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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. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director
Mr. Asif Qadir	Director

## Executive Director & Chief Financial Officer

Mr. Yasir Masood

## Executive Director & Company Secretary

Mr. Abid A. Vazir

## Audit Committee

Mr. Akbarali Pesnani	Chairman
Mr. Arif Faruque	Member
Mr. Asif Qadir	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.

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## 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, University 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  
Tel: 0800-23275

# directors' review

The Board of Directors is pleased to present the un-audited financial results of the Company for the first quarter ended September 30, 2015.

## Overview

Following a significant increase in the construction activities in the country, there has been an impressive growth in the demand for cement. On comparison with the corresponding quarter last year, domestic cement consumption of the industry has risen by an 11%. Unfortunately, export sales of the industry have declined by 27% compared to the same period last year. On an aggregate basis, the industry sales have increased by 1.43% from the corresponding period last year.

## Dispatches:

Comparative dispatch figures for the current period and that of the corresponding period last year are as follows:

	September 2015 (in tons)	September 2014 (in tons)
● Domestic dispatches	167,960	144,528
● Export dispatches	57,178	87,411
	225,138	231,939

After a slow start to the quarter due to monsoon rains and the holy month of Ramadan, cement sales picked up soon thereafter following a rise in construction activities in the country. There was 16% rise in the local cement sales of the Company during the quarter under review from the same period last year. However, exports to Afghanistan declined by 35% partly due to the effect of Ramzan, but mostly due to an uncertain political situation, which has hampered reconstruction activities. This has resulted in around 3% decline in the overall dispatches of the Company from the corresponding period last year.

## Operating Performance:

Despite slight decline in the cement dispatches of the Company during the quarter under review, its turnover remained almost the same as the corresponding period last year. During the period under review, there was some decline in production costs due to reduction in the international prices of coal and energy management measures taken by the Company. There was a decline in the other income of the Company from the corresponding period last year due to utilization of funds for the ongoing expansion project. For the quarter ended September 30, 2015 the Company posted an after tax profit of Rs. 268 million.

## Expansion of cement plant

Work on the expansion of the production capacity of the cement plant is progressing on schedule. At present, civil and fabrication works are taking place in full swing and imported equipment has started to arrive at site. The management is confident of commissioning the new plant on time. The expansion project of the Company is benefiting from recent decline in discount rates and stable foreign currency exchange rates.

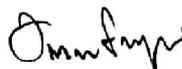
## Future Outlook:

Visible improvement in the business climate in the country including better law and order situation, stable economic outlook, declining oil prices and low interest rates is benefiting the entire business industry including the cement sector. The current government has initiated several infrastructural projects, with particular focus on constructing highways, dams, energy related projects and housing projects. Most of these projects have been launched in the Northern part of the country, which is the main market for the Company. The demand for cement is also expected to grow from initiation of projects under China Pakistan Economic Corridor. All these measures will further enhance the demand for cement in the country. It is also expected that the political situation in Afghanistan will soon stabilize, which may provide boost to the reconstruction activities. In such a scenario, the addition of new cement line at existing location by the Company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs.

