

un-audited accounts
September 30, 2013



GHULAM FARUQUE
GROUP

Cherat Cement Company Limited

Head Office

Modern Motors House, Beaumont Road,
Karachi-75530 Pakistan.

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tools of the trade



Cherat Cement
Company Limited
a Ghulam Faruque Group Company

contents

02 company information

03 directors' review

04 condensed interim balance sheet

05 condensed interim profit and loss account

06 condensed interim statement of comprehensive income

07 condensed interim cash flow statement

08 condensed interim statement of changes in equity

09 notes to the condensed interim financial statements

company information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Tariq Faruque	Director
Mr. Javaid Anwar	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. 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

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

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 Al-Falah 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.

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 is pleased to present the un-audited financial results of the company for the first quarter ended September 30, 2013.

Dispatches:

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

	September 2013 (in tons)	September 2012 (in tons)
Domestic dispatches	142,346	137,986
Export dispatches	82,868	99,831
	225,214	237,817

In line with market conditions, the company produced 222,960 tons of cement during the quarter under review. Cement sales, during the period, were slow due to monsoon rains and Ramzan. As expected, demand picked up soon after the Eid holidays spurred by healthy construction activities. As a result, there was an improvement in the domestic demand for cement as the local sales of the Company increased by 3% during the period under review. However, export sales to Afghanistan were down by 17% during this period due to seasonal factors, and uncertain political scenario.

Operating Performance:

Despite decline in overall sales volume, stable cement prices resulted in 2% rise in the sales revenues of the Company from the corresponding period last year. During the period under review, inflationary trends were witnessed in every sphere of business, which escalated production costs. Furthermore, depreciation of Pak Rupee vis-à-vis US dollar was also a major factor behind the increase in production costs. Improved sales margins and better operational efficiencies helped contain the production costs to a manageable level as the company posted an after tax profit of Rs. 272.71 million for the quarter ended September 30, 2013.

Future Outlook:

Following the end of the monsoon season, cement demand has started to rise again both locally and for export markets. This would have a positive impact on the sales volume for the Company. Increased spending on developmental projects by the government and greater spending by the private sector on construction shall raise the demand for cement appreciably as the domestic demand is expected to play an increasingly important role in increased cement dispatches in both the medium and long-term. However, inflationary pressure on input costs cast a challenge for the industry. By employing alternative fuel sources, the Company is mitigating its risk of rising fuel costs amid an environment of fluctuating prices and foreign currency exchange rates. We take this opportunity to urge the government to further stimulate the demand for cement by initiating major infrastructure and housing projects, which would not only generate economic activity but also employment in the country.

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

Mohammed Faruque
Chairman

Karachi: October 30, 2013

condensed interim balance sheet

as at September 30, 2013

	Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,424,191	3,427,370
Intangible assets	5	15,974	16,590
		3,440,165	3,443,960
Long-term investments	6	74,458	68,236
Long-term loans and advances		1,320	1,405
Long-term security deposits		17,778	17,258
		3,533,721	3,530,859
CURRENT ASSETS			
Stores, spare parts and loose tools		1,132,236	967,917
Stock-in-trade		259,679	433,768
Loans and advances		31,277	12,969
Short term investment	7	200,289	-
Trade deposits, short-term prepayments and other receivables		28,483	33,634
Taxation - net		31,324	59,806
Cash and bank balances		29,168	25,548
		1,712,456	1,533,642
TOTAL ASSETS		5,246,177	5,064,501
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital 225,000,000 (June 2013: 225,000,000) Ordinary shares of Rs.10/- each		2,250,000	2,250,000
Issued, subscribed and paid-up capital		955,801	955,801
Reserves		3,031,669	2,752,733
		3,987,470	3,708,534
NON-CURRENT LIABILITIES			
Long-term financing		203,852	203,852
Long-term deposits		14,405	14,905
Deferred taxation		388,749	354,902
		607,006	573,659
CURRENT LIABILITIES			
Trade and other payables		502,450	503,741
Accrued mark-up		27,252	20,145
Short-term borrowings		100,909	236,948
Unclaimed dividend		21,090	21,474
		651,701	782,308
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL EQUITY AND LIABILITIES		5,246,177	5,064,501

