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company information

Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Faruque	Director
Mr. Javaid Anwar	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

Mr. Javaid Anwar	Chairman
Mr. Akbarali Pesnani	Member
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

Human Resource & Remuneration Committee

Mr. Saquib H. Shirazi	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar 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.
Bank Alfalah Ltd.
Dubai Islamic Bank Pakistan Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Soneri Bank Ltd.
The Bank of Punjab
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: 1st Floor, Razia Sharif Plaza
Jinnah Avenue, 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

directors' review

The Board of Directors presents the financial results of the company for the nine months period ended March 31, 2015.

Overview

Improvement in the macroeconomic environment has resulted in greater investment in infrastructural and housing projects in the country, especially by the private sector. This development is having a positive impact on the cement industry. On the back of strong domestic demand, the cement industry witnessed a growth of 4% during the nine months of the current year. While the domestic demand rose by an impressive 8.4%, export sales of the industry declined by 9.6% compared to the same time last year.

Dispatches:

Comparative dispatches for the current period and that of corresponding period last year are as follow:

	March 2015 (in tons)	March 2014 (in tons)
● Domestic dispatches	507,069	468,794
● Export dispatches	191,912	224,070
	698,981	692,864

During the nine months under review, the overall dispatches of the company grew by 1% from the corresponding period last year. In line with industry growth, there was 8% increase in the domestic sales of the company. However, exports to Afghanistan declined by 14% due to political uncertainty, which is expected to improve.

Operating Performance:

The sales turnover of the company remained at almost the same level as the corresponding period last year. During the nine months period under review, there was an increase in the production costs mainly due to upward revision in the electricity tariff, increase in royalty on limestone and rise in other input costs. However, improved liquidity position together with operational efficiencies enabled the company to contain its costs. There was an increase in other income owing to the short - term investments made by the company. For the nine months period ended March 31, 2015 the company posted an after tax profit of Rs. 938 million.

Expansion of Plant:

Following the establishment of letters of credit for the imported equipment, the company has also awarded contracts for civil construction. Work on the expansion of production capacity is progressing smoothly on schedule. The company has also finalized the long term loan for the project with leading banks on competitive terms. The expansion project of the company is expected to benefit from recent decline in discount rates and stable foreign currency exchange rates. The company has also decided to install Waste Heat Recovery system (WHR) of around 6MW for new line at an approximate cost of Rs. 1 billion. The WHR system will be purchased from China and will come on line at approximately the same time as line II.

Future Outlook:

Improved law and order situation, stable economic outlook, low oil prices and falling interest rates are expected to fuel the demand for cement in the country as investment activities are expected to gather momentum. Improvement in political situation in Afghanistan may also boost reconstruction activities in the country, which will benefit the company. The installation of new cement line at existing location will allow the company to meet the additional demand for cement in Pakistan. Furthermore, it will enable the company to achieve greater efficiencies and better allocation of fixed costs. The company is taking all necessary measures to ensure timely execution of the project.

Acknowledgment

The management of the company would like to thank all the financial institutions, customers, individuals and staff members who have been associated with the company for their support and cooperation.

On behalf of the Board of Directors


Omar Faruque
Chairman

Karachi: April 20, 2015

03 | March 31, 2015

condensed interim balance sheet

as at March 31, 2015

	Note	March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	4,758,210	3,361,632
Intangible assets		14,675	14,125
		<u>4,772,885</u>	<u>3,375,757</u>
Long-term investments		298,965	131,599
Long-term loans and advances		941	1,199
Long-term security deposits		17,348	17,238
		<u>5,090,139</u>	<u>3,525,793</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	6	1,069,885	1,181,254
Stock-in-trade		428,172	369,872
Loans and advances		55,136	18,028
Trade deposits, short-term prepayments and other receivables		64,075	74,136
Short-term investments	7	2,350,104	1,242,271
Taxation - net		-	2,498
Cash and bank balances		27,753	17,116
		<u>3,995,125</u>	<u>2,905,175</u>
TOTAL ASSETS		<u>9,085,264</u>	<u>6,430,968</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>2,250,000</u>	<u>2,250,000</u>
Issued, subscribed and paid-up capital	8	1,766,318	1,051,380
Reserves		5,755,850	3,812,888
		<u>7,522,168</u>	<u>4,864,268</u>
NON-CURRENT LIABILITIES			
Long-term financing		142,697	163,082
Long-term deposits		14,113	15,530
Deferred taxation		475,399	506,947
		<u>632,209</u>	<u>685,559</u>
CURRENT LIABILITIES			
Trade and other payables		679,203	676,921
Accrued mark-up		8,563	37,166
Short-term borrowings		97,348	99,376
Current maturity of long-term financing		40,770	40,770
Taxation - net		74,327	-
Unclaimed dividend		30,676	26,908
		<u>930,887</u>	<u>881,141</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u>9,085,264</u>	<u>6,430,968</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Omar Faruque
 Chairman


Azam Faruque
 Chief Executive

condensed interim profit and loss account (unaudited)
for the period ended March 31, 2015

	Note	Period ended		Quarter ended	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
(Rupees `000)					
Turnover - net	10	4,726,373	4,698,650	1,415,526	1,529,072
Cost of sales		(3,358,009)	(3,050,268)	(1,012,687)	(1,000,112)
Gross profit		1,368,364	1,648,382	402,839	528,960
Distribution costs		(150,942)	(139,020)	(50,784)	(47,936)
Administrative expenses		(122,296)	(104,655)	(39,168)	(36,161)
Other expenses		(65,698)	(104,948)	(26,227)	(32,246)
		(338,936)	(348,623)	(116,179)	(116,343)
Other income		158,290	44,608	90,159	16,844
Operating profit		1,187,718	1,344,367	376,819	429,461
Finance costs	11	(29,966)	(20,068)	(8,650)	(10,667)
Profit before taxation		1,157,752	1,324,299	368,169	418,794
Taxation					
Current - for the period	12	(261,164)	(179,546)	(81,164)	(98,448)
- prior years		10,078	-	-	-
Deferred		31,548	(109,273)	11,315	5,300
		(219,538)	(288,819)	(69,849)	(93,148)
Profit for the period		938,214	1,035,480	298,320	325,646
Earnings per share - basic	13	Rs. 6.04	Restated Rs. 7.55	Rs. 1.92	Restated Rs. 2.37

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive

condensed interim statement of comprehensive income (unaudited)
for the period ended March 31, 2015

	Period ended		Quarter ended	
	March 31, 2015	March 31, 2014 (Restated)	March 31, 2015	March 31, 2014 (Restated)
	(Rupees `000)			
Profit for the period	938,214	1,035,480	298,320	325,646
Other comprehensive income to be reclassified to profit and loss account in subsequent periods:				
Unrealized gain on available-for-sale securities	167,366	48,723	11,751	32,239
Other comprehensive income not to be reclassified to profit and loss account in subsequent period:				
Re-measurement gains on defined benefit plan (note 16.1)	-	7,329	-	-
Total comprehensive income for the period	<u>1,105,580</u>	<u>1,091,532</u>	<u>310,071</u>	<u>357,885</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive

condensed interim cash flow statement (unaudited)

for the period ended March 31, 2015

	March 31, 2015	March 31, 2014
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,157,752	1,324,299
Adjustments for:		
Depreciation	203,452	189,118
Amortisation	1,924	1,848
Unrealized gain on short-term investments	(97,317)	(20,849)
Gain on disposal of operating property, plant and equipment	(1,497)	(1,691)
Finance costs	29,966	20,068
Exchange loss	22	2,406
Dividend income	(7,090)	(5,317)
	129,460	185,583
	1,287,212	1,509,882
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	111,369	(95,777)
Stock-in-trade	(58,300)	27,620
Loans and advances	(37,108)	(354)
Trade deposits, short-term prepayments and other receivables	10,061	(701)
	26,022	(69,212)
	1,313,234	1,440,670
Increase / (decrease) in current liabilities		
Trade and other payables	2,260	(3,437)
Cash generated from operations	1,315,494	1,437,233
Income tax paid	(174,261)	(80,234)
Long-term loans, advances and deposits - net	(1,269)	554
Net cash generated from operating activities	1,139,964	1,357,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,602,205)	(115,964)
Proceeds from disposal of operating property, plant and equipment	3,672	5,351
Additions to intangible assets	(2,474)	-
Short-term investments	(1,010,516)	(900,000)
Dividend received	7,090	5,317
Net cash used in investing activities	(2,604,433)	(1,005,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of right shares - net	1,762,596	-
Dividend paid	(206,508)	(222,351)
Long term financing	(20,385)	-
Short-term borrowings	(2,028)	(105,174)
Finance costs paid	(58,569)	(17,560)
Net cash generated from / (used in) financing activities	1,475,106	(345,085)
Net increase in cash and cash equivalents	10,637	7,172
Cash and cash equivalents as at the beginning of the period	17,116	25,548
Cash and cash equivalents as at the end of the period	27,753	32,720

