contents

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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. 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, duly reviewed by the auditors, for the half year ended December 31, 2013.

Overview:

Sales volumes of the Pakistani cement industry increased by 171,328 tons during the half year under review from the corresponding period last year. Developmental work undertaken by the government and enhanced spending by the private sector on construction activities including through increased inward remittances from expatriate Pakistanis resulted in higher dispatches of cement.

In order to meet the market demand, your company produced 468,166 tons of cement during the six months under review. On the back of buoyant demand, the company sold 303,798 tons of cement domestically and exported 166,022 tons during the six months under review.

Operating Performance:

Improved cement prices resulted in about 3% rise in the sales revenues of the company from the corresponding period last year. During the half year under review, inflationary trends were witnessed in every sphere of business, which escalated production costs. Furthermore, depreciation of Pak Rupee vis-à-vis US dollar was also a major factor behind the increase in production costs. However, improved sales margins and better operational efficiencies helped contain the production costs to a manageable level. For the half year ended December 31, 2013 the company posted an after tax profit of Rs. 710 million.

Outlook:

The current government has a history of undertaking large infrastructure projects in the country. Given the planned spending on major infrastructural projects by the current government with especial focus on constructing highways, hydro power and housing projects and greater spending by the private sector fuelled by inward remittances from expatriate Pakistanis on construction related activities, the domestic demand is set to grow exponentially 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, which may provide a boost to the reconstruction activities in the country. Your company shall benefit immensely from increase in the demand for cement due to its strategic location. Amid an environment of inflationary trend with fluctuating foreign currency exchange rates, which adds pressure on input costs of the cement industry, your company is employing alternative fuel sources including refuse derived fuel (RDF). These measures will mitigate its risk of rising costs.

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: February 7, 2014

auditors' report to the members on review of interim financial information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Cherat Cement Company Limited (the Company) as at 31 December 2013, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

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 information 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Review Engagement Partner

Date: February 7, 2014

Place: Karachi

Riaz A. Rehman Chamdia

condensed interim balance sheet

as at December 31, 2013

	Note	December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
ASSETS		---------- (Rupees `000) ----------	
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,392,828	3,427,370
Intangible assets		15,358	16,590
		3,408,186	3,443,960
Long-term investments		84,720	68,236
Long-term loans and advances		1,119	1,405
Long-term security deposits		17,353	17,258
		3,511,378	3,530,859
CURRENT ASSETS			
Stores, spare parts and loose tools	5	1,224,012	967,917
Stock-in-trade		440,363	433,768
Loans and advances		22,028	12,969
Trade deposits, short-term prepayments and other receivables		24,120	33,634
Short-term investments	6	507,514	-
Taxation - net		22,433	59,806
Cash and bank balances		38,387	25,548
		2,278,857	1,533,642
TOTAL ASSETS		5,790,235	5,064,501
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		2,250,000	2,250,000
Issued, subscribed and paid-up capital		955,801	955,801
Reserves		3,336,176	2,753,228
		4,291,977	3,709,029
NON-CURRENT LIABILITIES			
Long-term financing		183,467	203,852
Long-term deposits		14,455	14,905
Deferred taxation		469,475	354,902
		667,397	573,659
CURRENT LIABILITIES			
Trade and other payables		555,346	503,246
Accrued mark-up		27,205	20,145
Short-term borrowings		200,731	236,948
Current maturity of long-term financing		20,385	-
Unclaimed dividend		27,194	21,474
		830,861	781,813
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		5,790,235	5,064,501

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

condensed interim profit and loss account (unaudited)

for the half-year ended December 31, 2013

	Note	Half-year ended		Quarter ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		(Rupees `000)			
Turnover - net	8	3,169,578	3,083,906	1,680,922	1,631,048
Cost of sales		(2,050,156)	(2,054,980)	(1,021,465)	(1,074,075)
Gross profit		1,119,422	1,028,926	659,457	556,973
Distribution costs		(91,084)	(79,105)	(45,957)	(40,684)
Administrative expenses		(68,494)	(60,985)	(34,820)	(32,939)
Other operating expenses		(72,702)	(44,808)	(42,181)	(25,505)
		(232,280)	(184,898)	(122,958)	(99,128)
Other operating income		27,764	11,249	19,022	4,564
Operating profit		914,906	855,277	555,521	462,409
Finance costs	9	(9,401)	(78,569)	(3,242)	(32,457)
Profit before taxation		905,505	776,708	552,279	429,952
Taxation					
Current	10	(81,098)	(21,831)	(34,433)	(14,539)
Deferred		(114,573)	(147,678)	(80,726)	(76,496)
		(195,671)	(169,509)	(115,159)	(91,035)
Profit after taxation		709,834	607,199	437,120	338,917
Earnings per share - basic	11	Rs. 7.43	Rs. 6.35	Rs. 4.57	Rs. 3.54

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

condensed interim statement of comprehensive income (unaudited)

for the half-year ended December 31, 2013

	Half-year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees `000)			
Profit after taxation	709,834	607,199	437,120	338,917
Other comprehensive income to be reclassified to profit and loss account in subsequent periods:				
Unrealized gain / (loss) on available-for-sale investments	16,484	9,105	10,262	(3,302)
Total comprehensive income for the period	726,318	616,304	447,382	335,615

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

condensed interim cash flow statement (unaudited)

for the half-year ended December 31, 2013

	December 31, 2013	December 31, 2012
	---------- (Rupees `000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	905,505	776,708
Adjustments for:		
Depreciation	121,340	121,683
Amortisation	1,232	1,232
Unrealized gain on short-term investments	(7,514)	-
Gain on disposal of property, plant and equipment	(1,690)	(2,151)
Finance costs	9,401	78,569
Share of loss in a joint venture	-	27
Exchange loss	2,346	-
Dividend income	(3,545)	(1,662)
	121,570	197,698
	1,027,075	974,406
Increase in current assets		
Stores, spare parts and loose tools	(256,095)	21,597
Stock-in-trade	(6,595)	(71,246)
Loans and advances	(9,059)	(15,297)
Trade deposits, short-term prepayments and other receivables	9,514	14,923
	(262,235)	(50,023)
	764,840	924,383
Increase in current liabilities		
Trade and other payables	49,754	26,104
Cash generated from operations	814,594	950,487
Income tax paid	(43,725)	(36,526)
Long term loans, advances and deposits - net	(259)	1,259
Net cash generated from operating activities	770,610	915,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(80,567)	(255,505)
Proceeds from the disposal of property, plant and equipment	4,908	5,286
Purchase of short-term investments	(500,000)	-
Dividend received	3,545	1,662
Net cash used in investing activities	(572,114)	(248,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	-	(251,169)
Dividend paid	(137,650)	(180,006)
Repayment of short-term borrowings	(36,217)	(160,918)
Finance costs paid	(11,790)	(86,826)
Net cash used in financing activities	(185,657)	(678,919)
Net increase / (decrease) in cash and cash equivalents	12,839	(12,256)
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	38,387	25,472

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

condensed interim statement of changes in equity (unaudited)

for the half-year ended December 31, 2013

	Issued, Subscribed and Paid-up Capital	Reserves						Total
		Capital Reserve	Revenue Reserves				Total	
			General reserve	Unrealized gain on available-for-sale investments	Unappropriated 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	-	-	-	-	607,199	607,199	607,199	607,199
Other comprehensive income	-	-	-	9,105	-	9,105	9,105	9,105
Total comprehensive income for the period	-	-	-	9,105	607,199	616,304	616,304	616,304
Cash dividend for the year ended June 30, 2012 @ Rs. 2/- per share	-	-	-	-	(191,160)	(191,160)	(191,160)	(191,160)
Balance as at December 31, 2012	955,801	50,900	420,000	20,034	1,665,993	2,106,027	2,156,927	3,112,728
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	**-**	**-**	**-**	**-**	**709,834**	**709,834**	**709,834**	**709,834**
Other comprehensive income	**-**	**-**	**-**	**16,484**	**-**	**16,484**	**16,484**	**16,484**
Total comprehensive income for the period	**-**	**-**	**-**	**16,484**	**709,834**	**726,318**	**726,318**	**726,318**
Cash dividend for the year ended June 30, 2013 @ Rs. 1.50/- per share	**-**	**-**	**-**	**-**	**(143,370)**	**(143,370)**	**(143,370)**	**(143,370)**
Balance as at December 31, 2013	**955,801**	**50,900**	**420,000**	**50,453**	**2,814,823**	**3,285,276**	**3,336,176**	**4,291,977**

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

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 but subject to limited scope review by auditors, except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2012. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These 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 Company's annual financial statements 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 standards, 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 Holders of Equity Equipment

IAS - 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations 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	December 31, 2013 (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	435,701	108,808
			3,497,556	3,315,090
	Disposals during the period / year (NBV)		(3,218)	(4,330)
	Depreciation charged during the period / year		(121,340)	(248,905)
	Closing NBV		3,372,998	3,061,855
	Capital work-in-progress	4.2	19,830	365,515
			3,392,828	3,427,370
4.1	**Additions to operating property, plant and equipment**			
	Building on leasehold land		105,329	2,403
	Plant and machinery		287,704	17,997
	Power and other installations		24,007	277
	Furniture and fittings		317	604
	Quarry, factory and laboratory equipment		-	46,357
	Motor vehicles		17,181	38,560
	Office equipment		37	1,461
	Computers		1,126	1,149
			435,701	108,808
4.2	**Capital work-in-progress**			
	Building on leasehold land		7,173	1,258
	Plant and machinery		739	354,575
	Power and other installations		5,754	9,682
	Furniture and fittings		188	-
	Quarry, factory and laboratory equipment		1,744	-
	Motor vehicles		4,232	-
			19,830	365,515

	December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
5. STORES, SPARE PARTS AND LOOSE TOOLS	---------- (Rupees `000) ----------	
Stores	538,156	479,462
Spare parts	504,457	467,404
Loose tools	657	644
	1,043,270	947,510
Stores and spare parts in transit	180,742	20,407
	1,224,012	967,917

6. SHORT-TERM INVESTMENTS

Designated through profit or loss		
- Mutual Fund Units	507,514	-

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.

	December 31, 2013 (Unaudited)	June 30, 2013 (Audited)
7.2 Commitments	---------- (Rupees `000) ----------	
Letters of credit issued by commercial banks	27,683	186,993

8. TURNOVER - net

Included herein are (a) local sales, net of trade discounts and volume rebate, amounting to Rs. 2,099.530 million (December 31, 2012 : Rs.1,840.993 million) and (b) export sales, net of trade discounts, amounting to Rs.1,070.048 million (December 31, 2012 : Rs.1,242.913 million).

9. FINANCE COSTS

Includes mark-up on long-term financing amounting to Rs. Nil (December 31, 2012 : Rs. 55.652 million) and markup on short-term borrowings amounting to Rs. 7.397 million (December 31, 2012 : Rs. 21.294 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.

	Half-year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
11. EARNINGS PER SHARE - basic				
Profit after taxation (Rupees '000)	709,834	607,199	437,120	338,917
Weighted average number of ordinary shares in issue during the period	95,580,008	95,580,008	95,580,008	95,580,008
Earnings per share - basic (Rupees)	7.43	6.35	4.57	3.54

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	Half-year ended		Quarter ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		---------- (Rupees `000) ----------			
Group companies	Purchase of packaging material	252,279	224,682	108,710	106,214
	Purchase of raw material	55,802	48,907	29,261	23,895
	Sale of goods	114	595	114	556
	Software consultancy charges	4,302	3,784	2,151	2,299
	Dividend received	3,545	1,662	3,545	1,662
	Dividend paid	33,690	44,873	33,690	44,873
Chief Executive	Remuneration	13,280	12,012	6,608	6,061
Executives	Remuneration	146,322	119,745	73,085	59,908
Other related parties	Contribution to staff provident and gratuity funds	19,152	24,242	4,582	13,122
	Insurance premium	20,225	15,542	10,175	7,778

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

13. INTERIM DIVIDEND AND DATE OF AUTHORISATION

13.1 Interim Dividend

The Board of Directors in its meeting held on February 07, 2014 declared interim cash dividend @ 10% (Re. 1.00 per share) (December 31, 2012: Re. 1.00 per share) and 10% bonus shares (i.e. one bonus share for every ten ordinary shares held) (December 31, 2012: nil).

13.2 Date of authorization

These condensed interim financial statements were authorized for issue on February 07, 2014 by the Board of Directors of the Company.

14. GENERAL

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

Azam Faruque
Chief Executive

Tariq Faruque
Director

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