## Acknowledgment:

The management 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



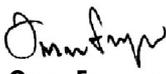
Omar Faruque  
Chairman

Karachi: October 26, 2015

# condensed interim balance sheet as at September 30, 2015

	Note	September 30, 2015 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	8,898,996	6,830,753
Intangible assets		13,322	13,998
		8,912,318	6,844,751
Long-term investments		381,062	334,377
Long-term loans and advances		608	710
Long-term security deposits		17,604	17,398
		9,311,592	7,197,236
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	1,145,517	983,385
Stock-in-trade		255,716	463,456
Loans and advances		35,360	17,429
Trade deposits, short-term prepayments and other receivables		277,368	183,858
Short-term investments	7	100,193	600,118
Cash and bank balances		24,708	18,354
		1,838,862	2,266,600
<b>TOTAL ASSETS</b>		<b>11,150,454</b>	<b>9,463,836</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Capital			
225,000,000 (June 2015: 225,000,000)			
Ordinary shares of Rs.10/- each		2,250,000	2,250,000
Issued, subscribed and paid-up capital		1,766,318	1,766,318
Reserves		6,574,873	6,259,723
		8,341,191	8,026,041
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	8	1,222,312	122,312
Long-term deposits		14,164	13,988
Deferred taxation		461,011	474,634
		1,697,487	610,934
<b>CURRENT LIABILITIES</b>			
Trade and other payables		964,178	653,940
Accrued mark-up		10,661	3,509
Short-term borrowings		44,952	87,523
Current maturity of long-term financing		40,770	40,770
Taxation - net		21,368	10,578
Unclaimed dividend		29,847	30,541
		1,111,776	826,861
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,150,454</b>	<b>9,463,836</b>

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 September 30, 2015

	Note	September 30, 2015	September 30, 2014
----- (Rupees `000) -----			
<b>Turnover - net</b>	10	1,559,863	1,552,748
Cost of sales		(1,095,739)	(1,140,372)
<b>Gross profit</b>		464,124	412,376
Distribution costs		(52,789)	(51,687)
Administrative expenses		(44,877)	(41,458)
Other expenses		(25,816)	(21,007)
		(123,482)	(114,152)
Other income		11,250	17,002
<b>Operating profit</b>		351,892	315,226
Finance costs		(7,718)	(8,857)
<b>Profit before taxation</b>		344,174	306,369
<b>Taxation</b>			
Current	11	(89,332)	(69,295)
Deferred		13,623	14,285
		(75,709)	(55,010)
<b>Profit after taxation</b>		268,465	251,359
<b>Earnings per share - basic</b>	12	Rs. 1.52	(Restated) Rs. 1.83

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 September 30, 2015

	September 30, 2015	September 30, 2014
	----- (Rupees `000) -----	
<b>Net profit for the period</b>	268,465	251,359
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit and loss account</b>		
Unrealized gain / (loss) on available-for-sale securities	46,685	(3,119)
<b>Total comprehensive income for the period</b>	315,150	248,240

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 September 30, 2015

	Note	September 30, 2015	September 30, 2014
----- (Rupees ` 000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		344,174	306,369
<b>Adjustments for:</b>			
Depreciation	5	64,660	66,304
Amortisation		676	616
Unrealized gain on short-term investments		(193)	(15,834)
Finance costs		7,718	8,857
		72,861	59,943
		417,035	366,312
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		(162,132)	(59,513)
Stock-in-trade		207,740	136,231
Loans and advances		(17,931)	(9,983)
Trade deposits, short-term prepayments and other receivables		(93,510)	12,008
		(65,833)	78,743
		351,202	445,055
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		310,238	(105,890)
Cash generated from operations		661,440	339,165
Income tax paid		(78,542)	(46,528)
Long-term loans, advances and deposits - net		72	(238)
Net cash generated from operating activities		582,970	292,399
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to operating property, plant and equipment	5.1	(39,761)	(72,430)
Capital work-in-progress		(2,093,142)	(1,207,448)
Short-term investments		500,118	880,103
Net cash used in investing activities		(1,632,785)	(399,775)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing		1,100,000	-
Short-term borrowings		(42,571)	123,243
Dividend paid		(694)	(327)
Finance costs paid		(566)	(3,438)
Net cash generated from financing activities		1,056,169	119,478
<b>Net increase in cash and cash equivalents</b>		6,354	12,102
<b>Cash and cash equivalents as at the beginning of the period</b>		18,354	17,116
<b>Cash and cash equivalents as at the end of the period</b>		24,708	29,218

