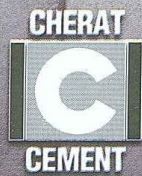


# Vortex of Imagination

half yearly accounts  
december 31, 2018



**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 Shahr-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 is pleased to present the financial results of the company, duly reviewed by the auditors, for the half year ended December 31, 2018.

### Overview

Despite the slowdown in industrial and construction activities in the country due to uncertain macro-economic scenario, cement industry witnessed a growth of 3.9% during the first half of the year 2018/19 over the same period last year. However, the growth in cement dispatches came through export sales as local sales declined by 1.4% during the period under review.

### 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

December 2018	December 2017
(in tons)	
903,515	1,027,199
-	77,886
176,994	230,431
<u>1,080,509</u>	<u>1,335,516</u>

Slowdown in construction activities in the country had an adverse impact on the cement sales of the company during the period under review. During the half year under review, local cement sales of the company declined by 12% and exports to Afghanistan dropped by 23% compared to the corresponding period last year. The aggregate sales of the company declined by 14% from the corresponding period last year.

### Operating Performance

Decline in cement dispatches affected the sales turnover of the company during the half year under review. During this period, there was also significant increase in costs of production due to increase in fuel prices, especially coal. Furthermore, devaluation of Pak rupee also had an impact on input costs. This resulted in an increase in production costs and eroded the margins of the company. There was increase in other income of the company during the period due to sale of scrap and receipt of dividend income. During the period, finance cost also rose due to long term loan obtained by the company and rise in discount rates by State Bank of Pakistan. For the half year ended December 31, 2018 the company posted an after-tax profit of Rs. 1,027 million.

### Expansion of cement plant

We are pleased to inform you that subsequent to the period under review, 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. Furthermore, the company has also installed Wartsila dual fuel engines during the period, which will be beneficial as a gas pipeline is in the process of being laid and gas will be available soon.

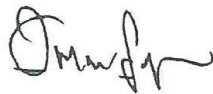
#### **Future Outlook**

Current economic situation in the country presents a major challenge for the cement industry as it is having a detrimental impact on its growth. However, the new government has started taking measures to put the economy back on track by undertaking structural reforms. The government is also expected to soon initiate construction of new dams in the country and launch low cost housing projects, which will generate the demand for cement. The installation of third cement line at existing location by the company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs. However, increase in discount rates by State Bank of Pakistan and devaluation of Pak rupee are areas of concern for the company.

#### **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: February 13, 2019



# Independent Auditors' Review Report

To the members of Cherat Cement Company Limited (the Company)  
Report on review of Interim Financial Statements

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of Cherat Cement Company Limited (the Company) as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 31 December 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2018.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Tariq Feroz Khan.

*EY Ford Rhodes*

Chartered Accountants

Place: Karachi

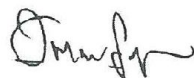
Date: 13 February 2019

# Condensed Interim Statement of Financial Position

As at December 31, 2018

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	26,599,175	23,805,845
Intangible assets		20,730	15,406
		26,619,905	23,821,251
Long-term investments	5	518,727	396,794
Long-term loans		845	686
Long-term deposits		19,116	19,008
		538,688	416,488
		27,158,593	24,237,739
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		2,870,749	2,778,907
Stock-in-trade		855,335	753,638
Trade debts		155,522	188,272
Loans and advances		141,987	84,081
Trade deposits and short-term prepayments		46,235	25,940
Other receivables		1,262,951	1,599,017
Taxation – net		1,129,143	804,915
Cash and bank balances		28,039	47,052
		6,489,961	6,281,822
		33,648,554	30,519,561
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
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		9,850,265	9,407,430
		11,616,583	11,173,748
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	6	16,600,000	14,700,000
Long-term security deposits		20,017	17,667
Deferred taxation		821,112	975,640
		17,441,129	15,693,307
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,358,885	1,990,431
Accrued mark-up		412,463	230,024
Short-term borrowings		1,923,374	963,947
Current maturity of long-term financing	6	800,000	400,000
Unclaimed dividend		96,120	68,104
		4,590,842	3,652,506
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
		33,648,554	30,519,561
<b>TOTAL EQUITY AND LIABILITIES</b>			

