contents

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. 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

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.

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

directors' review

The Board of Directors presents the financial results of the company for the nine months period ended March 31, 2014.

Overview

Amid positive developments on economic front, developmental schemes undertaken by the government and enhanced spending by the private sector on construction activities including through increased inward remittances from expatriate Pakistanis has resulted in higher dispatches of cement domestically. During the nine months under review, the sales volumes of the industry increased by 235,145 tons from the corresponding period last year.

In line with market conditions, your company produced 686,328 tons of cement during the nine months under review and dispatched 689,514 tons including 220,720 tons exported to Afghanistan.

Operating Performance

Improved cement prices resulted in 2% increase in the sales revenue 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. However, appreciation of Pak Rupee is expected to have a positive impact on input costs. Improved sales margins and better operational efficiencies enabled the company to post an after tax profit of Rs. 1.03 billion for the nine months ended March 31, 2014.

Outlook

Constructive economic measures taken by the government is having positive impact on the macroeconomic indicators of the country. The current government, which has a history of undertaking large infrastructure projects in the country, is initiating major infrastructural projects, with especial focus on constructing highways, hydro power and housing projects. Furthermore, with greater spending by the private sector fuelled by inward remittances from expatriate Pakistanis on construction related activities, the domestic demand is set to grow and play a significant role in enhancing the demand for cement in the near future. Political situation in Afghanistan is also expected to become clearer after the Presidential elections, which may provide boost to the reconstruction activities in the country. Your company shall benefit immensely from increase in the demand for cement due to its ideal location.

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 24, 2014

condensed interim balance sheet

as at March 31, 2014

ASSETS	Note	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
		---------- (Rupees `000) ----------	
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,360,005	3,427,370
Intangible assets		14,742	16,590
		3,374,747	3,443,960
Long-term investments		116,959	68,236
Long-term loans and advances		1,296	1,405
Long-term security deposits		17,238	17,258
		3,510,240	3,530,859
CURRENT ASSETS			
Stores, spare parts and loose tools	5	1,063,694	967,917
Stock-in-trade		406,148	433,768
Loans and advances		13,323	12,969
Trade deposits, short-term prepayments and other receivables		34,335	33,634
Short-term investment	6	920,849	-
Taxation - net		-	59,806
Cash and bank balances		32,720	25,548
		2,471,069	1,533,642
TOTAL ASSETS		5,981,309	5,064,501
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
225,000,000 (June 30, 2013: 225,000,000) Ordinary shares of Rs.10/- each		2,250,000	2,250,000
Issued, subscribed and paid-up capital		1,051,380	955,801
Reserves		3,502,902	2,753,228
		4,554,282	3,709,029
NON-CURRENT LIABILITIES			
Long-term financing		183,467	203,852
Long-term deposits		15,330	14,905
Deferred taxation		464,175	354,902
		662,972	573,659
CURRENT LIABILITIES			
Trade and other payables		502,215	503,246
Accrued mark-up		32,102	20,145
Short-term borrowings		131,774	236,948
Current maturity of long-term financing		20,385	-
Unclaimed dividend		38,073	21,474
Taxation - net		39,506	-
		764,055	781,813
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		5,981,309	5,064,501

The annexed notes from 1 to 14 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, 2014

	Note	Period ended		Quarter ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		(Rupees `000)			
Turnover - net	8	4,698,650	4,613,375	1,529,072	1,529,469
Cost of sales		(3,050,268)	(3,046,937)	(1,000,112)	(991,957)
Gross profit		1,648,382	1,566,438	528,960	537,512
Distribution costs		(139,020)	(120,172)	(47,936)	(41,067)
Administrative expenses		(104,655)	(92,970)	(36,161)	(31,985)
Other operating expenses		(104,948)	(68,592)	(32,246)	(23,784)
		(348,623)	(281,734)	(116,343)	(96,836)
Other operating income		44,608	13,659	16,844	2,410
Operating profit		1,344,367	1,298,363	429,461	443,086
Finance costs	9	(20,068)	(99,897)	(10,667)	(21,328)
Profit before taxation		1,324,299	1,198,466	418,794	421,758
Taxation					
Current	10	(179,546)	(31,791)	(98,448)	(9,960)
Deferred		(109,273)	(244,148)	5,300	(96,470)
		(288,819)	(275,939)	(93,148)	(106,430)
Profit after taxation		1,035,480	922,527	325,646	315,328
			Restated		Restated
Earnings per share - basic	11	Rs. 9.85	Rs. 8.77	Rs. 3.10	Rs. 3.00

The annexed notes from 1 to 14 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, 2014

	Period ended		Quarter ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees `000)			
Profit after taxation	1,035,480	922,527	325,646	315,328
Other comprehensive income:				
Unrealized gain on available-for-sale investments	48,723	775	32,239	8,330
Total comprehensive income for the period	1,084,203	923,302	357,885	323,658

The annexed notes from 1 to 14 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, 2014

	March 31, 2014	March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES	---------- (Rupees `000) ----------	
Profit before taxation	1,324,299	1,198,466
Adjustments for:		
Depreciation	189,118	185,101
Amortisation	1,848	1,849
Unrealized gain on short-term investments	(20,849)	-
Gain on disposal of operating property, plant and equipment	(1,691)	(2,338)
Finance costs	20,068	99,897
Share of loss in a joint venture	-	39
Exchange loss	2,406	-
Dividend income	(5,317)	(1,662)
	185,583	282,886
	1,509,882	1,481,352
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(95,777)	(45,657)
Stock-in-trade	27,620	(18,292)
Loans and advances	(354)	(7,134)
Trade deposits, short-term prepayments and other receivables	(701)	9,462
	(69,212)	(61,621)
	1,440,670	1,419,731
(Decrease) / increase in current liabilities		
Trade and other payables	(3,437)	112,072
Cash generated from operations	1,437,233	1,531,803
Income tax paid	(80,234)	(51,187)
Net cash generated from operating activities	1,356,999	1,480,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(115,964)	(327,486)
Proceeds from the disposal of operating property, plant and equipment	5,351	6,670
Long-term loans and advances	109	1,041
Dividend received	5,317	1,662
Purchase of short-term investments	(900,000)	-
Long-term security deposits	20	-
Net cash used in investing activities	(1,005,167)	(318,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	-	(620,522)
Long-term deposits	425	(493)
Dividend paid	(222,351)	(255,190)
Short-term borrowings	(105,174)	(156,590)
Finance costs paid	(17,560)	(139,726)
Net cash used in financing activities	(344,660)	(1,172,521)
Net increase / (decrease) in cash and cash equivalents	7,172	(10,018)
Cash and cash equivalents as at the beginning of the period	25,548	37,728
Cash and cash equivalents as at the end of the period	32,720	27,710

The annexed notes from 1 to 14 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, 2014

	Issued, Subscribed and Paid-up Capital	Reserves							Total
		Capital Reserve	Revenue Reserves				Total		
			General reserve	Unrealized gain on available-for-sale investments	Unappro-priated profit	Sub-total			
	(Rupees `000)								
Balance as at July 01, 2012– as previously reported	955,801	50,900	420,000	10,929	1,310,390	1,741,319	1,792,219		2,748,020
Effect of change in accounting policy as disclosed in note 3	-	-	-	-	(60,436)	(60,436)	(60,436)		(60,436)
Balance as at July 01, 2012 – as restated	955,801	50,900	420,000	10,929	1,249,954	1,680,883	1,731,783		2,687,584
Net 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 ended 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	1,885,741	2,317,445	2,368,345		3,324,146
Balance as at July 01, 2013 - as previously reported	**955,801**	**50,900**	**420,000**	**33,969**	**2,247,864**	**2,701,833**	**2,752,733**		**3,708,534**
Effect of change in accounting policy as disclosed in note 3	**-**	**-**	**-**	**-**	**495**	**495**	**495**		**495**
Balance as at July 01, 2013 - as restated	**955,801**	**50,900**	**420,000**	**33,969**	**2,248,359**	**2,702,328**	**2,753,228**		**3,709,029**
Net profit for the period	**-**	**-**	**-**	**-**	**1,035,480**	**1,035,480**	**1,035,480**		**1,035,480**
Other comprehensive income	**-**	**-**	**-**	**48,723**	**-**	**48,723**	**48,723**		**48,723**
Total comprehensive income for the period	**-**	**-**	**-**	**48,723**	**1,035,480**	**1,084,203**	**1,084,203**		**1,084,203**
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 ending 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	**1,051,380**	**50,900**	**420,000**	**82,692**	**2,949,310**	**3,452,002**	**3,502,902**		**4,554,282**

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

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, 2013.

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, 2013 except as follows:

New, Amended and Revised Standards and Interpretations of IFRSs

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

IAS 19	Employee Benefits - (Revised)
IFRS 7	Financial Instruments: Disclosures - (Amendment) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Improvement to Accounting Standards issued by the IASB

IAS - 1	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS - 16	Property, Plant and Equipment - Classification of Servicing Equipment
IAS - 32	Financial Instruments: Presentation - Tax effects of Distribution to Holder of Equity Equipment
IAS - 34	Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets & Liabilities

The adoption of the above revision, amendments and interpretation of the standards did not have any effect on these condensed interim financial statements except for IAS-19 which has resulted in a change in accounting policy during the period as described below:

Amendments to IAS-19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS-19 include the following:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e.,the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

- The distinction between short-term and long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated. Had there been no change in the above accounting policy, the accumulated profit and trade and other payables as of the balance sheet date would have been decreased and increased by Rs. 0.495 million respectively.

		Note	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
			---------- (Rupees `000)	----------
4.	**PROPERTY, PLANT AND EQUIPMENT**			
	Opening Net Book Value (NBV)		3,061,855	3,206,282
	Additions to operating property, plant and equipment	4.1	449,567	108,808
			3,511,422	3,315,090
	Disposals during the period / year (NBV)		(3,660)	(4,330)
	Depreciation charged during the period / year		(189,118)	(248,905)
	Closing NBV		3,318,644	3,061,855
	Capital work-in-progress	4.2	41,361	365,515
			3,360,005	3,427,370
4.1	**Additions to operating property, plant and equipment**			
	Building on leasehold land		105,329	2,403
	Plant and machinery		294,606	17,997
	Power and other installations		24,007	277
	Furniture and fittings		317	604
	Quarry, factory and laboratory equipment		484	46,357
	Motor vehicles		23,439	38,560
	Office equipment		37	1,461
	Computers		1,348	1,149
			449,567	108,808
4.2	**Capital work-in-progress**			
	Building on leasehold land		12,936	1,258
	Plant and machinery		18,494	354,575
	Power and other installations		6,455	9,682
	Furniture and fittings		188	-
	Quarry, factory and laboratory equipment		2,244	-
	Motor vehicles		1,044	-
			41,361	365,515
5.	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		539,326	479,462
	Spare parts		502,469	467,404
	Loose tools		685	644
			1,042,480	947,510
	Stores and spare parts in transit		21,214	20,407
			1,063,694	967,917
6.	**SHORT-TERM INVESTMENTS**			
	Designated through profit or loss			
	- Investment in Mutual Funds		920,849	-

7. CONTINGENCIES AND COMMITMENTS

7.1 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, except the following :

The National Electric Power Regulatory Authority NEPRA calculates the Fuel Price Adjustment (FPA) based on variation in fuel prices and advises distribution companies (mainly EX-WAPDA) to recover FPA. On this account, Peshawar Electric Supply Company (PESCO) and other power distribution companies are claiming FPA in monthly electricity bills on arrear basis since last two and half years. However, the Honourable Peshawar High Court suspended this levy and stopped PESCO from recovery of FPA since beginning. Accordingly, the Company did not receive any demand of FPA in any of its electricity bills after February 2012 when Rs. 20.2 million were claimed as arrears which later on were also suspended. PESCO challenged this decision of Honourable Peshawar High Court in Honourable Supreme Court which at the time of allowing the appeal, as an interim relief, suspended the decision of Honourable Peshawar High Court and allowed recovery of arrears in 10 monthly installments. The case is still pending in the Honourable Supreme Court for final decision. The management believes that apart from the main legal case, recovery of arrears is challengeable in the Courts in view of the fact that we have not recovered this amount from the end customers as we have never been informed of the quantum of this levy in the bills. In view of the inherent uncertainties involved in such matters and the fact that management is hopeful of an ultimate positive outcome, no provision has been made in these financial statements in this regard.

	March 31, 2014 (Unaudited)	June 30, 2013 (Audited)
7.2 Commitments	(Rupees `000)	
Letters of credit issued by commercial banks	165,658	186,993

8. TURNOVER - net

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs. 3,269.707 million (March 31, 2013: Rs. 2,909.881 million) and (b) export sales, net of trade discounts, amounting to Rs. 1,428.943 million (March 31, 2013: Rs. 1,703.494 million).

9. FINANCE COSTS

Includes mark-up on long-term financing amounting to Rs. 5.265 million (March 31, 2013 : Rs. 64.833 million) and mark-up on short-term borrowings and bank charges amounting to Rs. 14.803 million (March 31, 2013 : Rs. 35.064 million).

10. 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, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees `000)			
11. EARNINGS PER SHARE - basic				
Profit after taxation (Rupees `000)	1,035,480	922,527	325,646	315,328
		Restated		Restated
Weighted average number of ordinary shares in issue during the period	105,138,008	105,138,008	105,138,008	105,138,008
Earnings per share - basic	Rs. 9.85	Rs. 8.77	Rs. 3.10	Rs. 3.00

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

12. 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, 2014	March 31, 2013	March 31, 2014	March 31, 2013
		---------- (Rupees `000) ----------			
Group companies	Purchase of packaging material	364,788	332,708	112,509	108,026
	Purchase of raw material	85,010	77,303	29,208	28,396
	Sale of goods	160	3,305	46	2,710
	Software consultancy charges	6,453	5,676	2,151	1,892
	Dividend received	5,317	1,662	1,772	-
	Dividend paid	56,149	67,335	22,459	22,462
Chief Executive	Remuneration	19,843	17,960	6,563	5,948
Executives	Remuneration	220,922	179,283	74,600	59,538
Other related parties	Contribution to staff provident and gratuity funds	23,797	28,327	4,645	4,085
	Insurance premium	30,453	26,321	10,228	10,779

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

13. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 24, 2014 by the Board of Directors of the Company.

14. GENERAL

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive