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## 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	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 and 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 Alfalah Ltd.  
Bank Al Habib Ltd.  
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 Ltd. (CDC)  
CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahrahe-Faisal  
Karachi-74400

## directors' review

The Board of Directors is pleased to present the financial results of the company for the nine months ended March 31, 2013.

### Overview

Greater demand for cement resulted in a 4% increase in aggregate sales of the cement industry for the nine months under review. On the back of increase in domestic demand, local sales grew by 6%, while exports declined by 1% mainly because of decline in exports by sea.

During the nine months under review, sales volume of your company increased by 3%. While domestic sales of the company rose by 5% the export sales declined by 2% from the corresponding period last year. During the period, the company also exported 2,000 tons of clinker to India.

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

	March 2013 (in tons)	March 2012 (in tons)
• Clinker production	682,135	632,120
• Cement production	736,207	721,811
• Domestic dispatches	467,086	443,342
• Export dispatches	267,911	272,796
	<u>734,997</u>	<u>716,138</u>

### Operating Performance

Higher sales volume and adjustment in the selling price of cement for Afghanistan resulted in 23% increase in the sales revenue of the company from the corresponding period last year. During the period under review, the company effectively countered the challenge of escalation in prices of major input items and depreciation of Pak Rupee vis-à-vis US dollar by employing alternate sources of fuel to control its production costs. Improved liquidity position and reduction in discount rate by State Bank of Pakistan also helped trim down finance costs during the period. As a result, the company posted an after tax profit of Rs. 923 million for the nine months ended March 31, 2013.

### Outlook

Increased spending on developmental projects by the government has raised the demand for cement in the country. However, there remain concerns about exports to Afghanistan due to security and political uncertainty. Your company is effectively utilizing alternative sources of fuel to mitigate the risk of rising production costs. We welcome the initiative of State Bank of Pakistan to reduce discount rate, which would provide much needed stimulus to the cement industry and would urge the government to further stimulate the demand for cement in the country by initiating major infrastructure and housing projects.

### 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: April 22, 2013

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## condensed interim balance sheet

as at March 31, 2013

		March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
ASSETS	Note	----- (Rupees `000) -----	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	3,392,176	3,245,352
Intangible assets	5	17,206	19,055
		3,409,382	3,264,407
Long-term investments	6	139,394	138,658
Long-term loans and advances		1,136	2,177
Long-term security deposits		17,116	17,116
		3,567,028	3,422,358
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		915,417	869,760
Stock-in-trade		336,795	318,503
Loans and advances		18,308	11,174
Trade deposits, short-term prepayments and other receivables		27,821	37,283
Taxation - net		34,154	14,758
Cash and bank balances		27,710	37,728
		1,360,205	1,289,206
<b>TOTAL ASSETS</b>		<b>4,927,233</b>	<b>4,711,564</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
225,000,000 (June 30, 2012: 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		2,428,781	1,792,219
		3,384,582	2,748,020
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	7	292,052	888,974
Long-term deposits		13,430	13,923
Deferred taxation		264,633	20,485
		570,115	923,382
<b>CURRENT LIABILITIES</b>			
Trade and other payables		451,977	339,905
Accrued mark-up		21,323	52,381
Short-term borrowings		279,450	436,040
Current maturity of long-term financing		176,400	200,000
Unclaimed dividend		43,386	11,836
		972,536	1,040,162
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,927,233</b>	<b>4,711,564</b>

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

  
**Mohammed Faruque**  
Chairman

  
**Adam Faruque**  
Chief Executive

# condensed interim profit and loss account (unaudited)

for the period ended March 31, 2013

	Note	Period ended		Quarter ended	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		----- (Rupees ` 000) -----		----- (Rupees ` 000) -----	
<b>Turnover - net</b>	9	<b>4,613,375</b>	3,746,562	<b>1,529,469</b>	1,249,681
Cost of sales		<b>(3,046,937)</b>	(3,053,998)	<b>(991,957)</b>	(974,149)
<b>Gross profit</b>		<b>1,566,438</b>	692,564	<b>537,512</b>	275,532
Distribution costs		<b>(120,172)</b>	(103,311)	<b>(41,067)</b>	(33,366)
Administrative expenses		<b>(92,970)</b>	(81,157)	<b>(31,985)</b>	(25,099)
Other operating expenses	10	<b>(68,592)</b>	(16,659)	<b>(23,784)</b>	(8,312)
		<b>(281,734)</b>	(201,127)	<b>(96,836)</b>	(66,777)
Other operating income		<b>13,659</b>	19,174	<b>2,410</b>	1,362
<b>Operating profit</b>		<b>1,298,363</b>	510,611	<b>443,086</b>	210,117
Finance costs	11	<b>(99,897)</b>	(255,319)	<b>(21,328)</b>	(69,159)
<b>Profit before taxation</b>		<b>1,198,466</b>	255,292	<b>421,758</b>	140,958
<b>Taxation</b>					
Current	12	<b>(31,791)</b>	(37,803)	<b>(9,960)</b>	(12,505)
Deferred		<b>(244,148)</b>	(24,296)	<b>(96,470)</b>	(24,832)
		<b>(275,939)</b>	(62,099)	<b>(106,430)</b>	(37,337)
<b>Profit after taxation</b>		<b>922,527</b>	193,193	<b>315,328</b>	103,621
<b>Earnings per share - basic</b>	13	<b>Rs. 9.65</b>	Rs. 2.02	<b>Rs. 3.30</b>	Rs. 1.08

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

  
**Mohammed Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive

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**condensed interim statement of comprehensive income (unaudited)**

for the period ended March 31, 2013

	Period ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	----- (Rupees `000) -----		----- (Rupees `000) -----	
<b>Profit after taxation</b>	<b>922,527</b>	193,193	<b>315,328</b>	103,621
Other comprehensive income:				
Unrealized gain / (loss) on available-for-sale securities	<b>775</b>	(19,264)	<b>8,330</b>	2,913
<b>Total comprehensive income for the period</b>	<b>923,302</b>	173,929	<b>323,658</b>	106,534

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

  
**Mohammed Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive

# condensed interim cash flow statement (unaudited)

for the period ended March 31, 2013

	March 31, 2013	March 31, 2012
	----- (Rupees `000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,198,466	255,292
<b>Adjustments for:</b>		
Depreciation	185,101	190,339
Amortisation	1,849	1,849
Gain on disposal of operating property, plant and equipment	(2,338)	(8,730)
Finance costs	99,897	255,319
Share of loss in a joint venture	39	80
Dividend income	(1,662)	(2,769)
	282,886	436,088
	1,481,352	691,380
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	(45,657)	74,817
Stock-in-trade	(18,292)	40,853
Loans and advances	(7,134)	9,905
Trade deposits, short-term prepayments and other receivables	9,462	5,557
	(61,621)	131,132
	1,419,731	822,512
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	112,072	(138,090)
Cash generated from operations	1,531,803	684,422
Income tax paid	(51,187)	(32,360)
<b>Net cash generated from operating activities</b>	1,480,616	652,062
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to operating property, plant and equipment	(82,628)	(27,909)
Proceeds from the disposal of operating property, plant and equipment	6,670	10,576
Capital work-in-progress	(244,858)	(20,053)
Intangible asset acquired	-	(353)
Long-term loans and advances	1,041	279
Dividend received	1,662	2,769
Long-term security deposits	-	(164)
<b>Net cash used in investing activities</b>	(318,113)	(34,855)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing	(620,522)	(188,200)
Long-term deposits	(493)	(82)
Dividend paid	(255,190)	(44)
Short-term borrowings	(156,590)	(183,797)
Finance costs paid	(139,726)	(290,416)
<b>Net cash used in financing activities</b>	(1,172,521)	(662,539)
<b>Net decrease in cash and cash equivalents</b>	(10,018)	(45,332)
<b>Cash and cash equivalents at the beginning of the period</b>	37,728	70,688
<b>Cash and cash equivalents at the end of the period</b>	27,710	25,356

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

  
**Mohammed Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive

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**condensed interim statement of changes in equity (unaudited)**  
for the period ended March 31, 2013

	Issued, Subscribed and Paid-up Capital	Reserves						Total
		Capital Reserve	Revenue Reserves				Total	
			General Reserve	Fair value gain / (loss) on available for-sale securities	Unappro- priated profit	Sub-total		
(Rupees ` 000)								
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 period	-	-	-	-	193,193	193,193	193,193	193,193
Other comprehensive income	-	-	-	(19,264)	-	(19,264)	(19,264)	(19,264)
Total comprehensive income for the period	-	-	-	(19,264)	193,193	173,929	173,929	173,929
Balance as at March 31, 2012	955,801	50,900	420,000	12,235	1,066,757	1,498,992	1,549,892	2,505,693
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	-	-	-	-	922,527	922,527	922,527	922,527
Other comprehensive income	-	-	-	775	-	775	775	775
Total comprehensive income for the period	-	-	-	775	922,527	923,302	923,302	923,302
Final cash dividend for the year ended June 30, 2012								
@ Rs. 2 /- per share	-	-	-	-	(191,160)	(191,160)	(191,160)	(191,160)
Interim cash dividend for the year ending June 30, 2013								
@ Re. 1 /- per share	-	-	-	-	(95,580)	(95,580)	(95,580)	(95,580)
Balance as at March 31, 2013	955,801	50,900	420,000	11,704	1,946,177	2,377,881	2,428,781	3,384,582

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

  
**Mohammed Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive



**notes to the condensed interim financial statements (unaudited)**  
for the period ended March 31, 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 in accordance with the requirement of Section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 'Interim Financial Reporting'. 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, 2012.

**3. 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, 2012 except as follows:

The Company has adopted the following amendments to IFRSs which became effective during the period:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

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

		<b>March 31, 2013 (Unaudited)</b>	<b>June 30, 2012 (Audited)</b>
	<b>Note</b>	<b>----- (Rupees ` 000) -----</b>	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening Net Book Value (NBV)		<b>3,206,282</b>	3,291,804
Additions to operating property, plant and equipment	4.1	<b>82,628</b>	172,307
		<b>3,288,910</b>	3,464,111
Disposals during the period / year (NBV)	4.2	<b>(4,332)</b>	(1,846)
Depreciation charged during the period / year		<b>(185,101)</b>	(255,983)
		<b>3,099,477</b>	3,206,282
Capital work-in-progress	4.3	<b>292,699</b>	39,070
		<b>3,392,176</b>	3,245,352
<b>4.1 Additions during the period / year</b>			
Building on leasehold land		<b>2,403</b>	5,655
Plant and machinery		<b>4,756</b>	125,053
Power and other installations		<b>277</b>	5,386
Furniture and fittings		<b>1,361</b>	981
Quarry, factory and laboratory equipment		<b>45,657</b>	11,392
Motor vehicles		<b>27,368</b>	11,713
Office equipment		<b>-</b>	109
Computers		<b>806</b>	12,018
		<b>82,628</b>	172,307

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	Note	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
----- (Rupees ` 000) -----			
<b>4.2 Disposals during the period / year (NBV)</b>			
Power and other installations		-	40
Quarry, factory and laboratory equipment		-	697
Motor vehicles		4,332	1,084
Office equipment		-	25
		<b>4,332</b>	<b>1,846</b>
<b>4.3 Capital work-in-progress</b>			
Building on leasehold land		41,492	1,468
Plant and machinery		245,198	35,861
Power and other installations		4,191	1,741
Quarry, factory and laboratory equipment		1,590	-
Furniture and fittings		228	-
		<b>292,699</b>	<b>39,070</b>
<b>5. INTANGIBLE ASSETS</b>			
Opening balance (NBV)		19,055	21,167
Additions during the period / year		-	353
		<b>19,055</b>	<b>21,520</b>
Amortisation charged during the period / year		(1,849)	(2,465)
		<b>17,206</b>	<b>19,055</b>
<b>6. LONG-TERM INVESTMENTS</b>			
In a Joint Venture	6.1	106,755	106,496
Investment during the period / year		-	350
Share of loss		(39)	(91)
		<b>106,716</b>	<b>106,755</b>
Available-for-sale - related party		32,678	31,903
		<b>139,394</b>	<b>138,658</b>
<b>6.1 In a Joint Venture</b>			
The Company has 10,744,997 shares (June 30, 2012: 10,744,997 shares) representing 50% (June 30, 2012: 50%) interest in Madian Hydro Power Limited, a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited.			
<b>6.1.1</b>	The Company's interest in assets and liabilities of joint venture is as follows:		
Current assets		127	260
Non-current assets		106,623	106,585
Current liabilities		(34)	(90)
Net assets		<b>106,716</b>	<b>106,755</b>
<b>6.1.2</b>	The Company's share in profit and loss of the joint venture is as follows:		
Administrative expenses		(39)	(91)
<b>7. LONG-TERM FINANCING - secured</b>			
<b>Waste Heat Recovery System Loan</b>			
Tranche - I		-	70,800
Tranche - II		264,600	705,600
	7.1	<b>264,600</b>	<b>776,400</b>
Fixed Assets Refinance Loan	7.2	-	277,780
Refused Derived Fuel (RDF) Loan	7.3	203,852	34,794
		<b>468,452</b>	<b>1,088,974</b>
Less: Current maturity		-	-
Waste Heat Recovery System Loan		(176,400)	(200,000)
		<b>292,052</b>	<b>888,974</b>

- 7.1** In view of better liquidity position, the Company made early repayments of Rs. 323.60 million.
- 7.2** The Company made early repayment of the entire outstanding amount of Rs. 277.78 million during the period.
- 7.3** This represents a long term loan obtained from a commercial Islamic Bank under the Diminishing Musharikah Scheme for Refused Derived Fuel project, carrying profit at the rate of 6 months KIBOR + 0.75% per annum. The loan is repayable in 10 equal half yearly installments commencing from 30 months from the date of first drawdown. The loan is secured against registered first pari-passu hypothecation charge on plant and machinery.

## **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, 2012.

### **8.2 Commitments**

Letters of credit issued by commercial banks

March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
----- (Rupees `000) -----	
<b>45,533</b>	359,187

## **9. TURNOVER - net**

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs. 2,909.881 million (March 31, 2012: Rs. 2,515.164 million) and (b) export sales, net of trade discounts, amounting to Rs. 1,703.494 million (March 31, 2012: Rs. 1,231.398 million).

## **10. OTHER OPERATING EXPENSES**

This includes provision for Workers' Profit Participation Fund amounting to Rs. 63.077 million (March 31, 2012: Rs. 13.436 million) and donations of Rs. 1.964 million (March 31, 2012: Rs. 1.660 million).

## **11. FINANCE COSTS**

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

Period ended	
March 31, 2013	March 31, 2012
----- (Rupees `000) -----	
<b>64,833</b>	143,413
<b>35,064</b>	111,906
<b>99,897</b>	255,319

## **12. TAXATION**

In view of tax losses, provision for current taxation is based on 0.5% of turnover under section 113 of the Income Tax Ordinance, 2001. Income subject to Final Tax Regime has been taxed accordingly.

	Period ended		Quarter ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
<b>13. EARNINGS PER SHARE - basic</b>				
Profit after taxation (Rupees ` 000)	<b>922,527</b>	193,193	<b>315,328</b>	103,621
Weighted average number of ordinary shares in issue during the period	<b>95,580,008</b>	95,580,008	<b>95,580,008</b>	95,580,008
Earnings per share - basic	<b>Rs. 9.65</b>	Rs. 2.02	<b>Rs. 3.30</b>	Rs. 1.08

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, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		----- (Rupees ` 000) -----		----- (Rupees ` 000) -----	
Group companies	Purchase of packaging material	<b>332,708</b>	349,898	<b>108,026</b>	92,793
	Purchase of raw material	<b>77,303</b>	70,623	<b>28,396</b>	19,839
	Sale of goods	<b>3,305</b>	4,208	<b>2,710</b>	516
	Sale of operating property, plant and equipment	-	10,440	-	-
	Software consultancy charges	<b>5,676</b>	4,455	<b>1,892</b>	1,485
	Dividend received	<b>1,662</b>	2,769	-	-
	Dividend paid	<b>67,335</b>	-	<b>22,462</b>	-
Chief Executive	Remuneration	<b>17,960</b>	17,205	<b>5,948</b>	6,473
Executives	Remuneration	<b>179,283</b>	130,022	<b>59,538</b>	36,726
Other related parties	Contribution to staff provident and gratuity funds	<b>28,327</b>	31,164	<b>4,085</b>	10,634
	Insurance premium	<b>26,321</b>	27,522	<b>10,779</b>	9,070

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 22, 2013 by the Board of Directors of the Company.

#### 16. GENERAL

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

  
**Mohammed Faruque**  
Chairman

  
**Azam Faruque**  
Chief Executive