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

condensed interim profit and loss account (unaudited)

for the period ended September 30, 2013

	Note	September 30, 2013	September 30, 2012
----- (Rupees `000) -----			
Turnover - net			
	9	1,488,656	1,452,858
Cost of sales		(1,028,691)	(980,905)
Gross profit		459,965	471,953
Distribution costs		(45,127)	(38,421)
Administrative expenses		(33,674)	(28,046)
Other operating expenses		(30,521)	(19,303)
		(109,322)	(85,770)
Other operating income		8,742	6,685
Operating profit		359,385	392,868
Finance costs	10	(6,159)	(46,112)
Profit before taxation		353,226	346,756
Taxation			
Current	11	(46,665)	(7,292)
Deferred		(33,847)	(71,182)
		(80,512)	(78,474)
Profit after taxation		272,714	268,282
Earnings per share - basic	12	Rs. 2.85	Rs. 2.81

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


Mohammed Faruque
Chairman


Azam Faruque
Chief Executive


Mohammed Faruque
Chairman


Azam Faruque
Chief Executive

condensed interim statement of comprehensive income (unaudited)
for the period ended September 30, 2013

	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
Profit after taxation	272,714	268,282
Other comprehensive income		
Fair value gain on available-for-sale securities	6,222	12,407
Total comprehensive income for the period	<u>278,936</u>	<u>280,689</u>

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

condensed interim cash flow statement (unaudited)
for the period ended September 30, 2013

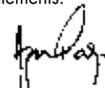
	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	353,226	346,756
Adjustments for:		
Depreciation	59,060	60,434
Amortisation	616	616
Gain on disposal of operating property, plant and equipment	(693)	(291)
Unrealised gain on short term investment	(289)	-
Exchange loss - net	2,348	-
Finance costs	6,159	46,112
Share of loss in joint venture	-	16
	67,201	106,887
	<u>420,427</u>	<u>453,643</u>
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(164,319)	(29,135)
Stock-in-trade	171,741	(120,893)
Loans and advances	(18,308)	(16,505)
Trade deposits, short-term prepayments and other receivables	5,151	(5,087)
	(5,735)	(171,620)
	<u>414,692</u>	<u>282,023</u>
Decrease in current liabilities		
Trade and other payables	(1,291)	(19,098)
Cash generated from operations	413,401	262,925
Income tax paid	(18,183)	(15,231)
Net cash generated from operating activities	<u>395,218</u>	<u>247,694</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(17,747)	(3,794)
Sale proceeds of operating property, plant and equipment	805	1,128
Capital work-in-progress	(32,756)	(4,864)
Long-term loans, advances and security deposits	(435)	257
Short-term investment	(200,000)	-
Net cash used in investing activities	<u>(250,133)</u>	<u>(7,273)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	-	(88,200)
Long-term deposits	(500)	523
Short-term borrowings	(136,039)	(93,566)
Dividend paid	(384)	-
Finance costs paid	(4,542)	(60,222)
Net cash used in financing activities	<u>(141,465)</u>	<u>(241,465)</u>
Net increase / (decrease) in cash and cash equivalents	<u>3,620</u>	<u>(1,044)</u>
Cash and cash equivalents at the beginning of the period	25,548	37,728
Cash and cash equivalents at the end of the period	<u>29,168</u>	<u>36,684</u>

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


Mohammed Faruque
Chairman


Azam Faruque
Chief Executive


Mohammed Faruque
Chairman


Azam Faruque
Chief Executive

condensed interim statement of changes in equity (unaudited)

for the period ended September 30, 2013

	Issued, Subscribed and Paid-up Capital	Reserves					Total	Total
		Capital Reserve	Revenue Reserves			Total		
			General reserve	Fair value gain on available-for-sale securities	Unappropriated profit			
(Rupees '000)								
Balance as at July 01, 2012	955,801	50,900	420,000	10,929	1,310,390	1,741,319	1,792,219	2,748,020
Profit for the period	-	-	-	-	268,282	268,282	268,282	268,282
Other comprehensive income	-	-	-	12,407	-	12,407	12,407	12,407
Total comprehensive income for the period	-	-	-	12,407	268,282	280,689	280,689	280,689
Balance as at September 30, 2012	955,801	50,900	420,000	23,336	1,578,672	2,022,008	2,072,908	3,028,709
Balance as at July 01, 2013	955,801	50,900	420,000	33,969	2,247,864	2,701,833	2,752,733	3,708,534
Profit for the period	-	-	-	-	272,714	272,714	272,714	272,714
Other comprehensive income	-	-	-	6,222	-	6,222	6,222	6,222
Total comprehensive income for the period	-	-	-	6,222	272,714	278,936	278,936	278,936
Balance as at September 30, 2013	955,801	50,900	420,000	40,191	2,520,578	2,980,769	3,031,669	3,987,470

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

notes to the condensed interim financial statements (unaudited)

for the period ended September 30, 2013

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. 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 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. The 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, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2013.

4. PROPERTY, PLANT AND EQUIPMENT

Opening Net Book Value (NBV)
 Additions to operating property, plant and equipment
 Disposals during the period / year (NBV) - vehicles
 Depreciation charged during the period / year

Capital work-in-progress

4.1 Additions to operating property, plant and equipment

Building on leasehold land
 Plant and machinery
 Power and other installations
 Furniture and fittings
 Quarry, factory and laboratory equipment
 Motor vehicles
 Office equipment
 Computers

4.2 Capital work-in-progress

Building on leasehold land
 Plant and machinery
 Power and other installations
 Motor Vehicles

Note	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
----- (Rupees '000) -----		
	3,061,855	3,206,282
4.1	17,747	108,808
	3,079,602	3,315,090
	(112)	(4,330)
	(59,060)	(248,905)
	3,020,430	3,061,855
4.2	403,761	365,515
	3,424,191	3,427,370
	-	2,403
	13,119	17,997
	2,927	277
	118	604
	-	46,357
	1,583	38,560
	-	1,461
	-	1,149
	17,747	108,808
	146,401	1,258
	249,587	354,575
	5,974	9,682
	1,799	-
	403,761	365,515


Mohammed Faruque
 Chairman


Azam Faruque
 Chief Executive

	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
	----- (Rupees `000) -----	
5. INTANGIBLE ASSETS		
Opening balance (NBV)	16,590	19,055
Amortisation charged during the period / year	(616)	(2,465)
	<u>15,974</u>	<u>16,590</u>
6. LONG-TERM INVESTMENTS		
Investment in related parties		
Interest in a joint venture	106,705	106,705
Less: Provision for impairment loss	(106,705)	(106,705)
	<u>-</u>	<u>-</u>
Available-for-sale securities	74,458	68,236
	<u>74,458</u>	<u>68,236</u>
7. SHORT-TERM INVESTMENTS		
Investments - held for trading, at fair value through profit or loss	200,289	-

The fair value of these investments is the Net Asset Value (NAV) as at September 30, 2013 as quoted by the respective Asset Management Companies.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There are no material changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2013.

8.2 Commitments

Letters of credit issued by commercial banks

	September 30, 2013 (Unaudited)	June 30, 2013 (Audited)
	----- (Rupees `000) -----	
	232,603	186,993

9. TURNOVER - NET

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs. 955.285 million (September 30, 2012: Rs. 827.880 million) and (b) export sales, net of trade discounts, amounting to Rs. 533.371 million (September 30, 2012: Rs. 624.978 million).

10. FINANCE COSTS

Mark-up on long-term financing
Mark-up on short-term borrowings and bank charges

	Period ended	
	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
	-	31,754
	6,159	14,358
	<u>6,159</u>	<u>46,112</u>

11. TAXATION

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. Income subject to tax under Final Tax Regime has been taxed accordingly.

12. EARNINGS PER SHARE - BASIC

Profit after taxation

	Period ended	
	September 30, 2013	September 30, 2012
	----- (Rupees `000) -----	
	272,714	268,282

---- (Number of Shares) ----

Weighted average number of ordinary shares in issue during the period

	95,580,008	95,580,008
--	------------	------------

Earnings per share - basic

	Rs. 2.85	Rs. 2.81
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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, 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	
		September 30, 2013	September 30, 2012
		----- (Rupees `000) -----	
Group Companies	Purchase of packing material	143,569	118,468
	Purchase of raw material	26,541	25,012
	Sale of goods	-	39
	Software consultancy charges	2,151	1,485
Chief Executive Executives	Remuneration	6,672	5,951
	Remuneration	73,237	59,837
Other related parties	Contribution to staff provident and gratuity funds	14,570	11,120
	Insurance premium	10,050	7,764

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

14. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2013, the Board of Directors has proposed the following in its meeting held on August 20, 2013 for approval of the members at the Annual General Meeting:

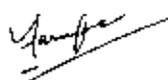
	June 30, 2013	June 30, 2012
	----- (Rupees `000) -----	
Proposed final cash dividend @ Rs. 1.50 per share (2012: Rs. 2.00 per share)	143,370	191,160
Interim cash dividend for the year ended June 30, 2013 @ Re. 1/- per share (2012: Nil)	95,580	-

15. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on October 30, 2013 by the Board of Directors of the Company.

16. GENERAL

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


Mohammed Faruque
Chairman


Azam Faruque
Chief Executive