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



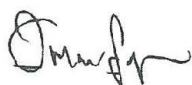
**Yasir Masood**  
Chief Financial Officer

# Condensed Interim Statement of Profit or Loss (Unaudited)

For the Half-year Ended December 31, 2018

	Note	Half-year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in '000)					
<b>Turnover - net</b>	8	7,032,961	7,585,921	3,692,022	3,694,899
Cost of sales		(5,765,958)	(5,724,718)	(2,977,624)	(2,823,022)
<b>Gross profit</b>		1,267,003	1,861,203	714,398	871,877
Distribution costs		(191,078)	(165,220)	(100,043)	(84,049)
Administrative expenses		(147,172)	(119,772)	(82,429)	(63,193)
Other expenses		(44,126)	(81,768)	(25,527)	(40,672)
		(382,376)	(366,760)	(207,999)	(187,914)
Other income		71,097	37,357	46,448	16,948
<b>Operating profit</b>		955,724	1,531,800	552,847	700,911
Finance costs		(227,837)	(182,341)	(130,198)	(86,916)
<b>Profit before taxation</b>		727,887	1,349,459	422,649	613,995
<b>Taxation</b>					
Current		-	(20,817)	7,176	847
Prior		145,014	81,844	145,014	81,844
Deferred		154,528	(60,928)	21,479	46,763
	9	299,542	99	173,669	129,454
<b>Net profit for the period</b>		1,027,429	1,349,558	596,318	743,449
Earnings per share - basic and diluted		Rs. 5.82	Rs. 7.64	Rs. 3.38	Rs. 4.21

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



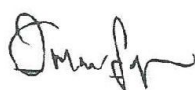
**Yasir Masood**  
Chief Financial Officer

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the Half-year Ended December 31, 2018

	Half-year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in '000)			
<b>Net profit for the period</b>	1,027,429	1,349,558	596,318	743,449
<b>Other comprehensive income</b>				
<b>Items that may not be reclassified subsequently to statement of profit or loss</b>				
Unrealized gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	121,933	(70,157)	49,816	16,191
<b>Total comprehensive income for the period</b>	<u>1,149,362</u>	<u>1,279,401</u>	<u>646,134</u>	<u>759,640</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



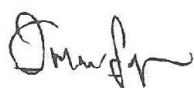
**Yasir Masood**  
Chief Financial Officer

# Condensed Interim Statement of Cash Flows (Unaudited)

For the Half-year Ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		727,887	1,349,459
<b>Adjustments for:</b>			
Depreciation	4	557,639	537,154
Amortisation		2,010	1,902
(Gain)/loss on disposal of operating property, plant and equipment		(2,715)	4,292
Finance costs		227,837	182,341
Exchange gain		(25)	(58)
Dividend income		(12,342)	(15,224)
		772,404	710,407
		1,500,291	2,059,866
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		(91,842)	421,176
Stock-in-trade		(101,697)	355,326
Trade debts		32,750	(78,016)
Loans and advances		(57,906)	8,262
Trade deposits and short-term prepayments		(20,295)	(19,917)
Other receivables		336,066	344,344
		97,076	1,031,175
		1,597,367	3,091,041
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		(631,521)	430,462
<b>Cash generated from operations</b>		965,846	3,521,503
Income tax paid		(179,214)	(290,529)
Long-term loans and security deposits – net		2,083	1,326
<b>Net cash generated from operating activities</b>		788,715	3,232,300
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(3,163,685)	(3,700,211)
Additions to intangible assets		(7,334)	-
Proceeds from disposal of operating property, plant and equipment		8,317	2,429
Long-term investments made		-	(36,700)
Dividend received		12,342	15,224
<b>Net cash used in investing activities</b>		(3,150,360)	(3,719,258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financings – net		2,300,000	1,899,435
Short-term borrowings – net		959,427	(602,871)
Dividend paid		(678,511)	(605,943)
Finance costs paid		(238,284)	(208,900)
<b>Net cash generated from financing activities</b>		2,342,632	481,721
<b>Net decrease in cash and cash equivalents</b>		(19,013)	(5,237)
<b>Cash and cash equivalents at the beginning of the period</b>		47,052	45,814
<b>Cash and cash equivalents at the end of the period</b>		28,039	40,577


The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive



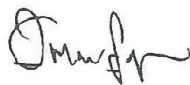
**Yasir Masood**  
Chief Financial Officer

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the Half-year Ended December 31, 2018

Issued, Subscribed and Paid-up Capital	Reserves						Total Reserves	TOTAL	
	Capital Reserve		Revenue Reserves						
	Share premium	Other	General reserve	Unappro- priated profit	Actuarial gain on gratuity fund	Unrealized gain / (loss) on equity investments			
(Rupees in '000)									
<b>Balance as at July 01, 2017</b>	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)
Net profit for the period	-	-	-	-	1,349,558	-	-	1,349,558	1,349,558
Other comprehensive income	-	-	-	-	-	-	(70,157)	(70,157)	(70,157)
Total comprehensive income for the period	-	-	-	-	1,349,558	-	(70,157)	1,279,401	1,279,401
Balance as at December 31, 2017	1,766,318	1,047,658	50,900	420,000	7,123,344	427,462	287,215	9,356,579	11,122,897
<b>Balance as at July 01, 2018</b>	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	-	-	-	-	1,027,429	-	-	1,027,429	1,027,429
Other comprehensive income	-	-	-	-	-	-	121,933	121,933	121,933
Total comprehensive income for the period	-	-	-	-	1,027,429	-	121,933	1,149,362	1,149,362
<b>Balance as at December 31, 2018</b>	1,766,318	1,047,658	50,900	420,000	8,050,175	8,371	273,161	9,850,265	11,616,583

The annexed notes from 1 to 13 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 Half-year Ended December 31, 2018

## 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. These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the auditors and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

2.3 The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half years ended December 31, 2018 and December 31, 2017.

## 3. 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 are 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.



	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	(Rupees in '000)	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
Opening net book value (NBV)	12,277,573	12,909,284
Additions during the period / year (cost)	1,943,054	467,482
	<u>14,220,627</u>	<u>13,376,766</u>
Depreciation charged during the period / year	(557,639)	(1,086,046)
Disposals during the period / year - NBV	(5,602)	(13,147)
Closing net book value	<u>13,657,386</u>	<u>12,277,573</u>
Capital work-in-progress	12,941,789	11,528,272
	<u>26,599,175</u>	<u>23,805,845</u>
<b>4.1 Additions during the period / year</b>		
Building on leasehold land	64,029	90,955
Plant and machinery	1,802,374	197,961
Power and other installations	5,598	40,010
Furniture and fittings	533	4,040
Quarry, factory and laboratory equipment	2,123	46,236
Motor vehicles	54,040	52,338
Office equipment	2,001	22,387
Computers	12,356	13,555
	<u>1,943,054</u>	<u>467,482</u>
<b>4.2 Capital work-in-progress</b>		
Opening balance	11,528,272	723,580
Capital expenditure incurred / advances made during the period / year	3,356,571	11,272,174
	<u>14,884,843</u>	<u>11,995,754</u>
Transferred to operating fixed assets	(1,943,054)	(467,482)
Closing balance	<u>12,941,789</u>	<u>11,528,272</u>
<b>4.2.1 Capital expenditure incurred / advances made during the period / year</b>		
Building on leasehold land	397,427	2,125,509
Plant and machinery	2,774,403	8,871,470
Power and other installations	93,483	118,425
Furniture and fittings	11,660	36,215
Quarry, factory and laboratory equipment	24,217	45,694
Motor vehicles	39,595	62,380
Computers	15,786	12,481
	<u>3,356,571</u>	<u>11,272,174</u>

