS 39 "Financial Instruments, Recognition and Measurement".

2.3 New and amended standards and interpretations

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

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

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

Issued in May 2010

IFRS 7 - Financial Instruments: Disclosures : Clarification of disclosures

IAS 1 - Presentation of Financial Statements : Clarification of statement of changes in equity

IAS 34 - Interim Financial Reporting : Significant events and transactions

IFRIC 13 - Customer Loyalty Programmes : Fair value of award credits

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

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation	Effective dates (annual periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits -(Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except for the following:

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognised in other comprehensive income as these occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

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

2.5 Significant accounting judgments, estimates and assumptions

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

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

2.5.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

2.5.2 Interest in a Joint Venture

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

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

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

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

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

2.5.3 Operating property, plant and equipment

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

2.5.4 Taxation

Current

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

Deferred tax

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to profit and loss account.

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

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

2.5.6 Contingencies

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost. Depreciation is charged to profit and loss account applying the reducing balance method except for computers, which are depreciated using the straight-line method at the rates mentioned in the note 4 to the financial statements.

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

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

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

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

3.1.1 Intangible assets

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

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

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

3.2 Investments

3.2.1 Interest in a Joint Venture

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

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

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

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

3.2.2 Available-for-sale securities

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

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, and removed from the available-for-sale reserve.

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

3.2.3 Designated investments at fair value through profit or loss

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

3.3 Stores, spare parts and loose tools

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

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

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

3.4 Stock-in-trade

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

Cost signifies in relation to:

Raw and packing material	-	Purchase cost on average basis
Finished goods and work-in-process	-	Cost of direct material, labour and proportion of manufacturing overheads
Stock-in-transit	-	Invoice value plus other charges paid thereon upto the balance sheet date

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

3.5 Trade debts

Trade debts are 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.

3.6 Trade and other payables

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

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

3.8 Foreign currency translations

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

3.9 Cash and cash equivalents

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

3.10 Revenue recognition

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

3.10.1 Sale of goods

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

3.10.2 Other operating income

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

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

- Other revenues are accounted for on accrual basis.

3.11 Staff retirement benefits

3.11.1 Gratuity scheme

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

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10% 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.

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

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

3.11.2 Provident fund

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

3.12 Provisions

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

3.13 Taxation

3.13.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with 1% of turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.13.2 Deferred

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

Deferred tax liabilities are recognised for all taxable temporary differences. 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 sufficient taxable profit will be available against which such temporary differences and tax losses can be utilized.

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

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

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

3.13.3 Sales tax

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

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

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

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

3.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.15 Borrowing costs

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

3.16 Impairment

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

3.17 Related party transactions

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

3.18 Dividend and appropriation to reserves

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

3.19 Functional and presentation currency

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

	Note	2012	2011
		(Rupees '000)	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1.1	3,206,282	3,291,804
Capital work-in-progress	4.2	39,070	96,472
		3,245,352	3,388,276

4.1.1 Operating property, plant and equipment

Following is a statement of operating property, plant and equipment:

2012 Description	COST			DEPRECIATION				Book value as at June 30, 2012	Depreciation rate % per annum
	As at July 01, 2011	Additions / (disposals)	As at June 30, 2012	As at July 01, 2011	Adjustment on disposals	For the year	As at June 30, 2012		
	(Rupees '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	513,920	5,655	519,575	292,846	-	16,735	309,581	209,994	7.5
Plant and machinery	5,232,168	125,053	5,357,221	2,494,017	-	186,160	2,680,177	2,677,044	5-7.5
Power and other installations	123,119	5,386	128,427	51,171	-	7,370	58,503	69,924	10-20
		(78)			(38)				
Furniture and fittings	38,376	981	39,357	23,924	-	1,405	25,329	14,028	10-20
Quarry, factory and laboratory equipment	398,743	11,392	397,170	229,949	-	25,776	243,457	153,713	10-20
		(12,965)			(12,268)				
Motor vehicles	109,105	11,713	116,778	47,737	-	13,271	58,052	58,726	20
		(4,040)			(2,956)				
Office equipment	9,980	109	9,953	6,695	-	566	7,150	2,803	10-20
		(136)			(111)				
Computers	56,480	12,018	68,498	52,418	-	4,700	57,118	11,380	33.33
	6,490,561	172,307	6,645,649	3,198,757	(15,373)	255,983	3,439,367	3,206,282	
		(17,219)							

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

	Note	2012	2011
		(Rupees '000)	

4.1.2 Reconciliation of carrying amount:

	2012	2011
Carrying amount at beginning of the year	3,291,804	3,431,219
Additions during the year	172,307	128,274
Depreciation for the year	(255,983)	(261,453)
Disposals during the year at carrying amount	(1,846)	(6,236)
	3,206,282	3,291,804

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

	Note	2012	2011
Cost of sales	23	245,231	249,993
Distribution costs	24	4,951	5,055
Administrative expenses	25	5,801	6,405
		255,983	261,453

4.1.4 Disposal of operating property, plant and equipment

Description	Cost	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of buyers
	(Rupees '000)					
Vehicles						
Honda Civic VTI Reg# ALF-846	1,148	301	301	-	Employee car scheme	Mr. Masih ur Rehman - Employee
Suzuki Alto VXR CNG Reg# B-2354	499	164	164	-	Employee car scheme	Mr. Sher Muhammad - Employee
Honda City I-DSI, Reg# AGX-642	847	203	212	9	Employee car scheme	Mr. Saif Ullah Baber - Employee
Suzuki Mehran VXR CNG Reg#LW-894	390	92	98	6	Employee car scheme	Mr. Nadeem A. Khan - Employee
Suzuki Alto VXR CNG Reg# AKH-254	498	134	134	-	Employee car scheme	Mr. Waqar Haider - Employee
Suzuki Cultus VXR CNG Reg# LEB-5126	595	172	605	433	Tender	Ms. Farah Tahir (Lahore) - Outside party
Quarry and factory equipment						
Caterpillar 3516, Engine KW 1567, Model 1993, Eng Sr 25Z03166	12,965	697	9,000	8,303	Tender	Sold to Cherat Packaging Limited. - Related party
	16,942	1,763	10,514	8,751		
Aggregate of operating property, plant and equipment disposed-off having book value below Rs. 50,000/- each						
Power and other installation	78	40	-	(40)		
Office equipment	136	25	29	4		
Motor cycle	63	18	33	15		
	277	83	62	(21)		
2012	17,219	1,846	10,576	8,730		
2011	17,656	6,236	6,980	744		

4.2 Movement of capital-work-in-progress

	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Vehicles	Total
	(Rupees '000)					
Balance as at June 30, 2010	705	12,389	-	-	1,628	14,722
Capital expenditure incurred / advances made during the year	5,450	90,400	6,764	365	-	102,979
Transferred to operating property, plant & equipment	(3,416)	(16,185)	-	-	(1,628)	(21,229)
Balance as at June 30, 2011	2,739	86,604	6,764	365	-	96,472
Capital expenditure incurred / advances made during the year	804	38,716	4,273	2,478	10,632	56,903
Transferred to operating property, plant & equipment	(2,075)	(89,459)	(11,037)	(1,102)	(10,632)	(114,305)
Balance as at June 30, 2012	1,468	35,861	-	1,741	-	39,070

5. INTANGIBLE ASSET

Description	COST			AMORTIZATION			Book value as at June 30,	Amortisation Rate % per annum
	As at July 01,	Additions during the year	As at June 30,	As at July 01,	For the year	As at June 30,		
	(Rupees '000)							
2012 ERP System	24,296	353	24,649	3,129	2,465	5,594	19,055	10
2011 ERP System	20,883	3,413	24,296	870	2,259	3,129	21,167	10

	Note	2012	2011
		(Rupees '000)	
5.1 The amortization for the year has been allocated as follows:			
Cost of sales	23	2,225	2,157
Distribution costs	24	136	68
Administrative expenses	25	104	34
		2,465	2,259
6. LONG-TERM INVESTMENTS			
Investment in related parties			
Interest in a Joint Venture	6.1	106,755	106,496
Available-for-sale	6.2	31,903	52,473
		138,658	158,969
6.1 Movement of interest in a joint venture - under equity method			
Company's share in net assets at beginning of the year		106,496	105,526
Investment during the year		350	1,000
Share of loss		(91)	(30)
Balance as at June 30		106,755	106,496

6.1.1 The Company has 10,744,997 shares (2011: 10,709,997 shares) representing 50% (2011: 50%) interest in Madian Hydro Power Limited, a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited.

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

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

	2012	2011
	(Rupees '000)	
Current assets	260	141
Non-current assets	106,585	106,355
Current liabilities	(90)	-
Net assets	106,755	106,496
Administrative expenses	(91)	(30)

6.1.3 The technical feasibility of the project has been completed and already been approved by Private Power and Infrastructure Board (PPIB). The project is delayed due to the security situation in Swat area which is returning to normal after successful Army operation and presently rehabilitation work is in progress in the area. Further, certain foreign parties have shown their interest in becoming part of this project. In view thereof and the fact that the technical feasibility is a bankable document, the management believes that the project will eventually be completed, even if delayed.

	Note	2012	2011
		(Rupees '000)	
6.2 Available-for-sale - at fair value			
Ordinary shares of listed company			
Cherat Packaging Limited			
1,107,738 (2011: 1,107,738) fully paid			
ordinary shares of Rs. 10/- each.		31,903	52,473
7 LONG-TERM LOANS AND ADVANCES - secured, considered good			
Loans to:			
Executives	7.1 & 7.2	267	2,406
Employees	7.2	5,049	5,974
		5,316	8,380
Less: Due within one year - current portion of loans	11	(3,139)	(5,566)
		2,177	2,814

7.1 Reconciliation of carrying amount of loans to executives

	Opening balance as at July 01	Disbursement	Repayment	Closing balance as at June 30
	(Rupees '000)			
2012	2,406	658	(2,797)	267
2011	1,628	1,797	(1,019)	2,406

The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.416 million (2011: Rs. 2.441 million).

7.2 This represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up up to 15% per annum (2011: up to 15% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

		Note	2012	2011
			(Rupees '000)	
8	**DEFERRED TAXATION**			
	Deferred tax liability on taxable temporary difference:			
	Accelerated tax depreciation on operating property, plant and equipment		(821,514)	(831,774)
	Deferred tax asset on deductible temporary differences:			
	Taxable loss		315,912	435,780
	Minimum tax		74,360	39,497
	Temporary differences not expected to reverse in view of applicability of final tax regime		410,757	415,887
			(20,485)	59,390
9	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		407,362	638,139
	Spare parts		447,850	472,291
	Loose tools		601	580
			855,813	1,111,010
	Add: Stores and spare parts in transit		13,947	68,085
			869,760	1,179,095
10	**STOCK-IN-TRADE**			
	Raw and packing material		86,859	92,230
	Work-in-process		172,334	243,991
	Finished goods		59,310	41,633
			318,503	377,854
11	**LOANS AND ADVANCES - considered good**			
	Current portion of loans due from:			
	Executives		241	2,148
	Employees		2,898	3,418
		7	3,139	5,566
	Advances to suppliers - unsecured		8,035	17,308
			11,174	22,874
12	**TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES**			
	Trade deposits		547	547
	Short term prepayments		6,594	941
	Accrued return on investments		388	367
	Duty drawback receivable		12,990	21,573
	Insurance claims receivable		4,726	11,444
	Sales tax and excise duty refundable		8,368	8,368
	Others		3,670	4,379
			37,283	47,619

	Note	2012	2011
		(Rupees '000)	
13 CASH AND BANK BALANCES			
With banks in:			
Current accounts		14,085	56,183
Saving accounts	13.1	13,260	11,414
		27,345	67,597
Cash in hand			
Foreign currency		838	666
Local currency		9,545	2,425
		10,383	3,091
		37,728	70,688

13.1 Effective profit rate in respect of saving accounts is 6% per annum (2011: 5% per annum).

14 SHARE CAPITAL

14.1 Authorized capital

2012	2011		2012	2011
Number of shares			(Rupees '000)	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

14.2 Issued, subscribed and paid-up capital

2012	2011		2012	2011
Number of shares			(Rupees '000)	
		Fully paid ordinary shares of Rs. 10/- each		
19,842,000	19,842,000	Issued for consideration in cash	198,420	198,420
70,678,008	70,678,008	Issued as fully paid bonus shares	706,781	706,781
90,520,008	90,520,008		905,201	905,201
5,060,000	5,060,000	Issued for consideration other than cash on amalgamation	50,600	50,600
95,580,008	95,580,008		955,801	955,801

	2012	2011
	(Number of shares)	
The following is the detail of shares held by the related parties:		
Faruque (Private) Limited	16,789,035	16,789,035
Cherat Packaging Limited	221,239	221,239
Mirpurkhus Sugar Mills Limited	3,427,502	3,427,502
Greaves Pakistan (Private) Limited	1,999,176	1,999,176
Atlas Insurance Limited	1,739,267	1,739,267

15 RESERVES

15.1 Capital reserve

Capital reserve was created due to amalgamation of Cherat Electric Limited with Cherat Cement Company Limited.

15.2 Fair value gain / (loss) on available-for-sale securities

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

16 LONG-TERM FINANCING - secured

From Commercial Banks	Mode & Commencement of repayment	Security	2012	2011	Markup / Profit Rate
			(Rupees '000)		
Waste Heat Recovery System Loan					
Tranche - I	Ten bi-annual installments commencing from November 2010	First pari-passu charge on all the present and future plant and machinery	70,800	94,400	1st & 2nd year: 6 months KIBOR + 0.4% 3rd & 4th year: 6 months KIBOR + 0.5% 5th, 6th & 7th year: 6 months KIBOR + 0.9%
Tranche - II	Ten bi-annual installments commencing from July 2011	First pari-passu charge on all the present and future plant and machinery	705,600	882,000	1st & 2nd year: 6 months KIBOR + 0.4% 3rd & 4th year: 6 months KIBOR + 0.5% 5th, 6th & 7th year: 6 months KIBOR + 0.9%
			776,400	976,400	
Fixed Assets Refinance Loan (Note 16.1)	Nine bi-annual installments commencing from June 2012	First pari-passu charge on plant and machinery	277,780	500,000	6 months KIBOR +1%
Refused Derived Fuel (RDF) Loan					
Diminishing Musharikah [Partial withdrawal of Rs. 500 million]	Ten bi-annual installments commencing from 30 months from the date of first drawdown	First pari-passu charge on plant and machinery	34,794	-	6 months KIBOR +0.75%
			1,088,974	1,476,400	
Less: Current maturity					
Waste Heat Recovery System Loan			200,000	200,000	
Fixed Assets Refinance Loan (Note 16.1)			-	55,556	
			200,000	255,556	
			888,974	1,220,844	

16.1 In view of better liquidity position, the Company made early repayments of Rs.166.665 million against this loan, equivalent to 3 additional installments, in the current fiscal year. Accordingly, no repayment is due in next year.

	Note	2012	2011
		(Rupees '000)	
17 LONG-TERM DEPOSITS - unsecured			
Dealers	17.1	10,825	11,008
Suppliers and contractors	17.2	3,098	1,782
		13,923	12,790

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	2012	2011
		(Rupees '000)	
18 TRADE AND OTHER PAYABLES			
Creditors		2,766	2,831
Bills payable		154,646	172,439
Accrued liabilities		83,412	113,080
Advances from customers		4,301	27,760
Retention money		246	271
Payable to staff gratuity fund	18.1	12,342	11,692
Workers' Profits Participation Fund	18.2	30,085	2,964
Sales tax payable		4,816	3,441
Royalty and excise duty payable		43,948	75,103
Others		3,343	5,554
		339,905	415,135

18.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 3.11.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2012.

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

	2012	2011
	(Rupees '000)	
Staff Gratuity Fund Liability		
Present value of defined benefit obligation	192,274	156,403
Fair value of plan assets	(119,496)	(66,231)
Unrecognised actuarial losses	(60,436)	(78,480)
Liability recognised in the balance sheet at June 30	12,342	11,692
Amount charged to profit and loss account:		
Current service cost	9,973	6,969
Interest cost	20,729	19,402
Expected return on plan assets	(10,886)	(11,194)
Actuarial loss recognised	4,834	4,739
	24,650	19,916
Movement in the liability recognised in the balance sheet:		
Balance as at July 01	11,692	11,776
Net charge for the year	24,650	19,916
Contribution to the fund	(24,000)	(20,000)
Balance as at June 30	12,342	11,692

	2012	2011
	(Rupees '000)	
Movement in the present value of defined benefit obligation:		
Balance as at July 01	156,403	185,144
Current service cost	9,973	6,969
Interest cost	20,729	19,402
Benefits paid during the year	(16,682)	(47,859)
Actuarial loss / (gain)	21,851	(7,253)
Balance as at June 30	192,274	156,403
Movement in the fair value of plan assets:		
Balance as at July 01	66,231	88,501
Expected return	10,886	11,194
Contributions	24,000	20,000
Benefits paid during the year	(16,682)	(47,859)
Actuarial gain / (loss)	35,061	(5,605)
Balance as at June 30	119,496	66,231
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	10.5%	11%
Valuation discount rate	12.5%	14%
Rate of return on plan assets	12.5%	14%

Comparisons for past years:

As at June 30	2012	2011	2010	2009	2008
	(Rupees '000)				
Present value of defined benefit obligation	192,274	156,403	185,144	164,064	127,128
Fair value of plan assets	(119,496)	(66,231)	(88,501)	(73,374)	(72,736)
Deficit	72,778	90,172	96,643	90,690	54,392
Experience adjustment on plan liabilities	(21,851)	(7,253)	(1,655)	17,231	6,168
Experience adjustment on plan assets	35,061	(5,605)	(9,522)	20,667	25,301
	13,210	(12,858)	(11,177)	37,898	31,469

	2012	2011
	(Rupees '000)	
Composition of plan assets is as follows:		
Defence Savings Certificates	5,842	4,638
Special Savings Certificates	3,046	23,168
Mutual funds / NIT / COIs / PIB	18,564	19,048
Listed securities	90,959	14,571
Amount in banks	1,085	4,806
	119,496	66,231

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 2012 was Rs. 45.947 million (2011: Rs. 5.589 million).

		Note	2012	2011
			(Rupees '000)	
18.2	**Workers' Profits Participation Fund**			
	Opening balance as at July,01		2,964	-
	Interest thereon	28	95	-
			3,059	-
	Less: Payment made during the year		(3,059)	-
			-	-
	Charge for the year	26	30,085	2,964
	Closing balance as at June, 30		30,085	2,964
19	**ACCRUED MARK-UP**			
	Long-term financing		41,659	59,262
	Short-term borrowings		10,722	27,989
			52,381	87,251
20	**SHORT-TERM BORROWINGS - secured**			
	Short-term running finance	20.1	159,289	1,222
	Export refinance	20.2	227,216	901,856
	Murabaha financing	20.3	49,535	126,991
			436,040	1,030,069

20.1 These facilities are obtained from various commercial banks and amount to Rs.1,615 million (2011:Rs. 1,615 million) out of which Rs. 1,228.495 million (2011: Rs. 711.922 million) remained unutilized at the year end. These carry mark-up ranging from 3 months KIBOR + 0.75% per annum to 3 months KIBOR + 1.75% per annum and 1 month KIBOR + 1.25% per annum. These facilities are secured against registered joint pari-passu hypothecation charge over stocks and book debts for Rs. 2,051 million and hypothecation charge of Rs. 134 million over plant and machinery.

20.2 This is a sub-facility of note 20.1 above and carries mark up rate of 11% (2011: 11%) per annum.

20.3 This facility is obtained from a commercial Islamic Bank amount to Rs. 150 million (2011: 150 million) out of which Rs. 100.465 million (2011: Rs. 23.009 million) remained unutilized at the year end. This carries Profit rate of 3 months KIBOR + 0.75% per annum. The facility is secured against registered joint pari-passu hypothecation charge over stock and book debts for Rs. 200 million.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

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

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

The aforesaid decision has resulted in creation of a refund claim of Rs. 882 million (June 30, 2011: Rs. 882 million), which was wrongly collected from the Company. However, while verifying the refund claim, the Collector of Excise and Sales Tax Peshawar has issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that as the burden of this levy has been passed on to the end customers, thereby this refund does not belong to the Company. The Company has challenged this show cause notice in the Honourable Peshawar High Court and has taken the stance that this matter had already been dealt with at the Supreme Court level, based on the doctrine of res judicata. The Honourable Peshawar High Court granted a stay order to the Company against any adverse proceeding by the Department in this case on June 24, 2008.

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

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

21.1.2 The Company has filed various refund cases which are pending at different adjudication levels. The amount involved is around Rs. 57 million (2011: Rs. 57 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 recognised as income in the profit and loss account.

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

The HIHC finally dismissed the writ petition and vacated the stay order. However, the Company filed a writ petition in the Honourable Lahore High Court (HLHC) on this issue. The HLHC allowed the CCP to issue an order but restricted them from taking adverse action against the cement companies. The CCP in its order dated August 27, 2009 imposed a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 226 million on the Company. The Company simultaneously filed a writ petition in the Honourable Supreme Court of Pakistan challenging this order and also challenging the vires of law. This appeal is still pending adjudication. In line with historic judgement of Honourable Supreme Court of Pakistan dated July 31, 2009 the Competition Commission of Pakistan (CCP) Ordinance requires approval of the National Assembly. The CCP Ordinance was repromulgated as an Ordinance twice with some changes creating further legal complications which were brought in to the knowledge of HLHC by amending the Company's appeal. Accordingly, the management, based on the legal advice, believes that there are good legal grounds and is hopeful that there will be no adverse outcome for the Company and therefore no provision for the above penalty has been made in these financial statements.

24.1.4 In December 2009, the Honourable Peshawar High Court had decided against the Company the case relating to levy of marking fee by the Pakistan Standards and Quality Control Authority (PSQCA). Accordingly, the bank guarantee amounting to Rs. 8.5 million has been encashed. This encashment net of Rs. 2.687 million payable to PSQCA has been recorded in other receivable. The management has challenged the decision in the Honourable Supreme Court of Pakistan and the case is pending there. The management is confident that the ultimate outcome of the case will be in favour of the Company. Accordingly, no provision has been made against the aforesaid amount in these financial statements.

21.1.5 Peshawar Electric Supply Company (PESCO) has charged an amount of Rs. 20.6 million as arrears on account of fuel price adjustment charges in the electricity bills of the Company. The Company has challenged this levy in the Honorable Islamabad High Court where a stay has been granted in its favour. The Honourable Peshawar High Court, in a similar petition has suspended this levy. Accordingly, PESCO stopped claiming such amounts in the electricity bills. No provision for the above charge has been made in these financial statements as the management believes that the ultimate decision will be in its favour.

		2012	2011
		(Rupees '000)	
21.2	**Commitments**		
	Letters of credits issued by commercial banks	359,187	187,010
22	**TURNOVER - NET**		
	Local sales	4,442,880	3,451,290
	Less: Sales tax	618,943	504,957
	Federal excise duty	305,045	396,018
	Special excise duty	-	40,648
		923,988	941,623
		3,518,892	2,509,667
	Export sales	1,938,315	1,734,342
		5,457,207	4,244,009

		Note	2012	2011
			(Rupees '000)	
23	**COST OF SALES**			
	Raw and packing material consumed			
	Opening stock		92,230	88,513
	Purchases		718,448	683,474
			810,678	771,987
	Closing stock	10	(86,859)	(92,230)
			723,819	679,757
	Duty drawback on exports		(7,936)	(6,009)
			715,883	673,748
	Manufacturing overheads			
	Salaries, wages and benefits	23.1	386,602	329,222
	Stores and spare parts consumed		215,586	148,294
	Fuel and power		2,520,643	2,300,633
	Rent, rates and taxes		50,313	49,951
	Insurance		42,482	40,829
	Vehicle running expenses		31,068	25,871
	Traveling and conveyance		7,827	7,151
	Printing and stationery		703	960
	Legal and professional charges		2,571	2,357
	Laboratory expenses		181	118
	Depreciation	4.1.3	245,231	249,993
	Amortization	5.1	2,225	2,157
	Repairs and maintenance		16,983	11,217
	Communication expenses		2,475	1,747
	Stores written-off		2,145	637
	Miscellaneous		7,852	5,225
			4,250,770	3,850,110
	Work-in-process			
	Opening		243,991	69,468
	Closing	10	(172,334)	(243,991)
	Cost of goods manufactured		4,322,427	3,675,587
	Finished goods			
	Opening		41,633	43,205
	Closing	10	(59,310)	(41,633)
			4,304,750	3,677,159

23.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 8.763 million and Rs 14.646 million, respectively (2011: Rs 7.881 million and Rs 11.332 million, respectively).

		Note	2012	2011
24	**DISTRIBUTION COSTS**			
	Salaries, wages and benefits	24.1	101,080	84,986
	Export expenses		2,124	3,826
	Traveling and conveyance		2,651	2,214
	Staff training expenses		7	305
	Vehicle running expenses		7,920	5,938
	Communication		4,073	3,474
	Printing and stationery		1,514	1,093
	Rent, rates and taxes		3,282	2,178
	Freight and forwarding charges		-	2,749
	Utilities		5,412	4,194
	Repairs and maintenance		3,690	2,433
	Insurance		1,631	1,687
	Advertisement		3,469	2,464
	Entertainment		324	120
	Depreciation	4.1.3	4,951	5,055
	Amortization	5.1	136	68
	License and subscription		111	123
	Others		1,607	1,794
			143,982	124,701

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 3.153 million and Rs 5.411 million, respectively (2011: Rs 2.899 million and Rs 4.404 million, respectively).

		Note	2012	2011
			(Rupees '000)	
25	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	25.1	73,080	65,992
	Traveling and conveyance		3,528	4,881
	Staff training expenses		388	365
	Vehicle running expenses		4,446	3,710
	Communication		2,473	2,929
	Printing and stationery		1,893	1,893
	Rent, rates and taxes		1,789	2,797
	Utilities		2,011	3,241
	Repairs and maintenance		2,419	1,257
	Legal and professional charges		7,397	7,373
	Insurance		1,755	2,072
	Subscription		3,465	1,979
	Advertisement		469	321
	Depreciation	4.1.3	5,801	6,405
	Amortization	5.1	104	34
	Entertainment		806	692
	Others		1,175	902
			112,999	106,843

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs 2.894 million and Rs 4.593 million, respectively (2011: Rs 2.690 million and Rs 4.180 million, respectively).

		Note	2012	2011
26	**OTHER OPERATING EXPENSES**			
	Workers' Profits Participation Fund		30,085	2,964
	Workers' Welfare Fund		-	1,127
	Auditors' remuneration	26.1	1,713	1,594
	Share of loss in a joint venture		91	30
	Donations	26.2	1,798	5,780
			33,687	11,495
26.1	**Auditors' Remuneration**			
	Audit fee		725	660
	Tax, corporate and other services		877	817
	Out of pocket expenses		111	117
			1,713	1,594

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

		Note	2012	2011
27	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on saving accounts with banks		1,251	895
	Gain on sale of shares of short term investment		-	66
	Dividend income from a related party		2,769	1,080
			4,020	2,041
	Income from non-financial assets			
	Gain on disposal of operating property, plant and equipment	4.1.4	8,730	744
	Others			
	Scrap sales		7,135	14,965
	Miscellaneous income		644	104
			7,779	15,069
			20,529	17,854

	2012	2011
	(Rupees '000)	
28 FINANCE COSTS		
Mark-up on long-term financing	184,189	134,699
Mark-up on short-term borrowings	123,098	149,786
Bank charges and commission expense	3,319	1,984
Interest on Workers' Profits Participation Fund	95	-
	310,701	286,469

29 TAXATION

The assessments of the Company for and upto the tax year 2011 have been completed or deemed to be assessed. In view of unabsorbed losses the Company is only liable to pay minimum tax and final tax in the current year, therefore, no numerical tax reconciliation is given.

	2012	2011
	(Rupees '000)	
30 EARNINGS PER SHARE		
Profit after taxation	436,826	68,651
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	95,580,008	95,580,008
Earnings per share - basic	Rs. 4.57	Re. 0.72

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

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

31.1 Market risk

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

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

31.1.1 Interest rate risk

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

To manage this risk, the Company may enter into interest rate swap arrangements in which the Company agrees to exchange, at specified intervals, the difference between the fixed and floating rate interest amount calculated by reference to an agreed-upon notional principal amount. Apart from interest rate swap arrangements, export refinance facility has been obtained at a fixed rate of 11% per annum (2011: 11%). At June 30, 2012 after taking into account the effect of export refinance, approximately 52 % (2011: 88%) of the Company borrowings are at fixed rate of interest.

Sensitivity analysis

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

	Increase / decrease in basis points	Effect on profit before tax
		(Rupees '000)
2012		
KIBOR	+200	(35,000)
	-200	35,000
2011		
KIBOR	+200	(44,670)
	-200	44,670

31.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

The management keeps on evaluating different options available for hedging purposes.

31.1.3 Equity risk

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

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 31,903 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 3.190 million on the other comprehensive income or profit and loss account depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact other comprehensive income with the similar amount.

31.2 Credit risk

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

31.2.1 Credit quality of financial assets

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

	2012	2011
	(Rupees '000)	
Long-term investments		
Counter parties without credit rating	138,658	158,969
Cash at bank and short-term deposits		
Current accounts - A1+	14,085	56,183
Saving accounts - A1+	13,260	11,414
	27,345	67,597

31.3 Liquidity risk

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

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 1,228.495 million (2011: Rs. 711.922 million).

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

	2012					2011				
	INTEREST BEARING			NON INTEREST BEARING	Total	INTEREST BEARING			NON INTEREST BEARING	Total
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees '000)					(Rupees '000)				
Long-term financing	200,000	888,974	1,088,974	-	1,088,974	255,556	1,220,844	1,476,400	-	1,476,400
Long-term deposits	-	-	-	13,923	13,923	-	-	-	12,790	12,790
Trade and other payables	-	-	-	261,056	261,056	-	-	-	332,500	332,500
Accrued mark-up	-	-	-	52,381	52,381	-	-	-	87,251	87,251
Short-term borrowings	436,040	-	436,040	-	436,040	1,030,069	-	1,030,069	-	1,030,069
Unclaimed dividend	-	-	-	11,836	11,836	-	-	-	11,906	11,906
	636,040	888,974	1,525,014	339,196	1,864,210	1,285,625	1,220,844	2,506,469	444,447	2,950,916

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

31.4 Capital risk management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2012.

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

During 2012, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2012 and 2011 were as follows:

	2012	2011
	(Rupees '000)	
Long-term financing including current portion	1,088,974	1,476,400
Accrued interest / mark-up	52,381	87,251
Short-term borrowings	436,040	1,030,069
Total debt	1,577,395	2,593,720
Cash and cash equivalents	(37,728)	(70,688)
Net debt	1,539,667	2,523,032
Share capital	955,801	955,801
Reserves	1,792,219	1,375,963
Total capital	2,748,020	2,331,764
Capital and net debt	4,287,687	4,854,796
Gearing ratio	35.91 %	51.97%

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

31.5 Fair value of financial instruments

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

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

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

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

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

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

Financial assets measured at fair value	Total	Level 1	Level 2	Level 3
	(Rupees '000)			
30 June 2012				
Available-for-sale securities	31,903	31,903	-	-
30 June 2011				
Available-for-sale securities	52,473	52,473	-	-

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2012			2011		
	Chief Executive	Director	Executives / Ke Employees	Chief Executive	Director	Executives / K Employees
	(Rupees '000)			(Rupees '000)		
Managerial remuneration	16,883	-	130,994	13,660	7,111	109,478
Housing allowance	1,386	-	40,749	1,320	1,650	33,156
Retirement benefits	2,130	-	14,471	1,880	983	11,848
Utilities	716	-	8,825	618	407	7,185
Leave fare assistance	1,065	-	7,561	940	915	6,134
	22,180	-	202,600	18,418	11,066	167,801
	1	-	79	1	1	68

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 7 directors amounted to Rs. 0.775 million (2011: 6 directors - Rs. 0.440 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:

		2012	2011
		(Rupees '000)	
Relationship	**Nature of transactions**		
Group companies	Purchase of packing material	486,693	438,149
	Purchase of raw material	98,281	77,822
	Sale of goods	4,434	2,291
	Sale of operating property, plant and equipment	10,440	-
	Dividend received	2,769	1,080
	Software consultancy charges	5,940	5,940
Other related parties	Insurance premium	37,279	41,196

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

	2012	2011
	(Tons)	
34 CAPACITY - Clinker		
Annual installed capacity as of June 30	1,000,000	1,000,000
Actual production	893,600	978,670

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

35 DATE OF AUTHORIZATION

These financial statements were authorized for issue on August 24, 2012 by the Board of Directors of the Company.

36 DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2012, the Board of Directors has proposed the following in their meeting held on August 24, 2012 for approval of the members at the Annual General Meeting:

	2012	2011
	(Rupees '000)	
Proposed final cash dividend @ Rs. 2.00 per share (2011: Nil)	191,160	-

37 CORRESPONDING FIGURES

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

38 GENERAL

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

Mohammed Faruque
Chairman

Azam Faruque
Chief Executive

pattern of shareholding as at June 30, 2012

No. of Shareholders	Shareholding From		To	Shares held
665	1	to	100	27,611
1,116	101	to	500	377,591
527	501	to	1000	441,136
1,152	1001	to	5000	3,184,133
364	5001	to	10000	2,912,282
131	10001	to	15000	1,605,445
129	15001	to	20000	2,311,563
108	20001	to	25000	2,403,002
43	25001	to	30000	1,195,749
25	30001	to	35000	807,161
20	35001	to	40000	754,825
27	40001	to	45000	1,169,623
19	45001	to	50000	920,630
7	50001	to	55000	363,380
12	55001	to	60000	702,900
9	60001	to	65000	560,010
9	65001	to	70000	607,394
11	70001	to	75000	801,903
4	75001	to	80000	312,443
4	80001	to	85000	330,545
4	85001	to	90000	350,574
2	90001	to	95000	187,185
3	95001	to	100000	300,000
3	100001	to	105000	306,567
2	105001	to	110000	217,422
1	110001	to	115000	115,000
1	115001	to	120000	116,505
2	120001	to	125000	244,748
1	125001	to	130000	128,500
3	130001	to	135000	398,721
1	135001	to	140000	136,445
2	145001	to	150000	298,241
1	165001	to	170000	169,143
3	195001	to	200000	600,000
1	200001	to	205000	200,478
1	210001	to	215000	213,671
1	215001	to	220000	217,934
2	220001	to	225000	446,239
3	240001	to	245000	720,905
1	250001	to	255000	250,287
1	265001	to	270000	266,600
2	275001	to	280000	557,174
1	285001	to	290000	286,500
3	295001	to	300000	895,569
1	305001	to	310000	308,729
2	310001	to	315000	624,999
1	320001	to	325000	323,437
1	335001	to	340000	336,687
1	345001	to	350000	350,000
2	355001	to	360000	711,818
1	410001	to	415000	411,593
1	420001	to	425000	423,307
1	480001	to	485000	483,671
1	495001	to	500000	500,000
1	500001	to	505000	502,000
1	525001	to	530000	527,557
1	580001	to	585000	582,484
1	650001	to	655000	653,818
1	655001	to	660000	659,804
5	730001	to	735000	3,670,143
1	750001	to	755000	753,056
1	910001	to	915000	915,000
2	930001	to	935000	1,862,496
1	1210001	to	1215000	1,214,269
1	1565001	to	1570000	1,566,743
1	1595001	to	1600000	1,600,000
1	1600001	to	1605000	1,603,254
3	1735001	to	1740000	5,214,267
1	1995001	to	2000000	1,999,176
1	2595001	to	2600000	2,600,000
1	2795001	to	2800000	2,795,653
1	3425001	to	3430000	3,427,502
1	12755001	to	12760000	12,755,776
1	16785001	to	16790000	16,789,035
4,466				95,580,008

categories of shareholders as at June 30, 2012

Shareholders' Category	No. of Shareholders	Shares held
Directors, Chief Executive Officer, their spouses and minor children		
Mr. Mohammed Faruque	1	1
Mr. Azam Faruque	1	240,531
Mrs. Samia Faruque W/o Mr. Azam Faruque	1	28,523
Mr. Akbarali Pesnani	1	44,921
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	1	43,774
Mr. Arif Faruque	1	169,143
Mr. Tariq Faruque	1	310,566
Mr. Saquib H. Shirazi	1	1
Associated Companies, undertakings and related parties		
Faruque (Private) Limited	1	16,789,035
Cherat Packaging Limited	1	221,239
Mirpurkhas Sugar Mills Limited	1	3,427,502
Greaves Pakistan (Private) Limited	1	1,999,176
Atlas Insurance Limited	1	1,739,267
NIT & ICP	3	12,758,316
Executives	2	435,207
Public Sector Companies and Corporations	7	3,032,429
Banks, Development Financial Institutions, Non Banking Financial Institutions and Insurance Companies	8	146,942
Modarabas	3	3,772
Mutual Funds		
Prudential Stock Fund Limited	1	179
CDC - Trustee Pakistan Stock Market Fund	1	411,593
CDC - Trustee Pakistan Capital Market Fund	1	31,000
Golden Arrow Selected Stocks Fund Limited	1	582,484
CDC - Trustee PICIC Investment Fund	1	116,505
CDC - Trustee PICIC Growth Fund	1	266,600
CDC - Trustee Pak Strategic Allocation Fund	1	76,975
CDC - Trustee AKD Opportunity Fund	1	115,000
CDC - Trustee United Stock Advantage Fund	1	2,600,000
CDC - Trustee NAFA Stock Fund	1	2,795,653
CDC - Trustee NAFA Multi Asset Fund	1	753,056
CDC - Trustee MCB Dynamic Stock Fund	1	308,729
MCBFSL - Trustee Ursf-Equity Sub Fund	1	72,500
CDC - Trustee Pakistan Premier Fund	1	200,478
Trustee - Pakistan Pension Fund - Equity Sub Fund	1	135,000
CDC - Trustee PICIC Stock Fund	1	278,132
General Public	4,358	41,046,015
Others	56	4,399,764
Total	4,466	95,580,008

Shareholders' holding 5% or more	Shares held	Percentage
Faruque (Private) Limited	16,789,035	17.57%
National Bank of Pakistan-Trustee Department NI(U)T Fund	12,755,776	13.35%

proxy form

31st Annual General Meeting 2012

IMPORTANT

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

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 31st Annual General Meeting of the Company to be held on Wednesday, 17th October 2012 at 11:00 a.m. and at any adjournment thereof.

WITNESSES:

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

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

Signature of Shareholder

Please affix Revenue Stamp

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

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

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000

Circular No. 1 of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETING AND APPOINTMENT OF PROXIES

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

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

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

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

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

B. Appointment of Proxies:

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

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

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

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

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

sd.

(M. Javed Panni)

Chief (Coordination)

GHULAM FARUQUE GROUP

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ISO 9001

ISO 14001