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 September 30, 2015

	Issued, subscribed and paid-up capital	Reserves						Sub-total	Total
		Capital Reserves		Revenue Reserves					
		Share premium	Others	General reserve	Unappropri- ated profit	Actuarial gain on gratuity fund	Unrealised gain on available for-sale securities		
(Rupees ` 000)									
Balance as at July 01, 2014	1,051,380	-	50,900	420,000	3,232,937	11,719	97,332	3,812,888	4,864,268
Final cash dividend for the year ended June 30, 2014 @ Rs. 2/- per share	-	-	-	-	(210,276)	-	-	(210,276)	(210,276)
Net profit for the period	-	-	-	-	251,359	-	-	251,359	251,359
Other comprehensive income	-	-	-	-	-	-	(3,119)	(3,119)	(3,119)
Total comprehensive income for the period	-	-	-	-	251,359	-	(3,119)	248,240	248,240
<b>Balance as at September 30, 2014</b>	<b>1,051,380</b>	<b>-</b>	<b>50,900</b>	<b>420,000</b>	<b>3,274,020</b>	<b>11,719</b>	<b>94,213</b>	<b>3,850,852</b>	<b>4,902,232</b>
Balance as at July 01, 2015	1,766,318	1,047,658	50,900	420,000	4,310,825	130,230	300,110	6,259,723	8,026,041
Net profit for the period	-	-	-	-	268,465	-	-	268,465	268,465
Other comprehensive income	-	-	-	-	-	-	46,685	46,685	46,685
Total comprehensive income for the period	-	-	-	-	268,465	-	46,685	315,150	315,150
<b>Balance as at September 30, 2015</b>	<b>1,766,318</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>4,579,290</b>	<b>130,230</b>	<b>346,795</b>	<b>6,574,873</b>	<b>8,341,191</b>

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 September 30, 2015

## 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 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 three months period ended September 30, 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 statements, and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2015.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2015.

## 5. PROPERTY, PLANT AND EQUIPMENT

### Existing Line

	Note	September 30, 2015 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----			
Opening Net Book Value (NBV)		3,244,178	3,320,210
Additions to operating property, plant and equipment	5.1	39,761	199,880
		3,283,939	3,520,090
Disposals during the period / year (NBV)		-	(2,695)
Depreciation charged during the period / year		(64,660)	(273,217)
		3,219,279	3,244,178
Capital work-in-progress	5.2	125,107	47,797
		3,344,386	3,291,975
<b>New Line</b>			
Capital work-in-progress	5.3	5,554,610	3,538,778
		8,898,996	6,830,753

### 5.1 Additions to operating property, plant and equipment - Existing Line

Building on leasehold land	-	1,671
Plant and machinery	8,150	71,512
Power and other installations	655	13,840
Furniture and fittings	1,813	1,601
Quarry, factory and laboratory equipment	16,447	59,876
Motor vehicles	10,520	42,541
Office equipment	1,156	2,065
Computers	1,020	6,774
	39,761	199,880

Note	September 30, 2015 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----		
<b>5.2 Capital work-in-progress - Existing Line</b>		
Building on leasehold land	6,769	6,244
Plant and machinery	108,976	38,120
Power and other installations	286	-
Furniture and fittings	714	-
Quarry, factory and laboratory equipment	1,879	1,410
Motor Vehicles	6,483	2,023
	<u>125,107</u>	<u>47,797</u>
<b>5.3 Capital work-in-progress - New Line</b>		
Building on leasehold land	1,076,785	686,918
Plant and machinery	4,352,691	2,836,244
Power and other installations	19,898	15,616
	<u>5,449,374</u>	<u>3,538,778</u>
Waste Heat Recovery (WHR) Plant - Line - II	105,236	-
	<u>5,554,610</u>	<u>3,538,778</u>
<b>6. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores	627,368	505,736
Spare parts	484,348	455,814
Loose tools	763	541
	<u>1,112,479</u>	<u>962,091</u>
Stores and spare parts in transit	33,038	21,294
	<u>1,145,517</u>	<u>983,385</u>
<b>7. SHORT-TERM INVESTMENTS</b>		
<b>Designated through profit or loss</b>		
- Investment in Mutual Funds	100,193	600,118
<b>8. LONG-TERM FINANCING - secured</b>		
Refused Derived Fuel (RDF) Loan	8.1 163,082	163,082
Syndicated Long-Term Finance Loan - Line II	8.2 1,000,000	-
Waste Heat Recovery (WHR) Loan - Line II	8.3 100,000	-
	<u>1,263,082</u>	<u>163,082</u>
Less: Current maturity (RDF)	(40,770)	(40,770)
	<u>1,222,312</u>	<u>122,312</u>

**8.1** This represents a long-term financing obtained from a Islamic bank under the Diminishing Musharika Scheme for RDF, carrying profit at the rate of 6 months KIBOR + 0.75% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown i.e. December 2014. The financing is secured against registered first pari-passu hypothecation charge on plant and machinery.

**8.2** This represents Syndicated long-term financing under Diminishing Musharika Scheme from some Islamic banks and a term loan from conventional bank for the installation of cement plant Line II at existing location. The total approved loan is Rs. 9.5 billion (Rs. 7.8 billion under Islamic finance and Rs. 1.7 billion under conventional term loan) out of which Rs. 1 billion has been drawn in two tranches, carrying profit / mark-up at the rate of 6 months KIBOR + 1.10% per annum payable semi-annually. The loan has a tenure of 8 years, repayable in 10 equal semi-annual installments commencing after 42 months from first drawdown i.e. March 2019. The loan is secured by way of first pari-passu hypothecation charge of Rs. 12.67 billion over all present and future plant and machinery, and immovable fixed assets of the Company.

**8.3** This represents a long-term Loan from an Islamic bank under the Diminishing Musharika Scheme for the installation of Waste Heat Recovery (WHR) Plant for new cement line. The approved loan is Rs. 1 billion out of which Rs. 100 million have been drawn, carrying profit at the rate of 6 months KIBOR plus 0.7% per annum. The loan is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown i.e. February 2018. The loan is secured by way of first pari-passu hypothecation charge of Rs. 1.334 billion over all present and future plant and machinery of the Company.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2015.

### 9.2 Commitments

Letters of credit issued by commercial banks

September 30, 2015 (Unaudited)	June 30, 2015 (Audited)
----- (Rupees `000) -----	
2,265,301	2,873,408

## 10. TURNOVER - net

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs. 1,192.986 million (September 30, 2014: Rs. 1,021.190 million) and (b) export sales, net of trade discounts, amounting to Rs. 366.877 million (September 30, 2014: Rs. 531.558 million).

## 11. 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.

## 12. EARNINGS PER SHARE - BASIC

Profit for the period (Rupees `000)

Period ended	
September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
268,465	251,359

(Restated)

Weighted average number of ordinary shares in issue during the period

176,631,853	137,137,687
-------------	-------------

(Restated)

Earnings per share - basic

Rs. 1.52	Rs. 1.83
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There is no dilutive effect on basic earnings per share of the Company.

## 13. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, directors, executives and retirement funds. Transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

Relationship	Nature of transactions	Period ended	
		September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
		----- (Rupees `000) -----	
Group Companies	Purchase of packing material	102,221	114,207
	Purchase of raw material	27,289	23,374
	Sale of goods	-	23
	Software consultancy charges	2,954	2,559
	Purchase of fixed assets	-	8,500
Chief Executive Executives	Remuneration	8,137	7,372
	Remuneration	109,618	89,987
Other related parties	Contribution to staff provident and gratuity funds	16,095	5,303
	Insurance premium	9,596	10,011

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

#### 14. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2015, the Board of Directors has proposed the following in its meeting held on August 17, 2015 for approval of the members at the Annual General Meeting:

	June 30, 2015	June 30, 2014
	----- (Rupees `000) -----	
Final cash dividend @ Rs. 3.00/- per share (2014: Rs. 2.00/- per share)	529,896	210,276

#### 15. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 26, 2015 by the Board of Directors of the Company.

#### 16. GENERAL

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

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

  
**Omar Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive