



Vortex of Imagination

un-audited accounts
March 31, 2019



**Cherat Cement
Company Limited**
A Ghulam Faruque Group Company

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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. Asif Qadir	Director
Mr. Abrar Hasan	Director
Mrs. Zeeba Ansar	Director

Audit Committee

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

Human Resource & Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar Faruque	Member

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Head of Internal Audit

Mr. Aamir Saleem

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
Industrial Commercial Bank of China Ltd
MCB Bank Ltd
National Bank of Pakistan
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Ltd

Islamic Bankers

Bank Alfalah Ltd
Dubai Islamic Bank Pakistan Ltd
Meezan 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
Tel: 0800-23275

Contact Information

UAN: 111-000-009
Email: info@gfg.com.pk
Web: www.gfg.com.pk



Registered Office / Factory

Village Lakrai, P.O. Box 28,
Nowshera
Tel: +9291 5270531-4
Fax: +9291 5270536

Head Office

Modern Motors House,
Beaumont Road
Karachi-75530
Tel: +9221 35683566-7, 35689538
Fax: +9221 35683425

Sales Offices

Peshawar:

1st Floor, Betani Arcade,
University Road
Tel: +9291 5842285, 5842272
Fax: +9291 5840447

Lahore:

3, Sunder Das Road
Tel: +9242 36286249-50, 36308259
Fax: +9242 36286204

Islamabad:

1st Floor, Razia Sharif Plaza
Jinnah Avenue, Blue Area
Tel: +9251 2344531-33
Fax: +9251 2344534, 2344550

Directors' Review

The Board of Directors presents the financial results of the company for the nine months period ended March 31, 2019.

Overview

The pace of industrial growth in the country has been affected by the uncertain economic conditions. During the nine months period under review, there was a marked slowdown in construction activities in the country. This has had a negative impact on the domestic demand for cement, which declined by 6% during the period under review. Although growth was witnessed in exports, mainly by sea, exports to Afghanistan declined due to drop in construction activities and influx of Iranian cement. On aggregate basis, cement dispatches of the industry remained at almost the same level as the corresponding period last year.

Dispatches

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

- Domestic Sales
 - Cement
 - Clinker
- Export Cement Sales

March 2019	March 2018
(in tons)	
1,464,804	1,638,523
-	77,886
227,020	259,698
<u>1,691,824</u>	<u>1,976,107</u>

In line with industry conditions, sales of the company were adversely affected by the slowdown in construction activities in the country during the period under review. During the nine months under review, local cement sales of the company declined by 11% and exports to Afghanistan dropped by 13% compared to the corresponding period last year. The aggregate sales of the company declined by 14% from the corresponding period last year.

Operating Performance

Despite decline in cement dispatches, the turnover of the company remained at almost the same level as last year. However, increase in fuel prices and devaluation of the rupee led to an increase in the cost of production. While sales prices also increase during this period, they could not offset the increased cost of production leading to a decline in sales margin. There was an increase in other income during the period due to sale of scrap and receipt of dividend income. During the period, finance cost also increased due to long term loan obtained by the company to finance the new cement line and rise in discount rates by State Bank of Pakistan. During the period, the company accounted for the tax benefit available under section 65-B of the Income Tax Ordinance in respect of Cement Line III and tax

losses following capitalization of assets. For the nine months period ended March 31, 2019 the company posted an after-tax profit of Rs. 2,250 million.

Expansion of Cement Line III

During the third quarter, the company successfully installed and commissioned Cement Line III, having capacity of producing more than 6,700 tons of clinker per day, along with Waste Heat Recovery plant. With this expansion, the production capacity of the company has increased to more than 4.5 million tons per annum. The project was completed well before the scheduled time.

Future Outlook

Most sectors of the economy including cement have been adversely affected by the economic crisis faced by the country. Although the government has started taking measures to put the economy back on track by undertaking structural reforms, it needs to take immediate steps to kick start the economy. Furthermore, the government should initiate construction of dams and low cost housing projects, which will generate the demand for cement. Installation of third cement line by the company has enhanced its domestic market share and will also allow it to achieve higher operational efficiencies.

Acknowledgment

The management would like to thank all customers, financial institutions, suppliers 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



Azam Faruque
Chief Executive

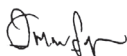
Karachi: April 25, 2019

Condensed Interim Statement of Financial Position

As at March 31, 2019

	Note	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	26,971,365	23,805,845
Intangible assets		19,596	15,406
		26,990,961	23,821,251
Long-term investments	5	436,731	396,794
Long-term loans		820	686
Long-term deposits		19,166	19,008
Deferred taxation		82,860	-
		539,577	416,488
		27,530,538	24,237,739
CURRENT ASSETS			
Stores, spare parts and loose tools		3,197,416	2,778,907
Stock-in-trade		1,072,732	753,638
Trade debts		323,667	188,272
Loans and advances		77,458	84,081
Trade deposits and short-term prepayments		56,548	25,940
Other receivables		1,347,663	1,599,017
Taxation – net		1,196,773	804,915
Cash and bank balances		34,325	47,052
		7,306,582	6,281,822
		34,837,120	30,519,561
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
225,000,000 (June 2018: 225,000,000)			
ordinary shares of Rs.10/- each		2,250,000	2,250,000
Share capital		1,766,318	1,766,318
Reserves		10,990,870	9,407,430
		12,757,188	11,173,748
NON-CURRENT LIABILITIES			
Long-term financings - secured	6	16,900,000	14,700,000
Long-term security deposits		19,695	17,667
Deferred taxation		-	975,640
		16,919,695	15,693,307
CURRENT LIABILITIES			
Trade and other payables		1,330,742	1,990,431
Accrued mark-up		596,592	230,024
Short-term borrowings		2,345,518	963,947
Current maturity of long-term financing	6	800,000	400,000
Unclaimed dividend		87,385	68,104
		5,160,237	3,652,506
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES			
		34,837,120	30,519,561

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



Omar Faruque
Chairman



Azam Faruque
Chief Executive



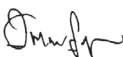
Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

For the Period Ended March 31, 2019

Note	Period ended		Quarter ended		
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	
(Rupees in '000)					
Turnover – net	8	11,161,275	11,147,937	4,128,314	3,562,016
Cost of sales		(9,043,820)	(8,578,755)	(3,277,862)	(2,854,037)
Gross profit		2,117,455	2,569,182	850,452	707,979
Distribution costs		(291,737)	(248,839)	(100,659)	(83,619)
Administrative expenses		(219,715)	(181,152)	(72,543)	(61,380)
Other expenses		(64,331)	(106,643)	(20,205)	(24,875)
		(575,783)	(536,634)	(193,407)	(169,874)
Other income		101,101	55,442	30,004	18,085
Operating profit		1,642,773	2,087,990	687,049	556,190
Finance costs	9	(596,257)	(266,682)	(368,420)	(84,341)
Profit before taxation		1,046,516	1,821,308	318,629	471,849
Taxation					
Current		-	(36,507)	-	(15,690)
Prior		145,014	81,844	-	-
Deferred		1,058,500	(71,340)	903,972	(10,412)
	10	1,203,514	(26,003)	903,972	(26,102)
Net profit for the period		2,250,030	1,795,305	1,222,601	445,747
Earnings per share – basic and diluted		Rs. 12.74	Rs. 10.16	Rs. 6.92	Rs. 2.52

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


Omar Faruque
Chairman


Azam Faruque
Chief Executive

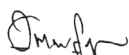

Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Period Ended March 31, 2019

	Period ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	(Rupees in '000)			
Net profit for the period	2,250,030	1,795,305	1,222,601	445,747
Other comprehensive income				
Items that may not be reclassified subsequently to statement of profit or loss				
Unrealised gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	39,937	(133,274)	(81,996)	(63,117)
Total comprehensive income for the period	<u>2,289,967</u>	<u>1,662,031</u>	<u>1,140,605</u>	<u>382,630</u>

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



Omar Faruque
Chairman



Azam Faruque
Chief Executive



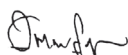
Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

For the Period Ended March 31, 2019

Note	March 31, 2019	March 31, 2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,046,516	1,821,308
Adjustments for:		
Depreciation	927,420	809,133
Amortisation	3,144	2,853
(Gain) / loss on disposal of operating property, plant and equipment	(5,931)	1,687
Finance costs	596,257	266,682
Exchange loss	-	422
Dividend income	(19,833)	(20,160)
	1,501,057	1,060,617
	2,547,573	2,881,925
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(418,509)	213,343
Stock-in-trade	(319,094)	336,769
Trade debts	(135,395)	(61,444)
Loans and advances	6,623	13,658
Trade deposits and short-term prepayments	(30,608)	(20,920)
Other receivables	251,354	(81,336)
	(645,629)	400,070
	1,901,944	3,281,995
(Decrease) / increase in current liabilities		
Trade and other payables	(659,689)	918,918
Cash generated from operations	1,242,255	4,200,913
Income tax paid	(246,844)	(370,615)
Long-term loans, advances and security deposits – net	1,736	(148,273)
Net cash generated from operating activities	997,147	3,682,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,864,766)	(7,932,621)
Additions to intangible assets	(7,334)	-
Proceeds from disposal of operating property, plant and equipment	16,423	9,227
Long-term investments made	-	(36,700)
Dividend received	19,833	20,160
Net cash used in investing activities	(3,835,844)	(7,939,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financings – net	2,600,000	5,949,435
Short-term borrowings – net	1,381,571	(571,023)
Dividend paid	(687,246)	(736,066)
Finance costs paid	(468,355)	(390,663)
Net cash generated from financing activities	2,825,970	4,251,683
Net decrease in cash and cash equivalents	(12,727)	(6,226)
Cash and cash equivalents at the beginning of the period	47,052	45,814
Cash and cash equivalents at the end of the period	34,325	39,588

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



Omar Faruque
Chairman



Azam Faruque
Chief Executive



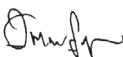
Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the Period Ended March 31, 2019

Issued, Subscribed and Paid-up Capital	Reserves							Total Reserves	TOTAL
	Capital Reserve		Revenue Reserves						
	Share premium	Others	General reserve	Unappropriated profit	Actuarial gain on gratuity fund	Unrealized gain / (loss) on equity investments			
(Rupees in '000)									
Balance as at July 01, 2017	1,766,318	1,047,658	50,900	420,000	6,391,997	427,462	357,372	8,695,389	10,461,707
Final cash dividend for the year ended June 30, 2017 @ Rs. 3.50/- per share	-	-	-	-	(618,211)	-	-	(618,211)	(618,211)
Interim cash dividend for the year ended June 30, 2018 @ Re. 1.00/- per share	-	-	-	-	(176,632)	-	-	(176,632)	(176,632)
Net profit for the period	-	-	-	-	1,795,305	-	-	1,795,305	1,795,305
Other comprehensive income	-	-	-	-	-	-	(133,274)	(133,274)	(133,274)
Total comprehensive income for the period	-	-	-	-	1,795,305	-	(133,274)	1,662,031	1,662,031
Balance as at March 31, 2018	<u>1,766,318</u>	<u>1,047,658</u>	<u>50,900</u>	<u>420,000</u>	<u>7,392,459</u>	<u>427,462</u>	<u>224,098</u>	<u>9,562,577</u>	<u>11,328,895</u>
Balance as at July 01, 2018	1,766,318	1,047,658	50,900	420,000	7,729,273	8,371	151,228	9,407,430	11,173,748
Final cash dividend for the year ended June 30, 2018 @ Rs. 4.00/- per share	-	-	-	-	(706,527)	-	-	(706,527)	(706,527)
Net profit for the period	-	-	-	-	2,250,030	-	-	2,250,030	2,250,030
Other comprehensive income	-	-	-	-	-	-	39,937	39,937	39,937
Total comprehensive income for the period	-	-	-	-	2,250,030	-	39,937	2,289,967	2,289,967
Balance as at March 31, 2019	<u>1,766,318</u>	<u>1,047,658</u>	<u>50,900</u>	<u>420,000</u>	<u>9,272,776</u>	<u>8,371</u>	<u>191,165</u>	<u>10,990,870</u>	<u>12,757,188</u>

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


Omar Faruque
 Chairman


Azam Faruque
 Chief Executive


Yasir Masood
 Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the Period Ended March 31, 2019

1. CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1981. Its main business activity is manufacturing, marketing and sale of cement. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa province.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018.

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018, except for the adoption of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments". The revised accounting policy adopted by the management is as follows:

IFRS 15 Revenue from Contracts with Customers

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances,

that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations.

The Company has assessed that significant performance obligation in contracts with customers are closely related to the delivery of goods and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly include trade debts, loans and advances, long term-loans, investment in equity instruments, other ancillary deposits/receivables and bank balances held with commercial banks.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking Expected Credit Loss (ECL) approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL. For this purpose, the management has conducted an exercise to assess the impairment of its financial assets using historical data and forward looking information. Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard and that the impact of impairment on its financial assets is immaterial to these condensed interim financial statements.

3.2 ACCOUNTING ESTIMATES

Judgment and estimates made by the management in the preparation of these condensed interim financial statements are same as those were applied to the financial statements for the year ended June 30, 2018 except stated below:

Until previous year depreciation on plant and machinery for Line II had been charged to statement of profit or loss at 7.5% of the book value, whereas with

effect from July 1, 2018, the rate of depreciation has been changed to 5% in order to better reflect the pattern in which the economic benefits of the plant and machinery are consumed by the Company. Had this change in accounting estimate not been made, the depreciation expense for the period would have been higher by Rs.102.14 million and profit before taxation would have been lowered by the same amount.

	Note	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening net book value (NBV)		12,277,573	12,909,284
Additions during the period / year (cost)	4.1	14,943,295	467,482
		27,220,868	13,376,766
Depreciation charged during the period / year		(927,420)	(1,086,046)
Disposals during the period / year - NBV		(10,492)	(13,147)
Closing NBV		26,282,956	12,277,573
Capital work-in-progress	4.2	688,409	11,528,272
		26,971,365	23,805,845
4.1 Additions during the period / year			
Building on leasehold land		2,638,469	90,955
Plant and machinery		11,430,080	197,961
Power and other installations		719,297	40,010
Furniture and fittings		14,410	4,040
Quarry, factory and laboratory equipment		47,787	46,236
Motor vehicles		65,065	52,338
Office equipment		5,129	22,387
Computers		23,058	13,555
		14,943,295	467,482
4.2 Capital work-in-progress			
Opening balance		11,528,272	723,580
Capital expenditure incurred / advances made during the period / year	4.2.1	4,103,432	11,272,174
		15,631,704	11,995,754
Transferred to operating fixed assets	4.2.2	(14,943,295)	(467,482)
Closing balance		688,409	11,528,272

	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
	(Rupees in '000)	
4.2.1 Capital expenditure incurred / advances made during the period / year		
Building on leasehold land	674,996	2,125,509
Plant and machinery	2,570,373	8,871,470
Power and other installations	692,985	118,425
Furniture and fittings	12,327	36,215
Quarry, factory and laboratory equipment	81,646	45,694
Motor vehicles	48,508	62,380
Computers	22,597	12,481
	<u>4,103,432</u>	<u>11,272,174</u>

4.2.2 During the period, Cement Line - III and Wartsila Gensets have been capitalized.

	Note	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
		(Rupees in '000)	
5. LONG-TERM INVESTMENTS			
Investment in related parties			
At fair value through other comprehensive income	5.1	429,078	389,141
Joint ventures			
- Madian Hydro Power Limited	5.2	-	-
- UniEnergy Limited		7,653	7,653
		<u>7,653</u>	<u>7,653</u>
		<u>436,731</u>	<u>396,794</u>
5.1 At fair value through other comprehensive income			
Cherat Packaging Limited			
2,838,666 (June 30, 2018: 2,468,406) fully paid ordinary shares of Rs.10/- each.		403,091	354,685
Mirpurkhas Sugar Mills Limited			
262,500 (June 30, 2018: 262,500) fully paid ordinary shares of Rs.10/- each.		25,987	34,456
		<u>429,078</u>	<u>389,141</u>
5.2 Joint Venture - Madian Hydro Power Limited			
Company's share in net assets		106,705	106,705
Less: Impairment loss		(106,705)	(106,705)
		<u>-</u>	<u>-</u>

	Note	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)			
6. LONG-TERM FINANCINGS - secured			
Islamic banks			
Syndicated Long-Term Finance Loan - Line – II	6.1	2,545,263	3,284,211
Syndicated Long-Term Finance Loan - Line – III		12,500,000	10,000,000
		15,045,263	13,284,211
Conventional banks			
Syndicated Long-Term Finance Loan - Line – II	6.1	554,737	715,789
Captive Power Plant Loan		1,100,000	1,100,000
Waste Heat Recovery Loan – Line III	6.2	1,000,000	-
		17,700,000	15,100,000
Less: Current maturity		(800,000)	(400,000)
		<u>16,900,000</u>	<u>14,700,000</u>

6.1 During the period Rs. 900 million has been repaid including an early repayment of Rs. 500 million.

6.2 Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 months KIBOR+0.2% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first draw down i.e. February 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on plant and machinery.

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, 2018.

7.2 Commitments

Letters of credit - Islamic and conventional banks

Letters of guarantee - conventional bank

	March 31, 2019 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)		
Letters of credit - Islamic and conventional banks	694,638	278,484
Letters of guarantee - conventional bank	366,060	359,060

8. TURNOVER - net

Local sales
Export sales

	Period ended		Quarter ended	
	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
(Rupees in '000)				
Local sales	9,893,087	9,862,054	3,841,379	3,416,669
Export sales	1,268,188	1,285,883	286,935	145,347
	<u>11,161,275</u>	<u>11,147,937</u>	<u>4,128,314</u>	<u>3,562,016</u>

9. FINANCE COSTS

Includes mark-up on long-term financings amounting to Rs. 509.47 million (March 31, 2018: Rs. 228.77 million), mark-up on short-term borrowings and bank charges amounting to Rs. 86.79 million (March 31, 2018: Rs. 37.91 million).

10. TAXATION

10.1 During the year ended June 30, 2017, the Company made investment in plant and machinery of Line - II which was eligible for a tax credit under section 65B of the Income Tax Ordinance, 2001 (the tax credit). The tax credit is in addition to tax exemption on profit and gains derived from Line - II under clause 126L of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The management believes that the Company is eligible for both the above benefits for Line-II, and therefore, has taken both the benefits in the income tax returns filed for the tax years 2017 and 2018. However, as the Tax department had challenged claiming of both the benefits simultaneously hence the management as a matter of prudence had earlier recognized the benefit under clause 126L only but had not recognized the tax credit u/s 65B of the Income Tax Ordinance 2001.

During the period, the Deputy Commissioner Inland Revenue has finalized the assessment for the Tax Year 2017 and rejected our claim u/s 126L but allowed our claim u/s 65B. Although, the management has filed an Appeal before the Commissioner (Appeals) to allow both benefits simultaneously but as a matter of prudence and other inherent uncertainties and delays involved in such matters, the management has revised the current and deferred tax provisions based on the allowance of claim u/s 65B.

10.2 Provision for current taxation is based on Alternate Corporate Tax (ACT) at the current rates of taxation after taking into account tax credits u/s 65B pertaining to Cement Line - III and Wartsila Gensets. Income subject to final tax has been taxed accordingly.

11. FINANCIAL RISK MANAGEMENT AND FAIR VALUE DISCLOSURES

These condensed interim financial statements do not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2018. There have been no changes in any risk management policies since the year end.

The carrying value of all financial and non-financial assets and liabilities measured at other than amortised cost in these condensed interim financial statements approximate their fair values.

12. 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 these condensed interim financial statements are as follows:

Relationship	Nature of transactions	Period ended		Quarter ended	
		March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
(Rupees in '000)					
Group companies	Purchases	1,168,645	979,583	415,760	362,095
	Sale of goods	16,438	52,039	471	24,974
	Purchase of fixed assets	-	4,179	-	677
	I. T support charges	15,243	13,338	5,081	4,446
	Dividend received	19,833	20,160	7,491	4,936
	Dividend paid	204,407	225,771	-	51,099
	Investments made	-	36,700	-	-
Key management personnel	Remuneration	394,920	318,491	125,768	111,321
Other related parties	Contribution to provident and gratuity funds	78,323	32,653	53,235	13,939
	Services received	2,936	3,432	1,314	1,215

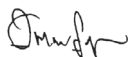
12.1 In addition, certain administrative expenses are being shared amongst the group companies.

13. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 25, 2019 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


Yasir Masood
 Chief Financial Officer



**GHULAM FARUQUE
GROUP**

**Cherat Cement
Company Limited**

Head Office:

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

UAN: (9221) 111-000-009

Fax: (9221) 35683425

Email: info@gfg.com.pk

Web: www.gfg.com.pk