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)			
<b>5. LONG-TERM INVESTMENTS</b>			
<b>Investment in related parties</b>			
At fair value through other comprehensive income	5.1	511,074	389,141
Joint ventures			
- Madian Hydro Power Limited	5.2	-	-
- UniEnergy Limited		7,653	7,653
		7,653	7,653
		<u>518,727</u>	<u>396,794</u>
<b>5.1 At fair value through other comprehensive income</b>			
<b>Cherat Packaging Limited</b>			
2,838,666 (June 30, 2018: 2,468,406) fully paid ordinary shares of Rs.10/- each.		486,633	354,685
<b>Mirpurkhas Sugar Mills Limited</b>			
262,500 (June 30, 2018: 262,500) fully paid ordinary shares of Rs.10/- each.		24,441	34,456
		<u>511,074</u>	<u>389,141</u>
<b>5.2 Joint Venture - Madian Hydro Power Limited</b>			
Company's share in net assets		106,705	106,705
Less: Impairment loss		(106,705)	(106,705)
		<u>-</u>	<u>-</u>
<b>6. LONG-TERM FINANCINGS - secured</b>			
<b>Islamic banks</b>			
Syndicated Long-Term Finance Loan - Line – II	6.1	2,873,684	3,284,211
Syndicated Long-Term Finance Loan - Line – III		12,000,000	10,000,000
		<u>14,873,684</u>	<u>13,284,211</u>
<b>Conventional banks</b>			
Syndicated Long-Term Finance Loan - Line – II	6.1	626,316	715,789
Captive Power Plant Loan		1,100,000	1,100,000
Waste Heat Recovery Loan – Line III	6.2	800,000	-
		<u>17,400,000</u>	<u>15,100,000</u>
Less: Current maturity		(800,000)	(400,000)
		<u>16,600,000</u>	<u>14,700,000</u>

**6.1** During the period, an early repayment of Rs. 500 million has been made.

**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. August 2018. 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

December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
(Rupees in '000)	
502,577	278,484
366,060	359,060

Half-year ended		Quarter ended	
December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
(Rupees in '000)			

## 8. TURNOVER - net

Local sales	6,051,708	6,445,385	3,267,042	3,288,826
Export sales	981,253	1,140,536	424,980	406,073
	7,032,961	7,585,921	3,692,022	3,694,899

## 9. TAXATION

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.

Subsequent to the half year ended 31 December 2018, the Deputy Commissioner Inland Revenue has finalized the assessment for Tax Year 2017 and in the Order has rejected our claim u/c 126L but has allowed our claim u/s 65B. Although the management is going for an Appeal to 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 by Rs. 117.803 million and Rs. 22.096 million respectively.

## 10. 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.

## 11. 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	Half-year ended		Quarter ended	
		December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
(Rupees in '000)					
Group companies	Purchases	752,885	617,488	397,521	325,415
	Sale of goods	15,967	27,065	8,219	22,472
	Purchase of fixed assets	-	3,502	-	1,448
	I. T support charges	10,162	8,892	5,081	4,446
	Dividend received	12,342	15,224	12,342	-
	Dividend paid	204,407	174,672	204,407	-
	Investments made	-	36,700	-	36,700
Key management personnel	Remuneration	269,152	192,500	132,726	93,610
Other related parties	Contribution to provident and gratuity funds	25,088	18,714	13,684	9,369
	Services received	1,622	2,217	1,017	2,217

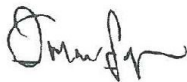
11.1 In addition, certain administrative expenses are being shared amongst the group companies.

## 12. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 13, 2019 by the Board of Directors of the Company.

### **13. GENERAL**

- 13.1** Key management personnel remuneration corresponding figure in related party transactions note has been revised in line with the new definition of executives in the Companies Act, 2017.
- 13.2** 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**

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Company Limited**

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