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Omar Faruque
 Chairman


Azam Faruque
 Chief Executive

condensed interim statement of changes in equity (unaudited)
for the period ended March 31, 2015

	Reserves								Total	Total
	Capital Reserve		Revenue Reserves				Unrealised gain on cycloable for-sale securities	Total		
	Share premium	Others	General Reserve	Unappropriated profit	Restructuring gains / (losses) on defined benefit plan	Sub-total				
	(Rupees '000)									
Balance as at July 01, 2013 - as restated (Note 16.1)	955,801	-	50,900	420,000	2,251,298	(2,939)	2,668,359	33,969	2,753,228	3,709,029
Profit for the period	-	-	-	-	1,035,480	-	1,035,480	-	1,035,480	1,035,480
Other comprehensive income	-	-	-	-	-	7,329	7,329	48,723	56,052	56,052
Total comprehensive income for the period	-	-	-	-	1,035,480	7,329	1,042,809	48,723	1,091,532	1,091,532
Final Cash dividend for the year ended June 30, 2013 @ Rs.1.50/- per share	-	-	-	-	(143,370)	-	(143,370)	-	(143,370)	(143,370)
Interim Cash dividend for the year ended June 30, 2014 @ Re.1/- per share	-	-	-	-	(95,580)	-	(95,580)	-	(95,580)	(95,580)
Issuance of bonus shares @ 1 share for every 10 ordinary shares held	95,579	-	-	-	(95,579)	-	(95,579)	-	(95,579)	-
Balance as at March 31, 2014 - as restated (Note 16.1)	1,051,380	-	50,900	420,000	2,952,249	4,390	3,376,639	82,692	3,510,231	4,561,611
Balance as at July 01, 2014	1,051,380	-	50,900	420,000	3,232,937	11,719	3,664,656	97,332	3,812,888	4,864,268
Issuance of right shares @ 68% (i.e. 68 shares for every 100 ordinary shares held)	714,938	1,072,408	-	-	-	-	-	-	1,072,408	1,787,346
Cost of issuance of right shares	-	(24,750)	-	-	-	-	-	-	(24,750)	(24,750)
Profit for the period	-	-	-	-	938,214	-	938,214	-	938,214	938,214
Other comprehensive income	-	-	-	-	-	-	-	167,366	167,366	167,366
Total comprehensive income for the period	-	-	-	-	938,214	-	938,214	167,366	1,105,580	1,105,580
Cash dividend for the year ended June 30, 2014 @ Rs. 2/- per share	-	-	-	-	(210,276)	-	(210,276)	-	(210,276)	(210,276)
Balance as at March 31, 2015	1,766,318	1,047,658	50,900	420,000	3,960,875	11,719	4,392,594	264,698	5,755,850	7,522,168

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Omar Faruque
Chairman


Azam Faruque
Chief Executive

notes to the condensed interim financial statements (unaudited)

for the period ended March 31, 2015

1. THE COMPANY AND ITS OPERATIONS

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 selling of cement. The Company started commercial production in May 1985 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the nine months period ended March 31, 2015 have been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under Companies Ordinance, 1984 have been followed.

3. BASIS OF PREPARATION

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the financial statement of the Company for the year ended June 30, 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2014 except as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

The Company has adopted the following amendments and interpretation of IFRSs which became effective during the period:

IAS 19	-	Employee Benefits (Amendment) - Defined Benefit Plans: Employee Contribution
IAS 32	-	Financial Instruments: Presentation (Amendment) - Offsetting Financial Assets and Financial Liabilities
IAS 36	-	Impairment of Assets (Amendment) - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	-	Financial Instruments: Recognition and Measurement (Amendment) - Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	-	Levies

The adoption of the above amendments and interpretations did not have any material effect on these condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any material effect on the Company's financial statements for the period.

5. PROPERTY, PLANT AND EQUIPMENT	Note	March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
		----- (Rupees `000) -----	
Opening Net Book Value (NBV)		3,320,210	3,061,855
Additions to operating property, plant and equipment	5.1	148,544	524,022
		3,468,754	3,585,877
Disposals during the period / year (NBV)		(2,175)	(7,058)
Depreciation charged during the period / year		(203,452)	(258,609)
Closing Net Book Value (NBV)		3,263,127	3,320,210
Capital work-in-progress	5.2	1,495,083	41,422
		4,758,210	3,361,632

	March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
	----- (Rupees `000) -----	
5.1 Additions to operating property, plant and equipment		
Building on leasehold land	1,195	105,589
Plant and machinery	43,997	323,720
Power and other installations	7,452	24,006
Furniture and fittings	723	839
Quarry, factory and laboratory equipment	52,132	28,992
Motor vehicles	35,518	37,770
Office equipment	2,287	-
Computers	5,240	3,106
	<u>148,544</u>	<u>524,022</u>
5.2 Capital work-in-progress		
Building on leasehold land	254,552	15,430
Plant and machinery	1,219,443	13,908
Power and other installations	10,976	9,449
Furniture and fittings	-	188
Quarry, factory and laboratory equipment	-	441
Motor vehicles	8,930	2,006
Office equipment	626	-
Computers	556	-
	<u>1,495,083</u>	<u>41,422</u>
6. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	474,066	654,045
Spare parts	476,257	520,464
Loose tools	702	588
	<u>951,025</u>	<u>1,175,097</u>
Stores and spare parts in - transit	118,860	6,157
	<u>1,069,885</u>	<u>1,181,254</u>
7. SHORT-TERM INVESTMENTS		
Designated at fair value through profit or loss		
- Investment in mutual funds	2,350,104	1,242,271

8. SHARE CAPITAL

8.1 Authorised capital

March 31, 2015 (Unaudited)	June 30, 2014 (Audited)		March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
Number of shares			----- (Rupees `000) -----	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

8.2 Issued, subscribed and paid-up capital

March 31, 2015 (Unaudited)	June 30, 2014 (Audited)		March 31, 2015 (Unaudited)	June 30, 2014 (Audited)
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
80,236,008	80,236,008	- Issued as fully paid bonus shares	802,360	802,360
71,493,845	-	- Right shares issued during the period	714,938	-
171,571,853	100,078,008	- Issued for consideration other than cash on amalgamation	1,715,718	1,000,780
5,060,000	5,060,000		50,600	50,600
176,631,853	105,138,008		1,766,318	1,051,380

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements of the Company for the year ended June 30, 2014.

9.2 Commitments

Letters of credit issued by commercial banks	32,206	53,667
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10. TURNOVER - net

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs.3,573.035 million (March 31, 2014: Rs.3,269.707 million) and (b) export sales, net of trade discounts, amounting to Rs.1,153.238 million (March 31, 2014: Rs.1,428.943 million).

11. FINANCE COSTS

Includes mark-up on long-term financing amounting to Rs.17.192 million (March 31, 2014: Rs.5.265 million) and mark-up on short-term borrowings and bank charges amounting to Rs.12.774 million (March 31, 2014: Rs.14.803 million).

12. TAXATION

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

	Period ended		Quarter ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
13. EARNINGS PER SHARE - basic				
Profit for the period (Rupees '000)	938,214	1,035,480	298,320	325,646
Weighted average number of ordinary shares in issue during the period	155,443,377	137,137,687	155,443,377	137,137,687
Earnings per share - basic	Rs. 6.04	Rs. 7.55	Rs. 1.92	Rs. 2.37

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

14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, a joint venture, staff benefit funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties.

Relationship	Nature of transactions	Period ended		Quarter ended	
		March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
		----- (Rupees `000) -----			
Group companies	Purchase of packaging material	377,501	364,788	118,493	112,509
	Purchase of raw material	91,307	85,010	28,524	29,208
	Purchase of fixed assets	8,500	-	-	-
	Sale of goods	317	160	-	46
	Software consultancy charges	7,677	6,453	2,559	2,151
	Dividend received	7,090	5,317	3,545	1,772
	Dividend paid	49,412	56,149	-	22,459
Chief Executive	Remuneration	21,874	19,843	7,214	6,563
Executives	Remuneration	269,258	220,922	89,674	74,600
Other related parties	Contribution to staff provident and gratuity funds	30,903	23,797	5,323	4,645
	Insurance premium	30,150	30,453	10,050	10,228

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

15. DATE OF AUTHORISATION

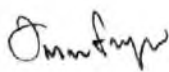
These condensed interim financial statements were authorised for issue on April 20, 2015 by the Board of Directors of the Company.

16. GENERAL

16.1 The corresponding figures of condensed interim statement of comprehensive income and condensed interim statement of changes in equity have been restated in line with change in accounting policy as stated in note 3.11.1 to the annual financial statements of the Company for the year ended June 30, 2014 due to adoption of IAS 19 - Employee Benefits (Revised).

16.2 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive