Cherat Cement
Company Limited
A Ghulam Faruque Group Company

CHERAT
CEMENT

A Tribute to Builders

annual report 2015

A Tribute to Builders

To build is a natural instinct. Buildings serve several needs of a society – primarily as shelter from weather, security, living space, privacy, to store belongings, and to comfortably live and work. A building as a shelter represents a physical division of the habitat (a place of comfort and safety) and the outside (a place that at times may be harsh and harmful).

Building unites societies. They create a structure wherein society exists. Aside from humans, who are the most prolific and versatile builders, building behaviour is common in many mammals, birds, insects and arachnids.

Nature abounds with structures built by animals other than humans, or animal architecture, as it is commonly termed, such as wasp and beehives, burrow complexes of rodents, beaver dams, elaborate nests of birds, and webs of spiders.

Often, these structures incorporate sophisticated features such as ventilation, temperature regulation, structural strength, multiple escape routes, traps, bait, special-purpose chambers and many other features. They may be created by individuals or complex societies of social animals with different forms carrying out specialised roles. The process of building such structures may involve learning and communication and in some cases, even aesthetics. Tool use may also be involved in building structures by animals.

Today city planners, architects and building engineers seek inspiration from nature as in the Beijing National Stadium or better known as the Bird's Nest Stadium 2008 Summer Olympics and Paralympics in Beijing, China. As the name implies, the stadium looks like a giant bird's nest.

In this world, humans are not the only creatures that build intricate homes and other structures- the animal kingdom abounds with talented architects.




Hoopoes are monogamous and nest in holes in trees, walls, cliffs, termite mounds, flat ground, and crevices between rocks. Little nest material is used, and the nest cavity is often fetid. A nest site may be used for several years. The male selects the nest site and establishes territory.

Contents

Vision

Growth through the best value creation
for the benefit of all stakeholders.

Mission

- Invest in projects that will optimize the risk-return profile of the Company.
- Achieve excellence in business.
- Maintain competitiveness by leveraging technology.
- Continuously develop our human resource.
- To be regarded by investors as amongst the best blue-chip stocks in the country.

Masked Weaver (Ploceus Velatus); hanging upside down from nest- South Africa

Code of Conduct

The Code of Conduct of the Company is based on the principles of honesty, integrity and professionalism at every stage.

Product Quality
Regularly update ourselves with technological advancements in the field of cement production to produce cement under the highest standards and maintain all relevant technical and professional standards.

Dealing with Employees
Provide congenial work atmosphere where all employees are treated with respect and dignity. Recognize and reward employees based on their performance and their ability to meet goals and objectives.

Responsibility to Interested Parties
To be objective, fair and transparent in our dealings with people who have reposed their confidence in us.

Financial Reporting & Internal Controls
To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders and fulfill the regulatory requirements.

Procurement of Goods & Services
Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any goods or services, obtain quotations from various sources.

Conflict of Interest
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

Adherence to Laws of the Land
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

Environmental Protection
To protect environment and ensure health and safety of the workforce and well-being of the people living in the adjoining areas of our plant.

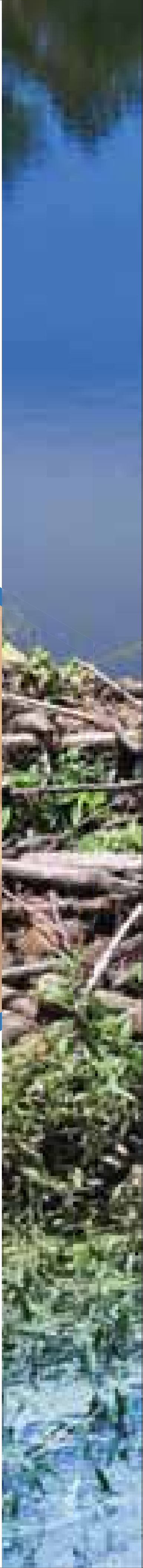
We recognize the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity, and to produce and supply cement with care and competence so that customers receive the quality they truly deserve.

Spiders produce silk from their spinneret glands located at the tip of their abdomen. Each gland produces a thread for a special purpose for example a trailed safety line, sticky silk for trapping prey or fine silk for wrapping it.

Strategic Objectives

We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business and through opportunities for diversification. It is our endeavour to create value for our shareholders by maximizing the risk adjusted return on our investments. We intend to achieve customer satisfaction by way of providing our clients a cost effective, quality product.

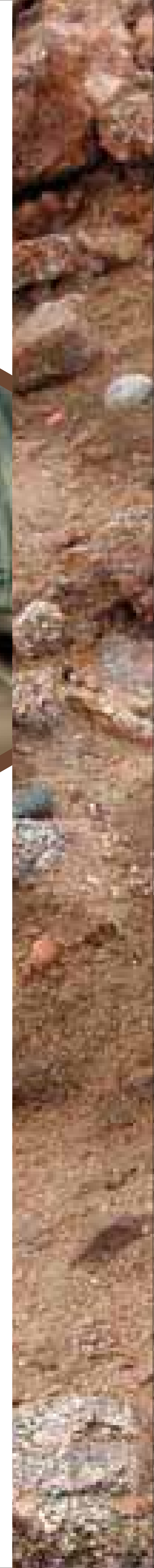
We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards. We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.



American Beaver builds a dam across the narrowest part of a stream or river. It uses it for protection and as a nest.

Core Values

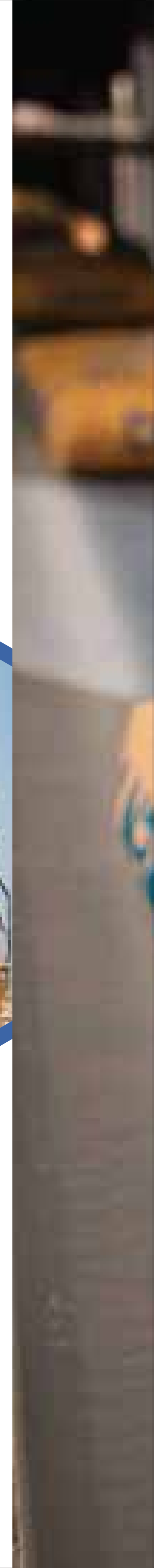
- Always deliver the best quality product to our customers.
- Maintain the highest level of integrity, honesty and ethics.
- Use technology to continuously improve our processes.
- Develop the capability of our workforce on an ongoing basis.
- Safeguard the interests of all our stakeholders.



Rabbit burrow on Tory Island, 8 or 9 miles off the coast of County Donegal, Ireland.

Nature of Business

Cherat Cement Company Limited is a Ghulam Faruque Group (GFG) Company. Its main business activity is manufacturing, marketing and sale of Ordinary Portland Cement. The Company is amongst the pioneers of cement industry in Pakistan and is the number 1 cement in its region. Quality is our business; therefore, there are no compromises on Quality Management. The Company's annual installed capacity is 1 million tons of clinker. The plant is located at Village Lakrai, District Nowshera, Khyber Pakhtunkhwa (KPK) province. Due to plant's geographical position, it is ideally located to export cement to Afghanistan as well as to cater the local market needs in the KPK, FATA, Punjab and Azad Kashmir. The Company is registered on Karachi, Lahore and Islamabad stock exchanges and is also ISO 9001 and 14001 certified. The Company is in the process of installing another cement line at the same location with an annual clinker capacity of more than 1.3 million tons.




CHERAT

Group Structure

Introduction

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations; details and brief profile of other leading group companies / ventures are as follows:

Faruque (Pvt.) Ltd
Holding Company

Established in 1964 as a Parent Company of the group, it primarily serves as an investment arm of the Group.

Mirpurkhas Sugar Mills Ltd
Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 300 km from the port city of Karachi, in Mirpurkhas and is listed on the Karachi Stock Exchange. The Company has a Crushing capacity of 7,500 tons per day and is one of the most efficient sugar mills in Pakistan. Moreover, it is involved in development of higher yield sugar cane varieties on its 1,300 acre experimental farm.

Cherat Packaging Ltd
Manufacturer of Kraft Paper and Polypropylene Bags

Established in 1991 it is the largest producer and supplier of paper sack and polypropylene ("PP") bags to the cement industry in Pakistan. It is listed on Karachi and Lahore Stock Exchanges. The Company has a production capacity of 265 million paper bags and 145 million PP bags per annum. It caters to the domestic as well as export markets and is also a recipient of the prestigious Karachi Stock Exchange "Top Companies" Award and Management Association of Pakistan's Best Company Award for many years.

Madian Hydropower Ltd
Joint Venture for establishing 148 MW hydropower plant

Zensoft (Pvt.) Ltd
Information Systems Services provider specializing in business software solutions

It was established in 1998 and is engaged in development and sale of computer softwares. The company specializes in providing high quality business solutions.

Greaves Pakistan (Pvt.) Ltd
Providing Specialized Engineering Sales and Services

It was established in 1859 to provide specialized engineering equipment sales and services. However in 1964, the Group acquired a controlling interest in the shares of the Company and by 1981 Greaves became a wholly owned subsidiary of the Group. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor and ix) Fuel Dispenser.

Greaves Airconditioning (Pvt.) Ltd
Equipment Suppliers and HVAC Solution Provider

Commencing operations in 1975, this Company is the only HVAC solution provider of its kind and is the sole distributor of York (JCI) products in Pakistan. It is involved in providing a wide array of services related to HVAC equipments that includes designing, installation and maintenance of central and packaged units. Moreover, it also launched residential light air conditioning units under the brand name of Euro Aire.

Greaves CNG (Pvt.) Ltd
Retail Sale of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is listed as a preferred third party investor by all major petroleum companies in Pakistan and is currently operating 3 CNG facilities at retail outlets of Shell, PSO and Caltex in Karachi and Lahore and 2 company operated stations at Gujranwala and Mardan.

Greaves Engineering Services (Pvt.) Ltd
HVAC Contractors

Established in 2003, its principal activity is to provide services associated with Airconditioning, installation and maintenance of central and packaged units.

Unicol Ltd
Joint Venture Distillery producing Ethanol and Liquid Carbon Dioxide (LCO$_2$)

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills, Faran Sugar and Mehran Sugar. It is engaged in the production and marketing of ethanol from molasses. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.

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. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director

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

Executive Director & Chief Financial Officer
Mr. Yasir Masood

Executive Director & Company Secretary
Mr. Abid A. Vazir

Chief Internal Auditor
Mr. Omer Nabeel

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Cost Auditors
UHY Hassan Naeem & Co.,
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
Allied Bank Ltd
Bank Al Habib Ltd
Bank Alfalah Ltd
Dubai Islamic Bank Pakistan 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

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

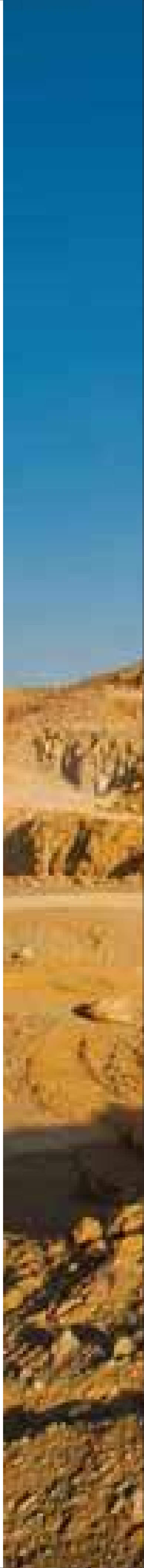
Registered Office / Factory
Village Lakrai, P.O. Box 28, Nowshera
Tel: (+9291) 5270531-4 (four lines)
Fax: (+9291) 5270536

Head Office
Modern Motors House, Beaumont Road
Karachi-75530
Tel: (+9221) 35683566-67,
35689538, 35688348
Fax: (+9221) 35683425

Sales Offices
Peshawar:
1st Floor, Betani Arcade, Jamrud 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, 91 Blue Area
Tel: (+9251) 2344697-98
Fax: (+9251) 2802364, 2274970



Milestones

1985
Cherat Cement started production with 1,100 t/day capacity.

1988
Optimization capacity expansion to 1,400 t/day

1994
Doubling capacity expansion to 2,300 t/day

Installed Roller Press at Raw Mill & Cement Grinding areas.

1994
Caterpillar commissioned 04 CAT power generators (6 MW)

1996
WARTSILLA Diesel commissioned 04 Wartsilla Diesel plants (20 MW)

1998
IKN System at Cooler capacity increased to 2,500 t/day

2001
HMI Manual operating panels converted to HMI

2002
Cherat Electric Merger in Cherat Cement Company Ltd.

Cooler E.P. Multicyclones converted to Electrostatic Precipitators

2003
Coal Mill Incorporated Coal Grinding Mill which replaced primary fuel Furnace Oil.

2005
Capacity Expansion to 3,300 t/day.

2006
LVT Cement Press installed.

2008
03 Roto Packers Haver & Boecker commissioned with packing capacity of 270 t/hour.

2009
Installed SAP (ERP) in the Company.

2010
Waste Heat Recovery for Power Generation commissioned.

2012
Tyre Derived Fuel Processing Plant installed.

2013
Refuse Derived Fuel Processing Plant installed.

2014
Work started on Line II having production capacity of 4,200 t/day.

2015
LC opened for WHR - Line II.

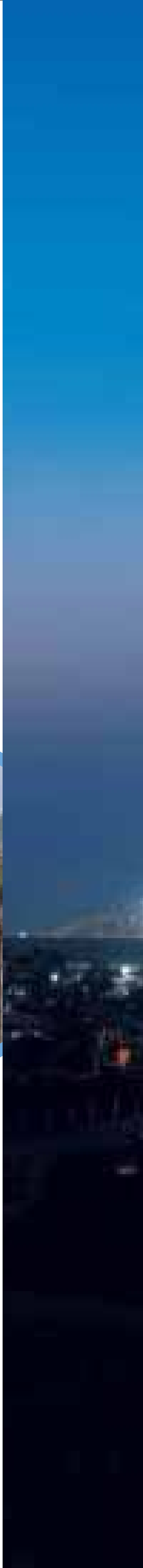
Plant Expansion

In view of strong projected growth for cement and noticeable improvement in business climate in the country, the installation of new production line with clinker production capacity of 4,200 tons per day at the same location is believed to earn fruitful benefits in the near and long-term future for all the stakeholders of the Company.

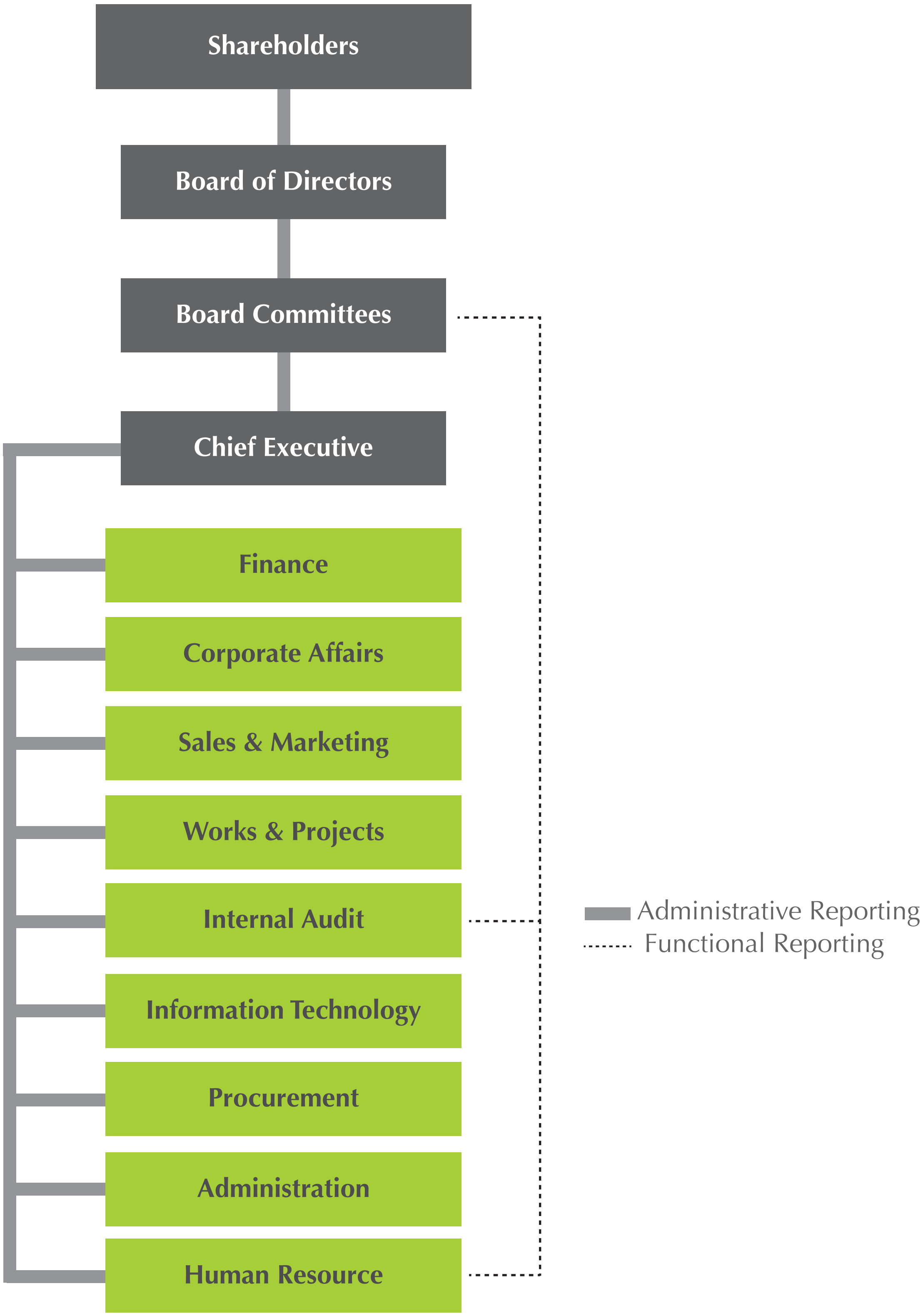
The work on the expansion project is in full swing and progressing on schedule. Major shipment of machinery has reached Pakistan and rest will arrive in a couple of months. The contracts for fabrication and erection works have been awarded and the civil work has gained momentum.

The project is benefiting from recent decline in discount rates and stable foreign currency exchange rates.

The overall progress of the project is satisfactory and the plant is expected to be commissioned by January 2017. The management has ordered a Waste Heat Recovery System for this new cement line which is planned to be commissioned along with commissioning of line II.



Organizational Structure



Calendar of Notable Events

July 2014 - June 2015

July 11	Iftar Dinner with Dealers
August 14	Independence Day Celebration
August 18	National Tree Plantation Day
September 30	33rd AGM at Registered Office
October 10	Eid Milan Party
December 13-14	Group Cricket Tournament at HO
January 30	Plant Management Dinner at Islamabad
February 12	Ground Breaking Ceremony of Line II and Quran Khuani at Plant
February 28	HO Staff Picnic to Charna Island
March 20-21	Group Table Tennis Tournament
May 01	Labour Day Celebrations
June 11	Annual Dinner & Award Ceremony
June 30	Year End Closing

Geographical Presence

Pakistan - Cement Local

Factory
Nowshera

Offices
Karachi (Head Office)
Peshawar (Sales Office)
Lahore (Sales Office)
Islamabad (Sales Office)

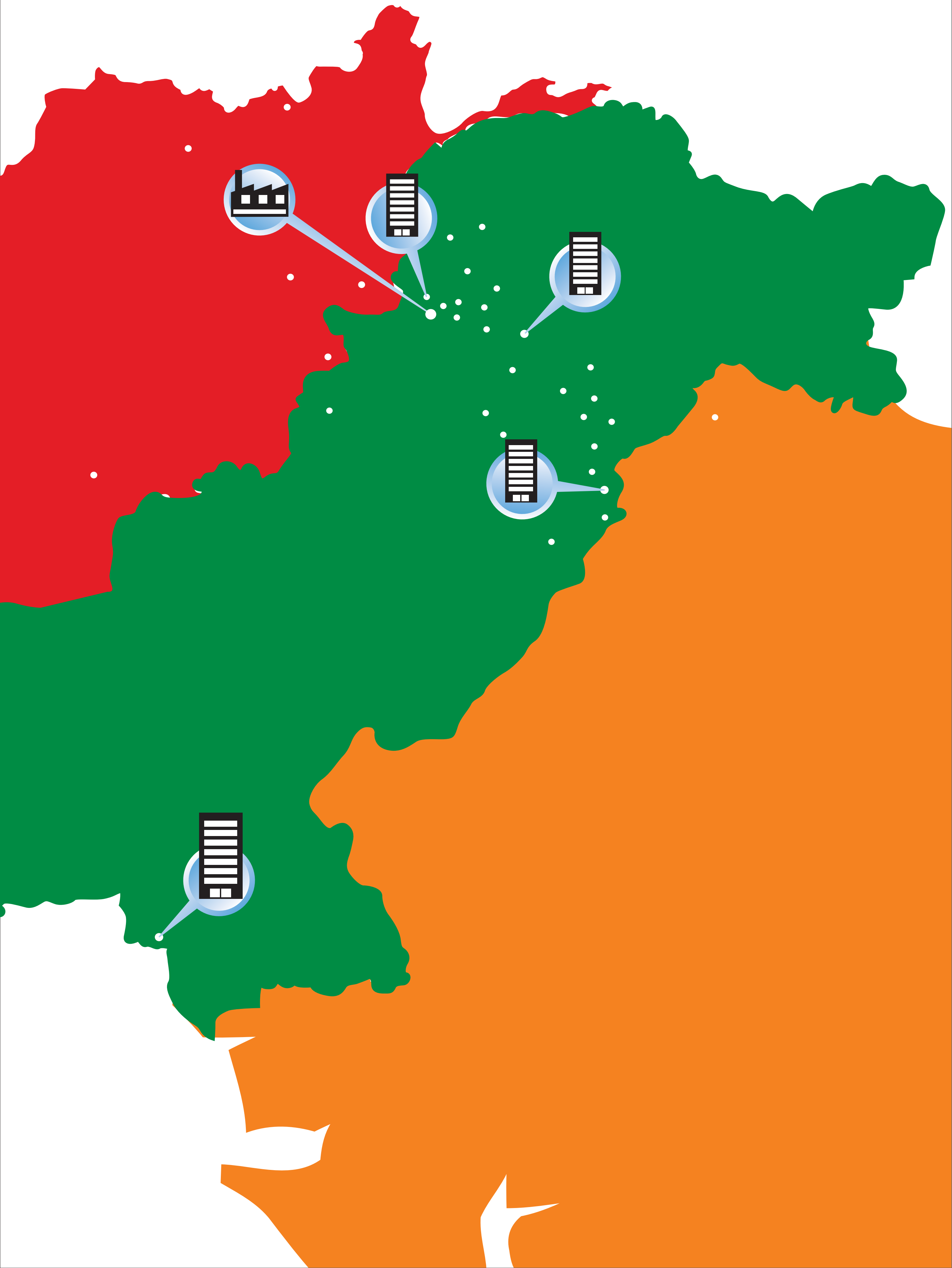
Main Distribution
• Swat • Dir • Bunair • Malakand • Swabi
• Charsadda • Peshawar • Mardan • Nowshera
• Southern KPK • FATA • Hazara
• Islamabad / Rawalpindi • Attock • Chakwal
• Kashmir • Jhelum • Gujrat • Sialkot
• Gujranwala • Sheikhupura • Lahore • Kasur
• Okara • Sargodha • Narowal

Afghanistan - Cement Export

Main Distribution
• Kandhar • Jalalabad
• Khost • Kabul
• Mazar-i-Sharif
• Kunduz

India - Clinker Export

Main Distribution
• Indian Punjab Region



Notice of Annual General Meeting

Notice is hereby given that the 34th Annual General Meeting of the Company will be held on Friday, October 16, 2015 at 11:00 a.m. at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2015 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of final cash dividend @ 30% (Rs. 3.00 per share) to the shareholders for the financial year ended June 30, 2015 as recommended by the Board of Directors.
3. To elect eight (8) Directors of the Company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance, 1984. The names of retiring Directors are (1) Mr. Omar Faruque (2) Mr. Azam Faruque (3) Mr. Akbarali Pesnani (4) Mr. Shehryar Faruque (5) Mr. Tariq Faruque (6) Mr. Javaid Anwar (7) Mr. Saquib H. Shirazi (8) Mr. Shamshad Nabi
4. To appoint Auditors for the year 2015/16 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

6. To consider and approve investment of up to Rs. 50 million in associated company namely Cherat Packaging Limited (CPL) in compliance with the provision of section 208 of the Companies Ordinance, 1984. It is, therefore, proposed that the following resolution be passed as and by way of a Special Resolution:

   "Resolved that pursuant to section 208 of the Companies Ordinance, 1984, the Board of Directors of the Company be and is hereby authorized to make an investment of up to Rs. 50 million in the equity of Cherat Packaging Limited by way of subscription of right shares; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution".

7. To consider and approve investment of up to Rs. 250 million in the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) in compliance with the provision of section 208 of the Companies Ordinance, 1984. It is, therefore, proposed that the following resolution be passed as and by way of a Special Resolution with or without modifications:

   "Resolved that pursuant to section 208 of the Companies Ordinance, 1984 and subject to the consent and approval of the shareholders, the Board of Directors of the Company be and is hereby authorized to make an investment of up to Rs. 250 million in the proposed (associated) Joint Venture Wind Power Generation Company and to provide Corporate Guarantee(s), if required; that the Board of Directors of the Company and the Company Secretary be and are hereby authorized to do all acts, deeds and things that may be necessary or required to give effect to this resolution."

Statement(s) under section 160 of the Companies Ordinance, 1984, pertaining to the above-mentioned Special Business, are being sent to the Members with the Notice.

By Order of the Board of Directors

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: September 17, 2015

NOTES:

1. The register of members of the Company will be closed from Tuesday, October 6, 2015 to Friday, October 16, 2015 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited (CDC), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Monday, October 5, 2015 will be treated in time for the entitlement of final cash dividend.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Head Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.
4. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original computerized National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders, the guidelines as contained in the SECP's circular of 26th January 2000 are to be followed.
5. Shareholders of the Company are requested to immediately notify any change in their addresses to the Share Registrar of the Company.
6. Shareholders who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to the Share Registrar of the Company.
7. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of Annual General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven [7] days of receipt of such request.

Statement under section 160 of the Companies Ordinance, 1984

The statement sets out material facts concerning "Special Business" to be transacted at the Annual General Meeting of the Company to be held on October 16, 2015. The approval of the Members of the Company will be sought for:

INFORMATION ABOUT THE INVESTMENT

Item No. 6

Cherat Cement Co. Ltd. (CCCL) is a shareholder of Cherat Packaging Ltd. (CPL) and has been receiving regular dividend income on its investment for past many years. CPL is the leading manufacturer and supplier of sack kraft paper and polypropylene (PP) bags. The Company started commercial operations in 1991 and is listed on Karachi and Lahore Stock Exchanges. With its annual production capacity of 265 million paper bags and 145 million PP bags, CPL is the largest producer and supplier of bags to the cement industry in Pakistan.

CPL has a history of consistent growth – the latest being in the year 2013 when the Company installed its second PP bags making plant. This expansion provided strategic depth to the Company as it was able to target export markets and other sectors also. The Company has been able to capture significant market share and is acknowledged for the quality of its bags. It has now become a supplier of choice. To cater to a wider customer base, the Company, in addition to cement, has also started producing bags for packing sugar, chemicals and other similar products. Further, it is also exporting its bags abroad. Considering the Company is already operating at near full capacity in PP division and in peak months at full capacity, it now intends to enhance its production capacity by installing another Polypropylene plant for manufacturing woven bags at the existing location. It is expected to be commissioned by June 2016. The total cost of the project for first phase is approximately Rs. 550 million. The total cost of the project is approximately Rs. 750 million.

In order to finance this project, CPL has announced issuance of 7.50% right shares on the existing paid-up capital of the Company in the ratio 7.50 shares for every 100 shares held. The right shares will be issued at an issue price of Rs. 140/- per share including a premium of Rs. 130/- per share. By virtue of existing shareholding in CPL, the Company will be entitled to subscribe 132,928 shares. The Company may acquire additional 224,214 shares by subscribing any available right shares.

As required under S.R.O. 27 (I)/2012 dated January 16, 2012, the details of the investment are stated below:

(i)	Name of the Associated Company or Associated Undertaking along with criteria based on which the associated relationship is established;	Cherat Packaging Limited (CPL). Mr. Akbarali Pesnani, Mr. Tariq Faruque and Mr. Shehryar Faruque are also the directors of CPL.
(ii)	Purpose, benefits and period of investment;	CCCL intends to make an equity investment of up to Rs. 50 million by subscribing the right shares offered by CPL. Dividend from CPL will benefit CCCL as it will enhance its Profitibility, which will benefit the shareholders of the Company. Furthermore, addition of a good asset will also strengthen the financial statements of the Company. This will be a long term investment by CCCL.
(iii)	Maximum amount of investment;	CCCL intends to make an equity investment of up to Rs. 50 million by subscribing the right shares offered by CPL.
(iv)	Maximum price at which securities will be acquired;	Rs. 140/- per share including a premium of Rs. 130/- per share.
(v)	Maximum number of securities to be acquired;	Up to 357,142 shares will be acquired
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	Before : 1,772,380 shares 6.4% After (max up to): 2,129,522 shares 7.2%
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Rs. 181.97
(viii)	In case of investment in unlisted securities , fair market value of such securities determined in terms of regulation 6 (1)	Not applicable
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	Rs. 79.84
(x)	Earning per share of the Associated Company or Associated Undertaking for the last three years;	June 2013 : Rs. 5.42 June 2014 : Rs. 9.13 June 2015 : Rs. 23.65
(xi)	Sources of fund from which securities will be acquired;	The investment will be made by CCCL from its own resources
(xii)	Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	Not applicable
(xiii)	Salient features of the agreement(s), if any, entered into with its Associated Company or Associated Undertaking with regards to the proposed investment;	Not applicable
(xiv)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated Undertaking or the transaction under consideration;	Mr. Akbarali Pesnani, Mr. Shehryar Faruque, and Mr. Tariq Faruque are directors of Cherat Packaging Limited. However, they have no direct or indirect interest except to the extent of shareholding in the investing company.
(xv)	Any other important details necessary for the members to understand the transaction.	Nil

Undertaking pursuant to Regulation 3 (3) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012.

The directors submit that they have carried out necessary due diligence for the proposed transaction particularly the investment in Cherat Packaging Limited.

Statement under section 160 of the Companies Ordinance, 1984

The statement sets out material facts concerning “Special Business” to be transacted at the Annual General Meeting of the Company to be held on October 15, 2015. The approval of the Members of the Company will be sought for:

INFORMATION ABOUT THE INVESTMENT

Item No. 7

Cherat Cement Co. Ltd. (CCCL) intends to make an investment in the equity of proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) of upto Rs. 250 million. The Company will be formed to produce electricity using alternate energy sources to meet the growing demand for power in the country. Subject to the approval of the shareholders, the company intends to invest upto Rs. 250 million, which would include equity investment in the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation). The company also intends to provide corporate guarantee(s), if required.

The Company intends to make equity investment in proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) in terms of Section 208 of the Companies Ordinance,1984 in one tranche or from time to time, as may be deemed appropriate by the Company, in fully paid-up ordinary shares of the face value of Rs.10/- each at par not exceeding Rs. 250,000,000/- (Rupees Two Hundred and Fifty million only) to obtain 25 million ordinary shares i.e. approximately 7.7%.

The main business activities of the proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation) will be to establish, construct, operate, manage, maintain and run electric power generating projects and transmission systems for generating power by using wind, solar, and/or any other alternative, renewable energy sources.

The planned capacity of the proposed Wind Power Generation Project currently under consideration is 50 MW. As per the current feasibility studies, the project cost is expected to be USD 113 million approximately. Sponsors of the company intend to finance this project with a 75:25 debt equity ratio. In anticipation of the earnings and capital appreciation, it is expected that the Company will generate reasonable profits in future.

Further information in terms of S.R.O. 27 (I)/2012 dated January 16, 2012, the details of the investment are stated below:

(i)	Name of the Associated Company or Associated Undertaking along with criteria based on which the associated relationship is established;	Proposed (associated) Joint Venture Wind Power Generation Company (currently in the process of incorporation). Mr. Tariq Faruque will be the director.
(ii)	Purpose, benefits and period of investment;	**Purpose:** To make efficient use of the retain earnings in a diversified business venture. The investment has potential for growth. **Benefits:** Dividend/capital gain. **Period:** Strategic investment
(iii)	Maximum amount of investment;	CCCL intends to make an equity investment of up to Rs. 250 million.
(iv)	Maximum price at which securities will be acquired;	Rs. 10/- per share being the face value of each ordinary share.
(v)	Maximum number of securities to be acquired;	Up to 25,000,000 shares will be acquired
(vi)	Number of securities and percentage thereof held before and after the proposed investment;	Before : Nil After (max up to): 25,000,000 shares i.e. 7.7%
(vii)	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intend to be acquired;	Not applicable

(viii)	In case of investment in unlisted securities , fair market value of such securities determined in terms of regulation 6 (1)	Rs.10/- per share being a proposed new company which is in the process of incorporation.
(ix)	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements;	Not applicable as the proposed (associated) Joint Venture Wind Power Generation Company is in the process of incorporation.
(x)	Earning per share of the Associated Company or Associated Undertaking for the last three years;	Not applicable as the proposed (associated) Joint Venture Wind Power Generation Company is in the process of incorporation.
(xi)	Sources of fund from which securities will be acquired;	The investment will be made by CCCL from its own resources.
(xii)	Where the securities are intended to be acquired using borrowed funds,- (I) Justification for investment through borrowings; and (II) Detail of guarantees and assets pledge for obtaining such funds	Not applicable
(xiii)	Salient features of the agreement(s), if any, entered into with its Associated Company or Associated Undertaking with regards to the proposed investment;	Not applicable
(xiv)	Direct or indirect interest of directors, sponsor, majority shareholders and their relatives, if any, in the Associated Company or Associated Undertaking or the transaction under consideration;	Mr. Tariq Faruque will be the director. However, he has no direct or indirect interest except to the extent of shareholding in the investing company.
(xv)	Any other important details necessary for the members to understand the transaction;	Nil
(xvi)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely;	
	(I) Description of the project and its history since conceptualizations.	(I) As mentioned above.
	(II) Starting and expected date of completion of work.	(II) Commencement of construction is subject to allocation of tariff and availability of Letter of Support from relevant authority. Construction is expected to be completed within 18 months from the start of work.
	(III) Time by which such project shall become commercially operational; and	(III) 18 months after the start of work.
	(IV) Expected time by which the project shall start paying return on investment.	(IV) From first year of commercial operation date.

Undertaking pursuant to Regulation 3 (3) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulations, 2012.

The directors submit that they have carried out necessary due diligence for the proposed transaction particularly the investment in proposed (associated) Joint Venture Wind Power Generation Company.

CEO's Message

It gives me immense pleasure to state that your company has performed well in the year 2014/15. In a period of economic stabilization and declining interest rates, your company continued its growth momentum as it earned almost same profit before tax as last year.

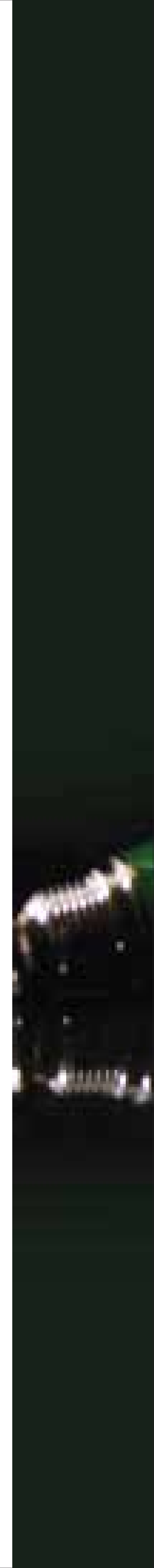
As you are aware, your company embarked on an expansion project last year. I wish to update you that the work on the project is progressing smoothly and is on schedule. The company has also placed the order for a Waste Heat Recovery plant for the new line. We are confident of commissioning the new plant by January 2017.

During the year 2014/15, domestic demand for cement grew by approximately 8%. Following the announcement of several major infrastructural projects in the country and expected investment in the China-Pakistan Economic Corridor, we anticipate a further increase in the domestic demand for cement. There has also been a steady increase in spending by private sector in construction activities. Furthermore, with the start of peace process, political situation in Afghanistan should also improve in future. Due to strong brand reputation and ideal location, your company stands to benefit from growth in cement demand both in Pakistan and Afghanistan.

Cherat is considered one of the most efficient plants in Pakistan and remains a brand of choice for its loyal customers. It is our commitment to all our stakeholders to remain on path to success through hard work and ensure sustainable growth.

Azam Faruque
Chief Executive

Karachi: August 17, 2015



Directors' Profile

Mr. Omar Faruque
Chairman

Mr. Omar Faruque studied from the City of London, Polytechnic London, and got a degree in B.A. Finance. Currently, he is the Chief Executive of Greaves Pakistan (Pvt.) Ltd. and Zensoft (Pvt.) Ltd. He is also a Director of Greaves CNG (Pvt.) Ltd.

Mr. Azam Faruque
Chief Executive

Mr. Azam Faruque is the Chief Executive of Cherat Cement Co. Ltd. He is an Electrical Engineering and Computer Science graduate from Princeton University, USA. He completed his MBA with high honors from the University of Chicago, Booth School of Business. Apart from the time he has spent in the cement industry, he has also served as a member on the Boards of State Bank of Pakistan, National Bank of Pakistan, and Oil and Gas Development Corporation Ltd. He was a Member of the Board of Governors of GIK Institute and Member of the National Commission of Science and Technology. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan, Cherat Packaging Ltd, and was Chairman KPK Oil & Gas Development Company Ltd. At present, he is a member of the Board of Directors of Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Atlas Asset Management Ltd, Madian Hydro Power Ltd, International Industries Ltd and Indus Motor Company Ltd, as well as, being a Member of the National Committee of the Aga Khan Foundation.

Mr. Akbarali Pesnani
Director

Mr. Akbarali Pesnani is an MBA and fellow member of both the Institute of Chartered Accountants and Institute of Cost and Management Accountants of Pakistan. He has served as Chairman Gwadar Port and Gwadar Port Implementation Authority from 2004 to 2006. Mr. Pesnani has been associated with the Aga Khan Development Network at a senior level for over 35 years. Presently he is the Chairman of Cherat Packaging Ltd., First Micro Finance Bank Ltd. and Aga Khan Cultural Service Pakistan and a Director on the Board of Jubilee General Insurance Co. Ltd. His association with Ghulam Faruque Group goes back 34 years.

Mr. Shehryar Faruque
Director

Mr. Shehryar Faruque is a graduate from Davis & Elkins College, Elkins, WV, USA. He is the Director Operations of Greaves Pakistan (Pvt.) Ltd. He serves on the Boards of Directors of Cherat Packaging Ltd, Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves CNG (Pvt.) Ltd and Zensoft (Pvt.) Ltd. Mr. Shehryar Faruque is also serving as Director of NBP Fullerton Asset Management Ltd (NAFA) and Summit Bank Ltd.

Mr. Tariq Faruque
Director

Mr. Tariq Faruque graduated from Case Western Reserve University, USA. He holds a dual major in Economics and Political Science. He is a Director of Cherat Packaging Ltd, Mirpurkhas Sugar Mills Ltd, Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Greaves Airconditioning (Pvt.) Ltd, Greaves Engineering Services (Pvt.) Ltd, Zensoft (Pvt.) Ltd, Madian Hydro Power Ltd and Unicol Ltd. Mr. Tariq Faruque was also a Member of the Board of Directors of Oil and Gas Development Company and has served on the Board of Governors of Marie Adelaide Leprosy Centre.

Mr. Javaid Anwar
Director

Mr. Javaid Anwar has a Masters Degree in Chemical Tech. from University of Punjab and has extensive management experience in senior capacities with multinational companies in the Oil and Gas sector.

He has served as MD and CEO of BOC Pakistan Ltd for 15 years. During his tenure, BOC won top 25 companies award of Karachi Stock Exchange for 13 years. He was associated with Burshane Pakistan Ltd and played a pioneering role in the LPG industry in Pakistan.

Mr. Saquib H. Shirazi
Director

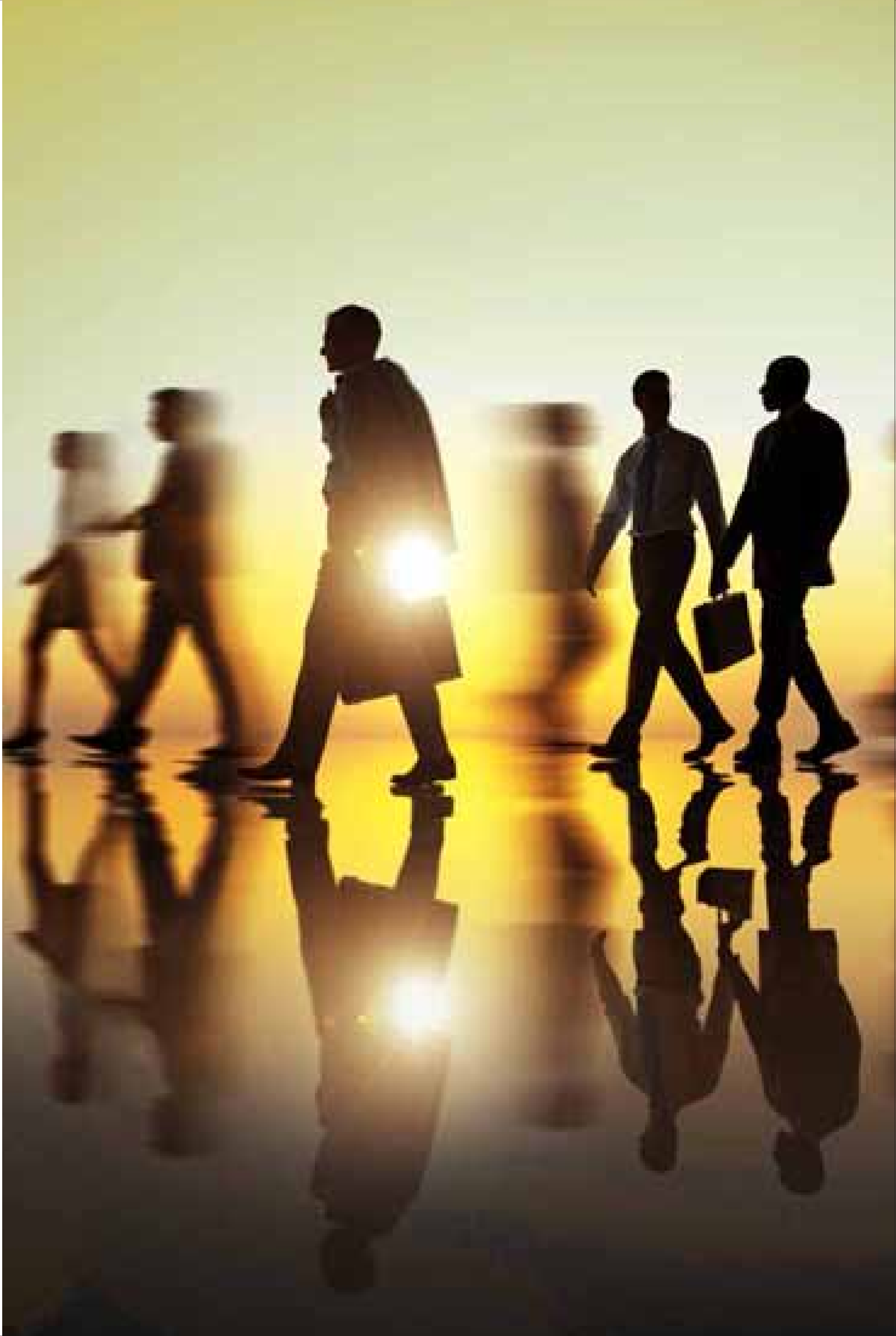
Mr. Saquib H. Shirazi is the Chief Executive Officer of Atlas Honda Ltd and Group Director Strategic Planning.

He did B.Sc. in Economics in 1991 from Wharton School of Finance, USA. After graduation, he joined Bank of Tokyo-Mitsubishi, New York in the investment banking division. He completed his MBA in 1995 from Harvard Business School, USA. In August 1995, he joined the family business working with Atlas Investment Bank Ltd. He was elected as Chief Executive Officer of Atlas Honda Ltd in October 2000. Mr. Shirazi has served in the Privatization Commission of Pakistan and was Chairman of Pakistan Automotive Manufacturers Association. He has also served as President of Harvard Business School Global Alumni Board. He is a Trustee and Member of the Board of Governors of the Lahore University of Management Sciences.

He serves as Board Member of Shirazi Investments (Pvt.) Ltd, Atlas Honda Ltd, Shirazi Trading Company (Pvt.) Ltd, Shirazi Capital (Pvt.) Ltd, Atlas Power Ltd and Pakistan Cables Ltd.

Mr. Shamshad Nabi
Director (NIT)

Mr. Shamshad Nabi is a Chartered Accountant by profession. He is a fellow member of the Institute of Chartered Accountant of England & Wales and Institute of Chartered Accountants of Pakistan. He has also completed his MBA in Finance from the University of Wales in the UK. Mr. Nabi has over 40 years working experience in the UK, Saudi Arabia and Pakistan mostly in asset management and development banking. He has had a long association with the Mutual fund industry in Pakistan, having served the NIT from 1966 to 1980 including last four years as the NIT's Deputy Managing Director. He was the first Chief Executive Office of the Mutual Funds Association of Pakistan from 2007 to July 2012. During his association with the NIT, Mr. Nabi served on the Board of Directors of a large number of listed companies including ICI Pakistan Limited, Siemens Pakistan Limited, former Reckit & Colman of Pakistan Limited, Premier Tobacco Company Limited and Gul Ahmed Textiles Mills Limited besides many others. He has also served on the Board of Directors of the Karachi Stock Exchange from 1980 until the end of 2002, Mr. Nabi worked for the Islamic Development Bank in Jeddah, Saudi Arabia for almost the entire period in the Grade of Director in the Treasury & Finance Department, Business Development Department and the Trade Finance Department. He has also worked for The Citizens Foundation in an Honorary capacity for four years as Advisor.



Directors' Report to the Members

FOR THE YEAR ENDED JUNE 30, 2015

The Board of Directors presents the annual report of the company along with the audited accounts for the year ended June 30, 2015.

OVERVIEW

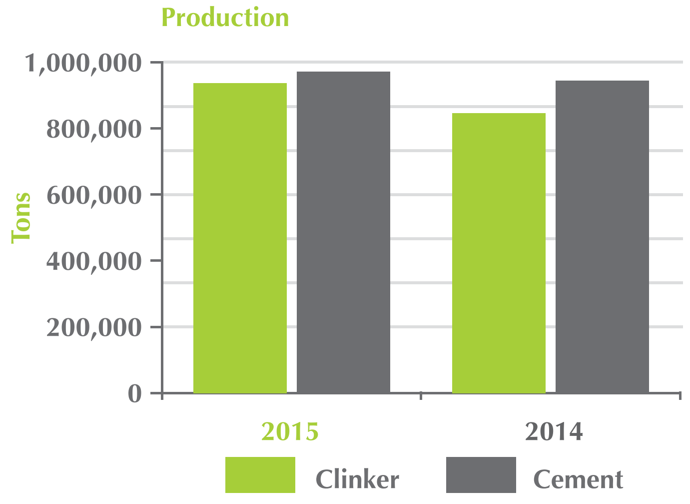
Cement industry plays a pivotal role in the socio-economic development of a country. Pakistani cement industry is now recognized as a major player in the regional market. Concrete steps taken by the government to revive the national economy are having a positive impact on the cement sector. Greater spending by the private sector is also resulting in growing demand for cement in the country. During the year, the cement industry recorded a growth of 3.27% from last year. While domestic demand was strong and increased by nearly 8%, exports declined by 11.57% this year mainly due to drop in exports to Afghanistan. Exports by sea also declined this year.

PRODUCTION & SEGMENT WISE SALES REVIEW

Comparative production and sales figures are provided under:

	2015 (in tons)	2014
• Clinker production	936,916	846,525
• Cement production	971,360	944,692
• Domestic sales	692,920	650,393
• Export sales	278,675	298,629
	971,595	949,022

On the back of healthy growth in domestic demand for cement, the local dispatches of the company rose by 6.5% i.e. 42,527 tons from last year. A positive outlook, decline in interest rates, and lower inflation led to higher investment in construction activities in the country. However, exports to Afghanistan declined by 6.7% i.e. 19,954 tons due to political uncertainty following withdrawal of NATO troops during the year. On aggregate basis, cement dispatches of the company rose by 2.4% i.e. 22,573 tons from last year.

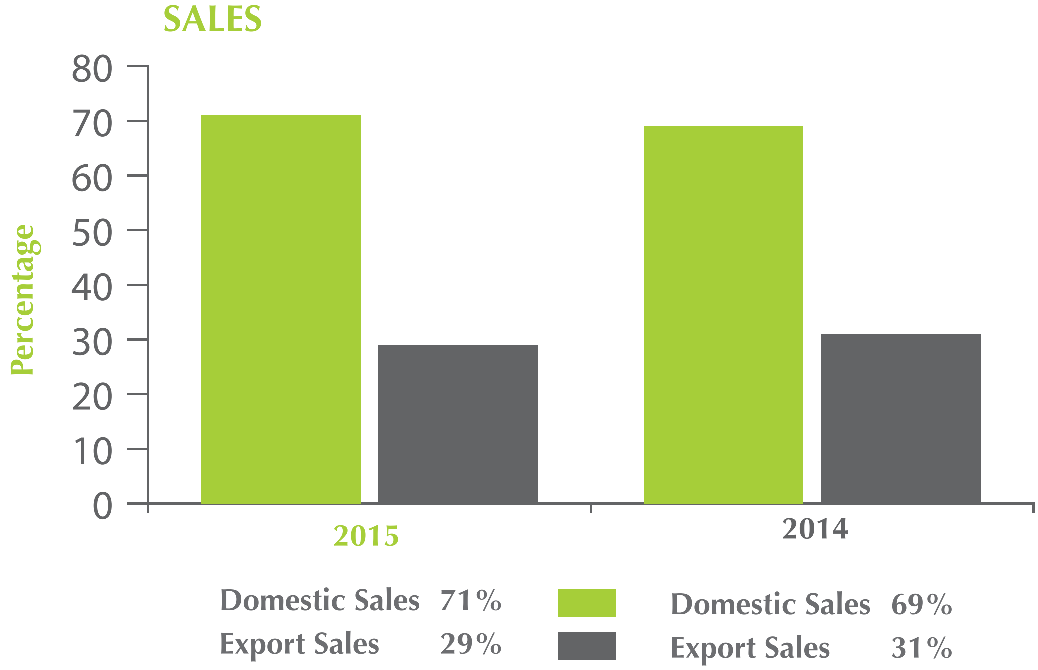


FINANCIAL PERFORMANCE

In line with increase in cement dispatches of the company, the sales revenue of the company also rose by Rs. 114 million over last year. During the year, there was an increase in production costs mainly due to upward revision in the electricity tariff, increase in royalty on limestone and rise in other input costs. However, improved liquidity position together with operational efficiencies enabled the company to contain its costs. There was an increase in other income owing to the short term investments made by the company. In spite of increase in costs, and expenses related to expansion of plant capacity, the company has earned almost same profit before tax as last year. Unfortunately, the incidence of tax for the company has increased this year. For the year ended June 30, 2015 the company posted an after tax profit of Rs. 1.29 billion.

Directors' Report to the Members

FOR THE YEAR ENDED JUNE 30, 2015



Summarized operating performance of the company for the current year and that of last year is as follows:

	2015	2014
	(Rs. in million)	
Net sales	6,565.42	6,451.33
Cost of sales	4,581.87	4,348.68
Gross Profit	1,983.55	2,102.65
Expenses & taxes	695.39	786.48
Net Profit	1,288.16	1,316.17

EXPANSION OF CEMENT PLANT

Work on the expansion of production capacity is in full swing and is progressing on schedule. The Company has awarded the civil and fabrication contracts to the contractors and has also placed the order for a WHR plant. The expansion project of the Company is benefiting from recent decline in discount rates and stable foreign currency exchange rates.

DIVIDEND

The Board of Directors at its meeting held on August 17, 2015 has proposed a cash dividend @ 30% for the year ended June 30, 2015. The approval of members for the dividend will be obtained at the Annual General Meeting to be held on October 16, 2015.

CORPORATE SOCIAL RESPONSIBILTY

Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility. In this regard, it works with many reputable organizations and NGOs in Pakistan. The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

SAFETY, HEALTH AND ENVIRONMENT

Being a responsible corporate citizen, the Company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements. The installation of WHR plant has also helped to improve the environment in the areas surrounding the factory. The Company has also obtained the certification of ISO 14001.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 2 billion to the government treasury in shape of taxes, excise duty, income tax and sales tax.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the management of the Company present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed.
- There is nothing outstanding against your company on account of taxes, duties, levies and charges except for those which are being made in normal course of business.

Directors' Report to the Members

FOR THE YEAR ENDED JUNE 30, 2015

- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2015.

• Provident Fund	Rs. 719 million
• Gratuity Fund	Rs. 477 million

- During the year, five meetings of the Board of Directors were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
• Mr. Omar Faruque	5
• Mr. Azam Faruque	5
• Mr. Akbarali Pesnani	5
• Mr. Shehryar Faruque	5
• Mr. Tariq Faruque	4
• Mr. Javaid Anwar	4
• Mr. Saquib H. Shirazi	5
• Mr. Aamir Amin *	1
• Mr. Shamshad Nabi *	3

* During the year, Mr. Shamshad Nabi was co-opted as a director in place of Mr. Aamir Amin, who resigned.

- During the year, four meetings of the Audit Committee were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
• Mr. Javaid Anwar	4
• Mr. Akbarali Pesnani	4
• Mr. Shehryar Faruque	4
• Mr. Tariq Faruque	4

- During the year, two meetings of the Human Resource and Remuneration Committee were held. The attendance record of each director is as follows:

Name of Director	Meetings Attended
• Mr. Saquib H. Shirazi	2
• Mr. Shehryar Faruque	2
• Mr. Azam Faruque	2

- Pattern of shareholding is annexed with the report
- No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for purchase of shares by Mr. Saquib H. Shirazi and Mr. Omar Faruque.
- Earnings per share (EPS) during the year was Rs. 8.01 as against Rs. 9.60 last year.

FUTURE PROSPECTS

Despite economic challenges and crippling energy crisis, the country recorded GDP growth of 4.1% for the year. There has been a noticeable improvement in business climate in the country, which has also been acknowledged by leading rating agencies and renowned international financial institutions. This augurs well for the cement industry. The industry will benefit from improved law and order situation, stable economic outlook, declining oil prices and low interest rates. The government has initiated several infrastructural projects, with particular focus on constructing highways, dams, energy related projects and housing projects especially in the Northern part of the country, which is the main market for the company. The demand for cement is also expected to get a major boost from initiation of projects under Pak China Economic Corridor. Additionally, greater spending by private sector has resulted in rise in construction and housing related activities, which is fueling the demand for cement. It is, therefore, expected that the domestic demand shall increase considerably and play a vital role in higher cement dispatches in both the medium and long-term. Following the start of peace talks, political situation in Afghanistan is also expected to stabilize, which may provide boost to the reconstruction activities in the country.

In such a scenario, the addition of new 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. Your company shall benefit immensely from increase in the demand for cement due to its ideal location.

APPOINTMENT OF AUDITORS

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

ACKNOWLEDGMENT

We would like to thank all the financial institutions having business relationship with us, our dealers and customers for their continued support, cooperation and trust they have reposed in us. We would also like to share our deepest appreciation for all our staff for their dedication, loyalty and hard work.

On behalf of the Board of Directors

Omar Faruque
Chairman

Karachi: August 17, 2015

Additional Information

MANAGEMENT OBJECTIVES & STRATEGIES

The core objective of our management is to achieve excellence in business where our venture may be regarded as amongst the best blue-chip stocks in the country.

To achieve our objectives, the management strategically strives to enhance stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investments, which management believes can be achieved through revenue maximization and cost control measures.

On the revenue side, we are confident that our investment on new production plant will reap positive results and help in maximizing returns for all stakeholders. The tone of our business is set by the marketing targets and budgets, which are aggressively designed by the management to achieve highest possible returns.

Cost is effectively controlled by following energy conservation measures through use of Waste Heat Recovery plant, alternate fuels, like Refuse Derived Fuel, Tyre Derived Fuel and LED lights. In addition, the Company uses combination of both imported and local coal in order to keep the fuel costs low.

In spite of volatility in cost of major inputs, the company managed to effectively deal with it through strict controls and effective management. During the year, there is volatility in international coal and fuel prices which is the key component of our cost. The Company successfully managed to control its cost by efficient mix of imported and local coal. Further, power cost was also controlled by using right mix of WHR, National Grid and self generation through Furnace oil.

Effectiveness of internal controls is ensured through active Internal Audit Department, which independently recommends its suggestions to the Board's Audit Committee. On all constructive suggestions, the Management takes corrective actions immediately.

Cherat Cement gives key consideration to Human Resource Management. A full fledge HR department is established which is supervised by HR & Remuneration Committee of the Board of Directors. Approved policies are in place. All the HR functions are integrated where the employees' performances are evaluated based on SMART goals. Moreover, Training Need Assessment (TNA) is effectively in place where in-house and external trainings are arranged at all management levels. Further, eligible employees receive Service Awards based on their performance and length of service. The Management's objective is to recognize and reward employee's contribution to the business. This process helps the availability of high quality workforce which plays a vital role in achieving day to day targets and tactical and strategic objectives of the Company.

We take pride in being Pakistan's first and the only cement company having the world's largest ERP 'SAP' in place. The Company carried out one of the fastest implementation of SAP in Pakistan. The use of SAP helps management implement better internal controls and employ best business practices.

Another prime objective of the management is customer satisfaction for which management takes every step to ensure high quality customer care and product quality. For this purpose the Company has adopted Total Quality Management (TQM) system ISO 9001:2008 and also obtained certification of Environment Management System ISO 14001:2004.

The result of these steps can be seen in our increased revenue, controlled costs and satisfied customer base with no major complaints.

There is no material change in Company's objectives and strategies from the previous year.

Additional Information

HUMAN RESOURCE POLICIES

The Company hires energetic, talented, and motivated human resources and provides them a congenial and healthy working environment to utilize their capabilities efficiently. The Company believes that its core strength is its people, who strive every day to meet individual challenges and help the Company achieve its collective targets. The Company has in place a Performance Review Process in order to recognize employees' contribution and reward them according to their performances. The Company also inducts apprentices in its Apprenticeship Program through which graduates from reputable institutions are regularly inducted.

Industrial Relations

We maintain excellent relations with our employees and labour. There is a formal labour union in place which represents all classes of workers and independently takes care of all labour related issues. The Company takes every reasonable step for swift and amicable resolution of all their issues.

Succession Planning

The Company has a process for identifying and developing internal people with the potential to fill key business leadership positions. This process increases the availability of experienced and capable employees that are prepared to assume these roles as they get to that level.

LIQUIDITY AND CAPITAL STRUCTURE

Profits earned in recent years have significantly improved the liquidity position of the Company contributing to a better operating cycle of the business. Due to this the Company has been able to pay off almost all its long term loans and instead of utilizing credit line from banks has started making the payments for the installation of new cement line through its own resources. In addition to this, more than Rs. 600 million is invested in short term deposits with high credit rating funds. These steps helped the Company to keep its financial charges at low levels and earn profits on short term investments. Moreover, due to recent profits and increase in the equity of the company through issue of right shares, the gearing of the Company has also decreased from 6% to 3%.

Strong liquidity of the company is evidenced by current ratio of 2.35. The company managed to earn healthy cash flows during the year, which are being monitored on a daily basis. Adequate debt and equity ratio is being maintained throughout the year. During the year, the Company has issued right shares of Rs. 1.787 billion to finance the expansion project.

Liquidity strategy

The Company has planned to make its first draw down in September 2015 from her total facility of Rs. 9.5 billion. However, the management is expecting to restrict the loan much below than this. In view of strong liquidity position and available unutilized short-term financing facilities, the management is confident that there will be no liquidity issue in future. Besides management has a practice of continuous monitoring of cash flows on daily basis and has planned to gradually increase its short-term financing facilities in line with the future working capital requirements.

Financing Arrangements

The Company has good business relationship with all the reputable banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available at the Company's disposal. During the year, the Company has arranged the syndicated term-finance facility of Rs. 9.5 billion at an attractive rate to finance the expansion project.

Significant Changes in Financial Position, Liquidity and Performance

Profit before tax is almost the same as compared to last year. However, after tax profitability is affected due to imposition of super tax by the government. The financial position and liquidity of the Company have become stronger mainly due to issuance of right shares. Company's liquidity was affected mainly in view of the fact that all the resources are being invested in the new line project which will improve after commissioning of the new line.

Analysis of Financial and Non-Financial Targets

Targets are set for both financial and non financial indicators. Financial indicators are set for revenue, costs, profitability, gearing and liquidity etc, while non financial targets are set for company and brand image, human resource development and growth / expansion etc.

The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors. We have surpassed most of the key targets set in our last year's budget specially pertaining to production, revenue and profitability. For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. The Company has also met its non-financial targets in the areas of marketing and human resource to a greater extent.

For revenue maximization, marketing targets are set with respect to quantity and retention. In line with its expansion, the management will try to improve the image of the Company and the brand. Specific marketing budgets are kept for advertisements. In addition, excess liquidity provided Company an opportunity to invest in some profitability. During the year, Company invested excess cash in mutual funds units and made handsome returns. These achievements are in line with the expectations as depicted in last year's Directors' report.

MARKET SHARE

Cherat is a premium brand of Ordinary Portland Cement in Pakistan and Afghanistan. Our main markets in Pakistan are KPK, FATA, and Punjab. As per the data available on the website of All Pakistan Cement Manufacturers Association our market share is around 3% because of our superior quality, Cherat is the first choice of customers in most of the markets.

CONSUMER PROTECTION MEASURES

The Company ensures that the cement is packed and dispatched to its consumers in a safe manner. It also complies with all safety standards and industrial requirements. The Company ensures that the customers get best value for money.

BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

The Company is fully committed to promoting the highest standards of ethical behavior throughout its business. The management condemns corrupt and fraudulent practices and ensures transparency, integrity and honesty in all aspects of work. The Company expects all its employees to perform services with integrity and professionalism. Fundamental to this is the adoption of a 'zero tolerance' approach to all forms of corruption and misrepresentation.

CORPORATE SOCIAL RESPONSIBILTY

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health, education and social sectors. In the past, the Company has worked for the rehabilitation of flood affectees and IDPs. The Company has worked with many reputable organizations and NGOs.

Community Investment & Welfare Schemes

The Company invests in community and welfare schemes through generous donations to education system and free medical dispensary for neighboring community. In this regard, the Company has financed a school in Shaidu village in collaboration with The Citizens Foundation.

National Cause Donations

The Company has always stood by the people of Pakistan in their hour of need and shall always continue to do so. In the past, the Company has given generous donations for the rehabilitation of flood affectees and IDPs.

Additional Information

Details of Charity Account

During the year the Company made a donation of Rs. 8.35 million. The main focus of the Company was on education and health. The major recipients of the donations include Aga Khan University Hospital, Institute of Business Administration, Ummah Welfare trust, The Kidney Centre, Nowshera Lions Club, The Lahore Hospital Welfare Society, WWF Pakistan, Edward College Peshawar and various local NGO's.

Rural Development Programs & Employment of Special Persons

The Company takes care of people living in its vicinity through regular donations for development of household, education and medical facilities. Being an equal opportunity employer the management encourages hiring workforce from local vicinity and employment of less privileged and special persons are also considered.

BUSINESS CONTINUITY AND DISASTER RECOVERY POLICY

The Board of Directors has approved and continuously reviews the IT Policy and Business Continuity Plan of the Company. The management has arranged offsite data storage facilities. All the key records are being maintained at different locations. Employees are aware of the steps required to be taken in case of any emergency.

SAFETY, HEALTH AND ENVIRONMENT

Being a responsible corporate citizen, the Company remained committed to continuous improvement in Health and Safety aspects. The production facility remained fully compliant with industry standards and safety requirements. The Company has also obtained the certification of ISO 14001 : 2004.

Occupational Safety and Health

We manage and utilize resources and operations in such a way that the safety and health of our people in ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have a highly trained safety team, emergency response team, a qualified doctor and paramedical staff at our plant. Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipment. In addition, the factory is provided with dedicated safety van, fully equipped ambulance and an in-house dispensary.

Environment Protection Measures

The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. For this purpose we have complied with the international standard of environmental management system ISO 14001 and NEQS standards. The installation of WHR plant has also helped improve the environment in the areas surrounding the factory.

In order to meet the purpose, our plant is equipped with Electrostatic Precipitators which controls dust and gas emissions. Further, to improve the environment, natural tree plantation on large scale has been done in and around the factory premises.

Steps to Mitigate Effects of Industrial Effluents

Safe and healthy environment has always been the priority of the management of the Company. This mainly includes a healthy environment for employees and surrounding communities. In addition, the Company is in compliance of NEQS standards and also has acquired international certification of ISO 14001 :2004. Management is fully aware of its responsibilities in this regards and environment protection policy is already in place. Employees are given proper training and measures like EP and WHR have already been implemented.

FORWARD LOOKING STATEMENT

Despite economic challenges and crippling energy crisis, the country recorded GDP growth of 4.1% for the year. There has been a noticeable improvement in business climate in the country, which has also been acknowledged by leading rating agencies and renowned international financial institutions. This augurs well for the cement industry. The industry will benefit from improved law and order situation, stable economic outlook, declining oil prices and low interest rates. The government has initiated several infrastructural projects, with particular focus on constructing highways, dams, energy related projects and housing projects especially in the Northern part of the country, which is the main market for the Company. The demand for cement is also expected to get a major boost from initiation of projects under the China-Pak Economic Corridor. Additionally, greater spending by private sector has resulted in rise in construction and housing related activities, which is fueling the demand for cement. During this year the local demand for cement grew by almost 8% and we are expecting it to increase further in coming years which will play a vital role in higher cement dispatches in both the medium and long-term. Following the start of peace talks, political situation in Afghanistan is also expected to stabilize, which may provide boost to the reconstruction activities in the country.

In such a scenario, the addition of new 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. Your company shall benefit immensely from increase in the demand for cement due to its ideal location.

The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors. We have met almost all the key targets set in our last year's budget especially pertaining to revenue and profitability. This is also in line with our expectations given in the future prospects section of last year's Directors' Report.

For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. On the other side, as discussed earlier, the Company is installing a new line of cement at its existing location. Due consideration has been given to leverage and gearing by using adequate mix of debt and equity for this project. Timely completion of this project in an effective and efficient manner would be next year's biggest challenge for the Company.

On the human resource side, based on the last year's Training Need Analysis (TNA) and performance appraisal of the company personnel, adequate technical trainings were conducted for the identified employees. The same process is followed on yearly basis. The company has developed extensive training program for all levels of management. The company will be conducting these trainings in future also which would equip the employees with required technical and management skills in the years to come.

Availability of power at competitive rates is a critical factor. We always try to manage this through alternate energy options including WHR, RDF and TDF. In order to ensure energy conservation and cost efficiency, for new cement line, the Company has already ordered WHR plant that is planned to be installed along with the new cement line.

We expect low international fuel prices and stable interest rates in the country.

Overall we are positive about the future and hope that the Company and the industry as a whole will play a key role in the economic development of the Country in the years to come.

Additional Information

Financial Projections

The company expects to enhance its revenue and profit base through expansion to fulfil the expected increase in local cement industry demand on the back of improved economic and law and order situation coupled with construction of different infrastructural projects initiated by the Government. Till the commissioning of plant, the management will try to optimize the existing resources.

Future revenue projections based on management's best judgment and estimates are as follows:

Year	2015-16	2016-17	2017-18
Revenue (Rs. '000)	7,081,403	9,738,275	13,771,254

Company Performance Against Last Year Projections

Cement industry witnessed a growth of 8% in local market. In line with this, Company's market share has also increased by 7%. The same trend was also anticipated in last year's future outlook statement. Further, Company was actively striving to minimise its cost by using alternative fuel efficient mix of local and imported coal, optimum mix of WHR, National Grid and self power generations. All financial and non-financial targets established during last year were met to a greater extent.

ADDITIONAL DISCLOSURES

Reconciliation of Weighted Average Number of Shares

Opening numbers of shares	105,138,008
Numbers of right shares issued	71,493,845
Adjustment Factor	1.304
Effective date	November 24, 2014
Closing weighted average numbers of shares	160,725,983

Fair Value of Property, Plant and Equipment

Total Assessed Present Market value of existing plant, machinery and building is more than Rs. 8 billion. However, the same has not been incorporated in financial statements.

Significant Material Assets

Significant material assets of the Company are building, complete cement line (Kiln, cooler, preheater, cement and raw mills etc), WHR systems, RDF and generators sets.

Plant Capacity

The Company has annual production capacity 1 million ton clinker, which is determined on the basis of 300 days operation.

BEST CORPORATE REPORT AWARD

For the financial year 2013-14 the Company first time participated for Best Corporate Report Award 2014. The contest is jointly held by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The Company secured the 2nd positon in Cement and Sugar Sector and was also nominated for South Asian Federation of Accountants (SAFA) Awards. This achievement shows that Cherat Cement is a responsible corporate citizen and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.

Critical Performance Indicators

Sales 6,565 (Rs. Millions)

Increase by 1.77%

Gross Profit 1,984 (Rs. Millions)

Decrease by 5.66%%

Price Earning Ratio 10.86 (Times)

Increase by 59.24%

Profit after Tax 1,288 (Rs. Millions)

Decrease by 2.13%

Earnings Per Share 8.01 (Rs.)

Decrease by 16.56%

Market Price Per Share 87.03 (Rs.)

Increase by 32.95%

Breakup Value Per Share 45.44 (Rs.)

Decrease by 1.79%

Cash Generated from Operating Activities 1,671 (Rs. Millions)

Decrease by 4.89%

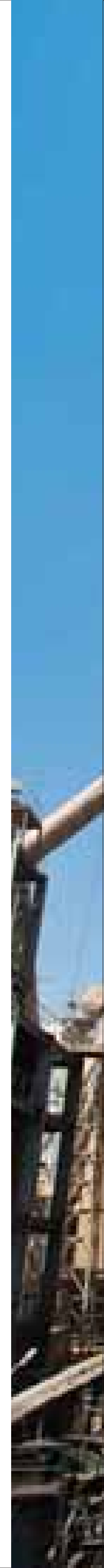
Interim & Final Cash Dividend 530 (Rs. Millions)

Increase by 73.25%

Wealth Distributed 8,058 (Rs. Millions)

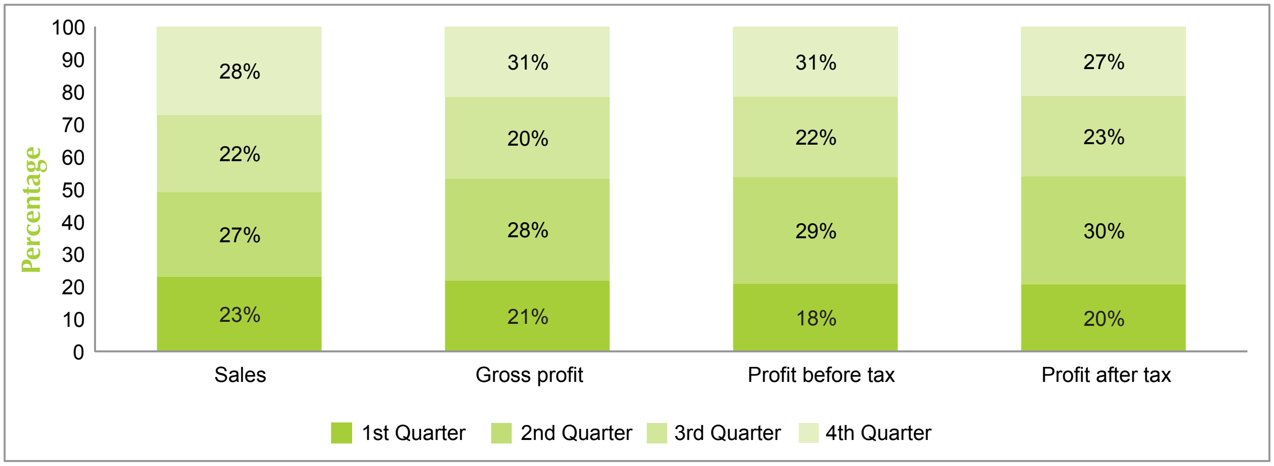
Increase by 4.30%

The above are the Critical Performance Indicators being used by the management and are expected to remain valid in future. The negative variances are primarily due to on going expansion project and are in line with our budgets.



Quarterly Performance Analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
Turnover - net	1,552,748	1,758,099	1,415,526	1,839,043	6,565,416
Cost of sales	(1,140,372)	(1,204,950)	(1,012,687)	(1,223,862)	(4,581,871)
Gross profit	412,376	553,149	402,839	615,181	1,983,545
Distribution cost	(51,687)	(48,471)	(50,784)	(54,854)	(205,796)
Administrative expenses	(41,458)	(41,670)	(39,168)	(42,014)	(164,310)
Other expenses	(21,007)	(18,464)	(26,227)	(39,727)	(105,425)
	(114,152)	(108,605)	(116,179)	(136,595)	(475,531)
Other income	17,002	51,129	90,159	42,739	201,029
Opertating profit	315,226	495,673	376,819	521,325	1,709,043
Finance costs	(8,857)	(12,459)	(8,650)	(7,889)	(37,855)
Profit before taxation	306,369	483,214	368,169	513,436	1,671,188
Taxation	(55,010)	(94,679)	(69,849)	(163,486)	(383,024)
Profit after taxation	251,359	388,535	298,320	349,950	1,288,164



Quarterly Results Analysis

Quarter 1

- Sales were on lower side due to lower demand on account of monsoon season and Ramzan.
- Cost of sales was on higher side mainly due to plant shutdown on account of annual maintenance resulting in lower GP margin.
- Operating profit and net profit were also on lower side as a result of lower GP ratio.

Quarter 2

- Improved demand resulted in increase in turnover by 13% as compared to 1st quarter.
- Cost of sales slightly decreased by 6% which has resultant in significant increase in gross profit. Gross profit increased by 34% as compared to previous quarter.
- Operating profit increased by 57% and net profit increased by 55% mainly due to increase in gross profit margin.

Quarter 3

- Sales turnover decreased in 3rd quarter as compared to previous quarter mainly due to decrease in export to Afghanistan.
- Cost of production per ton of cement was on a higher side mainly on account of less production of clinker due to plant shut down resulted in decrease in GP ratio.
- Net profit also had a declining impact due to low GP margin.

Quarter 4

- The demand of Cement increasesd in this quarter which resulted in increase of turnover by 30% as compared to 3rd quarter. The turnover is highest in this quarter.
- Cost of production per ton of cement was lower in this quarter mainly on account of the highest production of clinker and efficient use of operational resources.
- Gross profit showed an increasing trend due to increase in turnover.
- Operating and net profit was also high as compared to last quarter due to increased gross profit margin.

Risks and Opportunities

The Board of Cherat Cement is principally committed to minimize all possible risks and identification and utilization of potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

RISKS

As with any business scenario, the Company is susceptible to various risks; however, through comprehensive planning and an acute business understanding of the management, the Company continues to identify and mitigate risks. The Company maintains an established control framework comprising clear structures, authority limits and accountabilities, well implemented policies and procedures and budgeting for review processes.

The Board of Directors' of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Controls in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed deliberations and with improvement suggestions are submitted to the Board of Directors.

Following are the major risks which may affect our business operations and mitigating strategies for controlling these risks:

Rise in Energy Costs

The energy cost component is a substantial part of the overall cost of production in our Company i.e. above 50% on average. Hence any change/rise in coal prices or upward movement of electricity tariff would hurt margins of the Company as a whole.

Mitigant: It has been witnessed since 2010 that the prices of coal have started decreasing after touching its peak. Further to the declined coal prices, the Company is already making efforts on the implementation of 'Refuse Derived Fuel' technology which involves utilizing municipal solid waste as a source of fuel to substitute some of the coal used presently. This event can further cut down on our costs of production resulting in higher margins. However, the Company is already benefiting significantly from its Waste Heat Recovery project and almost one third of its electricity is generated free of cost.

Strong Reliance on Government Development Programs

The main growth engine for the sector is the allocation made towards Public Sector Development Program ("PSDP") funds by the Government of Pakistan in its annual budget. The funds are primarily used towards the development of infrastructure projects.

Mitigant: The trend in previous years has been to allocate a substantial amount towards PSDP at the time of budget announcement which is not consumed fully as the year progresses to absorb the growing government expenditures in other areas. With increased infrastructure spending in the last two years, local cement production has also witnessed an improvement while the Government has announced Public Sector Development Program (PSDP) for the year 2015-16 amounting to PKR 1,513 bn, out of which PKR 700 bn have been earmarked on the development projects to be carried by the Federal Government while PKR 813 bn for provinces for their development programs. PKR 184 bn are being allocated for the construction of highways while PKR 62 bn has been allocated for the China-Pakistan Economic Corridor (CPEC) Project. The current government is focusing on infrastructure development projects and its positive impact has already started to reflect in the local cement markets.

Instability in Export Market

Due to political uncertainty in Pakistan's biggest export market, Afghanistan, the sustainability of Pakistani cement has become more challenging due to which export sales of the Company have declined.

Mitigant: The Company enjoys the benefit of the strategic location of its production plant near Nowshera, about 52 kilometers away from Peshawar, near the Pak Afghan border. Due to its proximity to the border, the Company incurs considerably lower distribution costs than our competitors. Reduction in distribution costs allows the Company with a margin available to reduce its selling prices in order to make the Company further competitive to export cement to Afghanistan at lower prices in order to compete with the low cost Iranian cement. Further, Cherat is a premium brand in Afghanistan which helps us to get better margins.

Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Mitigant: The Company's exposure to credit risk is minimal as the Company receives advance against sales.

Working Capital Management

Risk of increase in the cost of borrowing may limit the avenues for availability of sufficient working capital.

Mitigant: Management has addressed the risk of shortage of working capital by availing the sufficient lines from the diversified financial institutions in order to meet the short term finance requirements of the Company.

(Additional details of financial risk management and objectives are provided in the notes to the financial statements).

OPPORTUNITIES

The management of the Company always focuses to capitalize on its experience and strategy to keep the direction and pace of the Company in line with the Company's stated vision. It also concentrates to utilize existing and potential opportunities confronted by the Company. This has resulted in the decision of expanding the operations of the Company through installation of production line II.

Unlocking and exploiting operational opportunities is an important aspect of the management's entrepreneurial activities. The Company is committed to use existing products and new solutions in order to systematically enhance our growth and strengthen our position in global markets. Investing in new projects and increasing the productivity of existing ones are key elements for future organic growth. In the year under review, we strengthened the basis for further growth in the coming years by making selective investments in our existing businesses and developing innovations that support in achievement of Company's stated vision.

MATERIALITY APPROACH

The Board of Directors of Cherat Cement reposes authority and power to the Company management for taking day to day decisions. The management however, observes the approach of materiality in applying power and authority. Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations/ transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution. All the matters required by the Companies Ordinance, 1984 are referred to the Board of Directors for their approal.

IT Governance Policy

Cherat Cement has a well conceived and implemented IT Governance Policy which seeks to ensure that IT is aligned with Cherat's organizational goals and strategies and delivers value to the organization. The policy is designed to promote effective, efficient, timely, and informed decision-making concerning Cherat's IT investments and operations. Specifically the policy aims to establish the IT governance structure and its associated procedures, roles, and responsibilities, as a critical component of the overall IT Management (ITM) Framework, which guides the management, implementation, and monitoring of IT investments for Cherat.

Cherat Cement's IT Governance Policy is mainly charged with:

- Establishing a shared vision of how information technology can add value to the organization;
- Establishing information technology goals, and the strategies for achieving those goals;
- Establishing principles and guidelines for making information technology decisions and managing initiatives;
- Overseeing the management of institutional information technology initiatives;
- Establishing and communicating organizational information technology priorities;
- Determining information technology priorities in resource allocation;
- Establishing, amending and retiring, as necessary, organizational information technology and other technology related policies; and
- Determining the distribution of responsibility between the IT Department and end users.

Whistle Blower Policy

An important aspect of accountability and transparency is a mechanism to enable all individuals to voice concerns internally in a responsible and effective manner when they discover information which they believe shows serious malpractice.

Our whistle blower policy is therefore fundamental to the organization's professional integrity. In addition, it reinforces the value the organization places on staff to be honest and respected members of their individual professions. It provides a method of properly addressing bona fide concerns that individuals within the organization might have, while also offering whistle blowers protection from victimization, harassment or disciplinary proceedings.

It should be emphasized that the policy is intended to assist only those individuals who believe they have discovered malpractice or impropriety. It is not designed to question financial or business decisions taken by the organization nor should it be used to reconsider any matters which have been investigated under the harassment, grievance or disciplinary policies and procedures.

Fundamental elements of our Whistle Blower Policy are highlighted below:

- All staff are protected from victimization, harassment or disciplinary action as a result of any disclosure, where the disclosure is made in good faith and is not made maliciously or for personal gain.
- All disclosures are required to be made in writing.
- Disclosures made anonymously are not entertained.
- Disclosures made are investigated fully including interviews with all the witnesses and other parties involved.
- All whistle blowers' disclosures made are treated as confidential and the identity of the whistle blower is protected at all stages in any internal matter or investigation.
- Disciplinary action (up to and including dismissal) may be taken against the wrongdoer dependant on the results of the investigation.
- There are no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

During the year no whistle blowing incidence was reported under the mentioned procedure.

Safety of Records Policy

Cherat Cement is effectively implementing the policy to ensure the safety of records. All records must be retained for as long as they are required to meet legal, administrative, operational, and other requirements of the Company. The main purposes of the Company Policy are:

- To ensure that the Company's records are created, managed, retained, and disposed off in an effective and efficient manner;
- To facilitate the efficient management of the Company's records through the development of a coordinated Records Management Program;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information services throughout the Company to promote collegiality and knowledge sharing;
- Information will be held only as long as required and disposed off in accordance with the record retention policy and retention schedules and
- Records and information are owned by the Company, not by the individual or team.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Conflict of Interest Policy

A Conflict of Interest Policy has been developed by Cherat Cement to provide a framework for all directors of the Company ("Directors") to disclose actual, potential or perceived conflicts of interest.

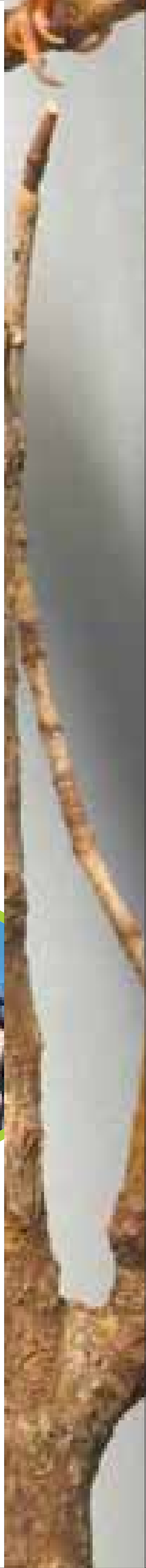
The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company.

The policy is applicable to Directors as the Company strongly believes that a Director owes certain fiduciary duties, including the duties of loyalty, diligence and confidential to the Company which requires that the Directors act in good faith on behalf of the Company and to exercise his or her powers for stakeholders' interests and not for their own or others interest.

Management of Conflict of Interest

The Company stands fully committed to the transparent disclosures, management and monitoring of actual potential or perceived conflicts of interest. All Directors under the policy are obligated and have a duty to avoid actual, potential or perceived conflicts of interest.

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.



Social and Environmental Responsibility Policy

Cherat Cement's Social and Environmental Responsibility Policy envisages an active commitment and participation on the part of the Company in various social work initiatives as part of its corporate social responsibility. Being a conscientious member of the corporate community, the Company contributes generously to various social and charitable causes including towards health and education sectors. In this regard, it has worked with many reputable organizations and NGOs in Pakistan.

The Company also participated in flood relief activities and helped IDP's (Internally Displaced Persons). The employees of the Company had donated one day salary to help flood relief activities. Cherat Cement has always stood by the people of Pakistan in their hour of need and shall always continue to do so.

Cherat Cement is fully committed to acting in an environmentally responsible manner. To achieve this result, we:

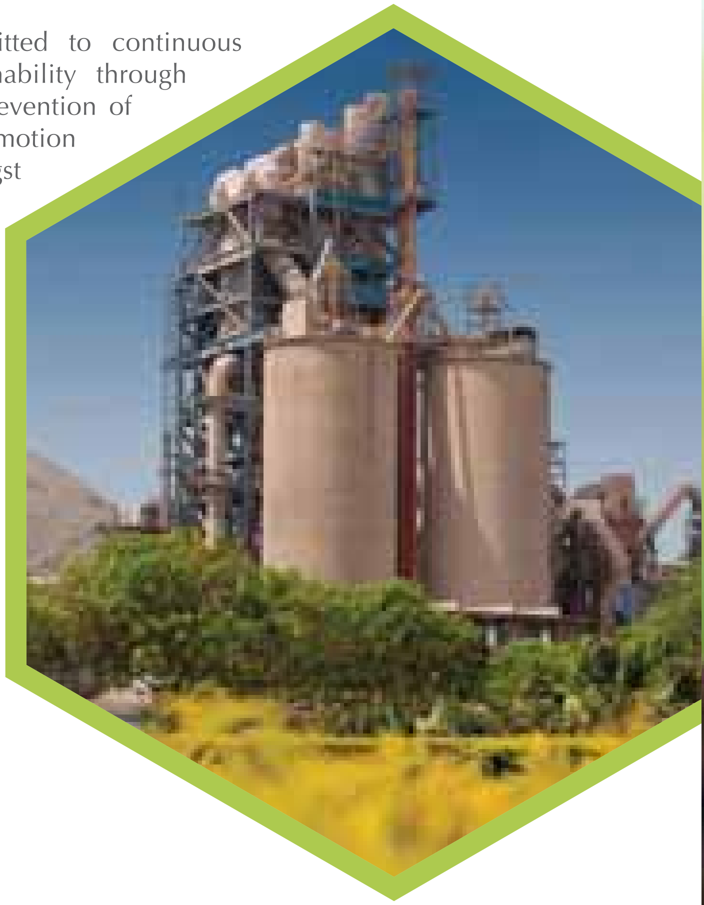
1. Ensure our product and operations comply with relevant environmental legislation and regulations.

2. Maintain and continually improve our environmental management systems to conform to the ISO 14001 Standard or more stringent requirements as dictated by specific markets or local regulations.

3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.

4. There is no emission of hazardous material from Cherat Cement Factory.

5. Inform suppliers, including contractors, of our environmental expectations and require them to adopt environmental management practices aligned with these expectations.



Quality Management

The Company is committed to the manufacturing of high quality cement. At each stage in the cement production process controlling the chemical composition is a priority. All our manufacturing facilities are accredited to Quality Management System ISO 9001:2008.

The consistency of performance of the cement is vital for our customers so the raw materials, intermediate and final products are regularly tested as part of the whole cement production process.

Our Quality Management Process includes:

- Careful and accurate analysis of the chemical composition of the raw materials
- Fine grinding and mixing to produce a homogenous mixture known as “Raw Meal”
- High temperature (>1450°c) to ‘melt’ the raw materials and formation of new “clinker compounds”
- Quality Control testing of the clinker with gypsum and grinding aids
- Continuous sampling and testing at each stage.
- Independent testing of the cement product by Regulatory Authorities.

In-House Laboratory Testing

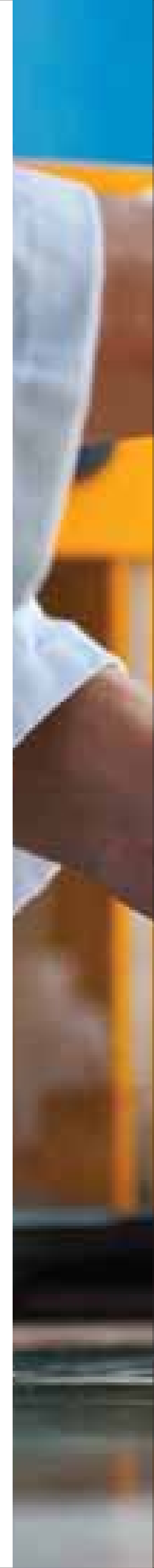
The key to comprehensive quality control is the use of an in-house laboratory. Having an in-house, state-of-the-art laboratory is absolutely necessary to manufacture superior quality cement.

Our Quality Control laboratory is a primary component to achieve our mission of maintaining strict control over every aspect of manufacture and quality and is an integral piece of our ISO 9001:2008 certification.

Our in-house laboratory allows for timely, accurate, cost-effective testing that ensures every product, from raw material to finished goods, meets all quality requirements. Cement is tested before being released for sale. Such stringent attention to quality control is extremely difficult to accomplish without a State-of-the-Art, in-house laboratory.

Cherat Cement’s State-of-the Art Quality Control Equipment include:

- Cross Belt Analyzer Sodern CNA from PANalytical provide real-time elemental analysis
- X-Ray Spectrometer, ARL (Switzerland)
- X' Pert Powder XRD PANalytical (Netherland)
- TGA- 701, (Thermo gravimetric Analyzer) Leco USA
- Sulphur Carbon Analyzer 144-DR Leco USA
- Bomb Calorimeter AC - 350 & AC-600, Leco USA
- Heating Furnaces, Carbolite UK
- Weighing Balances, Sartorius Germany
- Physical Testing Equipment. Controls Italy, ELE England.



Corporate Governance - Stakeholders' Engagement

Our stakeholders extend valuable contribution towards our growth and existence. Procedure for stakeholders' engagement includes effective communication, good harmony and compliance with laws & regulations. We cannot truly execute our purpose without input from our stakeholders.

SHAREHOLDERS

Safeguarding our shareholders' interest is our prime responsibility. Our shareholders' interest revolves around good returns, profitability, growth and regulatory compliances. We respond to our shareholders' expectations through improvement in business mechanics, effective governance and corporate reporting framework. Annual General Meetings and statutory reporting are the most effective means of our engagement with our shareholders. Support of shareholders is critical in achieving the Company objectives.

Investors' Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaint or observation received either directly by the Corporate Department or during General Meetings are addressed by the Company Secretary. The Shareholders are given the information as desired by them as per the law well in time. All the written complaints are replied in writing. Our share registrar is Central Depository Company of Pakistan Limited (CDC) which is leading name in the field. The Company has many old and loyal shareholders, which shows the trust of the Shareholders in the management of the Company.

Investors Section

To keep transparency in the relation between the Company and its shareholders, the website of Cherat Cement (http://gfg.com.pk/ccl) contains all the major financial information needed for investors' decision making in a separate tab of "Investor Relations".

AGM Proceedings

The last AGM was conducted at Cherat Cement site on Tuesday, September 30, 2014 at 12 noon. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the efforts made by the management in achieving the best ever results in the history of the Company.

Shareholders raised different questions on the Financial Statements, especially with respect to new line, power crisis, rising cost of power and future outlook of the Company.

It was explained that management is also evaluating the cost and benefits of using self power generation in peak hours, mixing of imported and local coal and using alternative fuels i.e. RDF, TDF etc.

During the year, Company produced certain portion of power of its total requirements from furnace oil based generator sets and also optimised the mix of local and imported coal.

Shareholders approved the Financial Statements and also gave approval for appointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as external auditors and distribution of cash dividend.

DEALERS, CUSTOMERS AND TRANSPORTERS

Sustaining and developing long term relationship with our dealers, customers and transporters forms the key of our business' success. Their expectations are focused on product quality, pricing and service delivery. Our sales and marketing team remain in close contact to this segment of our stakeholders to resolve issues on a priority basis. We continue to engage with our dealers, customers and transporters through meetings and market visits and communications. We derive success from the brand loyalty of Cherat and the cooperation from our transporters.

SUPPLIERS AND VENDORS

Efficient supplier network is a key for effective working capital management. To achieve this objective, we conduct market surveys to strengthen our bond with our suppliers and vendors.

Our supply chain management team is in continuous contact with suppliers and vendors thorough meetings and correspondence to resolve all queries for on time deliveries. Cooperation of our suppliers gives us an extra edge over our competitors.

BANKS AND OTHER LENDERS

We value our relationship with our financial partners and lenders. Financial risk management and business sustainability are few of the interests of this segment of stakeholders. Periodic briefings, Quarterly financial reporting, Head Office and Site visits are the main means for our engagement with this category of stakeholders. Bank and other institutes help us in obtaining loans at attractive rates and advise on strategic issues whenever needed.

REGULATORS

Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active engagement with regulators improves level of compliance.

EMPLOYEES

Our company has extensive employee engagement schemes in place. The employees' issues revolve around work life balance, training and development and rewards. We have educational loan schemes, in-house and outside training programs and long-term employment reward schemes in place to value our employees as Human Capital. Employee meetings are on regular intervals in form of Annual get-togethers, celebrating sports day and team building activities. Employees engagement improves the level of dedication and hard work.

INSTITUTIONAL INVESTORS AND ANALYSTS

Institutional investors regularly obtain general business briefings and financial reports from management. Formal meetings are also arranged whenever needed.

Without compromising the confidentiality, business analysts are provided with information and briefings as and when they require. The strong connection with institutional investors and analysts facilitates in avoiding any misconception/rumours in the market.

MEDIA

Ads and campaigns are launched in media based on marketing requirements. Interaction with media improves the Company brand image.

Corporate Governance - Additional Information

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

AUDIT COMMITTEE

Mr. Javaid Anwar	Chairman
Mr. Akbarali Pesnani	Member
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

The Audit Committee comprises of three Non-Executive and one Independent Non-Executive Director. One of the members of Audit Committee Mr. Akbarali Pesnani, is an MBA and Fellow Member of both the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP). The Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Internal Auditor (CIA) and the external auditor attend Audit Committee meetings by invitation. The Audit Committee also separately meets the Chief Internal Auditor (CIA) and external auditors at least once a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2014-15, the Audit Committee held four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

Terms of reference of Audit Committee

The Board shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Audit Committee shall, inter alia, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise; it shall record the reasons thereof.

The terms of reference of the Audit Committee shall also include the following:

a. determination of appropriate measures to safeguard the listed company's assets;

b. review of quarterly, half yearly and annual financial statements of the listed company, prior to their approval by the Board of Directors, focusing on:
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - the going-concern assumption;
   - any changes in accounting policies and practices;
   - compliance with applicable accounting standards;
   - compliance with listing regulations and other statutory and regulatory requirements; and
   - significant related party transaction.

c. review of preliminary announcement of results prior to publication;

d. facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e. review of management letter issued by external auditors and management's response thereto;

f. ensuring coordination between the internal and external auditors of the listed company;

g. review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the listed company;

h. consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i. ascertaining that the internal control system including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

j. review of the listed company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

k. instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;

l. determination of compliance with relevant statutory requirements;

m. monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and consideration of any other issue or matter as may be signed by the Board of Directors; and

n. consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Saquib H. Shirazi	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar Faruque	Member

The Human Resource & Remuneration Committee (HR & RC) comprises of three members. The Chairman is a Non-Executive Director whereas the other two members are the Chief Executive Officer and a Non-Executive Director. Meetings are conducted at such frequency as the Chairman may determine. The minutes of the meetings of the HR & RC meeting are provided to all members and Directors. The Committee held two [2] meetings during the year.

Corporate Governance - Additional Information

Terms of Reference of Human Resources and Remuneration Committee

Objectives: The Human Resources & Remuneration Committee (HR & RC) shall consider and make recommendations to the Board of Directors of Cherat Cement Company Limited major human resource management policies, strategies and plans.

Composition: The HR & RC shall comprise of at least three directors majority of whom shall be Non-Executive Directors. The Chief Executive Officer (CEO) shall be included as a member of the HR & RC. One of the three members shall be appointed as Chairman of HR & RC by the BOD.

Tenure: The tenure of HR & RC shall be for a period of 3 years.

Duties & Responsibilities: The HR & RC shall review the following areas and make its recommendations:

a) Major HR Policy framework, including compensation structure;

b) Overall organizational structure;

c) Succession planning for key positions, including that of the CEO; and

d) Examine the management strategy for Training Needs Assessment for the overall growth of the organization.

Quorum: The quorum of HR & RC meeting shall be two members.

Frequency of meetings: The HR & RC shall meet as required for a proper functioning of the Committee.

Notice and Agenda: The Notice of the meeting shall be circulated by the Secretary HR & RC one week prior to the date of the meeting. The agenda for the meeting shall be developed by the management in consultation with Chairman HR & RC.

Minutes: Minutes of the meeting shall be prepared by the Secretary HR & RC and circulated to the Members HR & RC within fourteen days of the HR & RC meeting.

Attendance: HR & RC may invite any employee / independent expert to attend its meeting. The Secretary shall maintain an attendance record of all those attending the meetings.

Reports to the BOD: HR & RC shall present the minutes including findings and recommendations of the HR & RC meeting to the BOD. HR & RC shall provide all and any related information required by the BOD.

Amendments: The BOD may at any time amend these regulations or revoke any powers granted by it to the HR & RC.

Records: All documentation related to the holding, proceedings and recommendations of the HR & RC shall be ensured by and stored with the Secretary HR & RC.

OFFICES OF THE CHAIRMAN & CEO

Being a corporate governance compliant company, Cherat Cement designates separate persons for the positions of the Chairman of the Board of Directors and the office of the Chief Executive with clear division of roles and responsibility.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Roles of Chairman and Chief Executive are clearly established in the Company.

The post of Chairman is held by a Non-Executive Director who is not involved in the day to day activities. The Chairman heads the Board meetings and is responsible for avoidance of conflicts of interests. The Chairman is authorized to set the agenda for Board meetings and to sign the minutes of the meetings. The Chairman ensures effective role of the Board in fulfilling all its responsibilities.

CEO is the Head of the Company's management. CEO is an Executive Director responsible for the overall operations and performance of the Company.

He is primarily responsible for:

- Safeguarding of Company assets;
- Creation of shareholder value;
- Identification of potential diversification / investment projects;
- Implementation of projects approved by the Board;
- Ensuring effective functioning of the internal control system;
- Identifying risks and designing mitigation strategies;
- Preservation of the Company's image Development of human capital and good investor's relations;
- Compliance with regulations and best practices.

DIRECTORS' ORIENTATION AND TRAINING

All the Directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in house Directors' training program to apprise the directors of their authorities and responsibilities. Two Directors of the Company namely Mr. Azam Faruque and Mr. Tariq Faruque are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

ANNUAL EVALUATION OF BOARD PERFORMANCE

Board Evaluation Mechanism facilitates the Board of Directors to evaluate and assess its performance for providing strategic leadership and oversight to the management. Accordingly, following procedures have been developed based on emerging and leading practices to assist in the self-assessment of individual director and the full Board's performance.

On an annual basis questionnaire is circulated to all directors which is formally filled by the directors and is submitted anonymously to the Board. The result compiled by an independent Chartered Accountant firm.

Corporate Governance - Additional Information

The main criteria for the Board's evaluation is as follows:

Board Composition

The Board is fully aware of its role & responsibilities, demonstrates integrity, credibility, trustworthiness and active participation in its affairs. The Board has the right mix of skills, knowledge and experience and all Non-Executive/Independent Directors are equally involved in important board decisions.

Leadership and Planning

The Board gives ample time to the strategy formulation based on Company's vision and mission and revisits the mission and vision statements from time to time. The Board provides guidance and direction, discusses the adequacy of resources, receives management reports and has a system in place to ensure smooth and effective succession planning.

Board Effectiveness

All Board members understand and fulfill their responsibilities and comply with all relevant laws. Significant issues are placed in front of the Board for consideration. Board ensures a healthy relationship with the stakeholders through adequate disclosures.

Board Accountability

The Board reviews adequacy on internal controls, potential risks and risk management procedure. The Board is cognizant of its fiduciary responsibilities.

Strategy and Performance

The Board reviews the implementation of organization's strategic & financial plans Board meeting agendas and supporting documents provide sufficient information and time to explore & resolve key issues. Board members demonstrate preparation for meetings through active participation in decision making.

Board Committees

Formed adequate number of Board Committees to streamline delegation of certain key responsibilities. Sub Committees meetings are held regularly and their decisions/ recommendations are placed before the Board. The Board has approved and implemented Human Resource policies which imply equitable treatment to all employees irrespective of gender, religion, ethnic background etc.

The evaluation of the performance of the Board is essentially an assessment of how the Board has performed on all these parameters.

BOARD MEETINGS HELD OUTSIDE PAKISTAN

During the year 5 meetings of the Board of Directors were held. As recommended by SECP Guidelines and to keep the costs in control the management has conducted all meetings in Pakistan.

Report of the Audit Committee

Audit Committee

Mr. Javaid Anwar	Chairman
Mr. Akbarali Pesnani	Member
Mr. Shehryar Faruque	Member
Mr. Tariq Faruque	Member

The Audit Committee of the Company comprises of three Non-Executive and one Independent Non-Executive Director. The Chief Financial Officer (CFO), the Head of Internal Audit and the external auditor attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. Four meetings of the Audit Committee were held during the year 2013-2014. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. The Company has adhered, without any material departure, with both the mandatory and voluntary provisions of the Stock Exchanges of Pakistan, Code of Corporate Governance, Company's code of conduct and values and the best practices of governance throughout the year.

2. The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.

3. The Audit Committee reviewed and approved the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors.

4. Appropriate accounting policies have been consistently applied. Applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.

5. Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs.

6. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.

7. The Chief Executive Officer and the Chief Financial Officer have signed the financial statements of the Company. They acknowledge their responsibility for the true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of sound internal control system of the Company.

8. The Audit Committee has reviewed and approved all related party transactions.

9. The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.

10. For appraisal of internal controls and monitoring compliance, the Company has in place an appropriately staffed, Internal Audit department. The Audit Committee reviewed the resources of the Internal Audit department to ensure that they were adequate for the planned scope of the Internal Audit function.

11. The Audit Committee on the basis of the internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.

12. Head of Internal Audit Department has direct access to the Audit Committee.

13. The external auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

By order of the Audit Committee

Javaid Anwar
Chairman, Audit Committee
August 17, 2015

Horizontal Analysis - Last Six Years

	2015		2014	
	(Rupees in Million)	15 Vs. 14 %	(Rupees in Million)	14 Vs. 13 %
Balance Sheet				
Assets				
Non-Current Assets	7,197	104	3,526	-
Current Assets	2,267	(22)	2,905	89
Total Assets	9,464	47	6,431	27
Equity & Liabilities				
Shareholders' Equity	8,026	65	4,864	31
Non Current Liabilities	611	(11)	686	20
Current Liabilities	827	(6)	881	13
Equity & Liabilities	9,464	47	6,431	27
Turnover & Profit				
Turnover (net)	6,565	2	6,451	2
Gross Profit	1,984	(6)	2,103	(4)
Operating Profit / (Loss)	1,709	-	1,716	1
Profit / (Loss) Before Taxation	1,671	(1)	1,688	7
Profit / (Loss) After Taxation	1,288	(2)	1,316	7

Comments on Horizontal Analysis

Balance Sheet

Current assets decreased as compared to year 2014 due to encashment of short-term investments whereas shareholders’ equity increased during the year due to issuance of right shares, healthy profits and unrealized gain on long term investments of the Company.

Profit and Loss Account

Turnover has increased over the years from 2010 to 2015 due to increase in sale price.

Gross profit increased from 2010 mainly due to increased sales turnover. Further, company also applied various measures i.e. alternative fuels, TDF and RDF to save fuel cost.

2013 (Restated)		2012		2011		2010	
(Rupees in Million)	13 Vs. 12 %	(Rupees in Million)	12 Vs. 11 %	(Rupees in Million)	11 Vs. 10 %	(Rupees in Million)	10 Vs. 09 %
3,531	3	3,422	(6)	3,647	1	3,618	6
1,534	19	1,289	(25)	1,718	39	1,239	(8)
5,065	8	4,711	(12)	5,365	10	4,857	2
3,709	35	2,748	18	2,331	4	2,246	(1)
574	(38)	923	(25)	1,234	25	989	(30)
782	(25)	1,040	(42)	1,800	11	1,622	51
5,065	8	4,711	(12)	5,365	10	4,857	2
6,294	15	5,457	29	4,244	22	3,469	(24)
2,190	90	1,152	103	567	537	89	(87)
1,694	92	882	158	342	351	(136)	(137)
1,585	177	572	936	55	119	(297)	(216)
1,228	181	437	537	69	590	(14)	(109)

Operating profit showing increasing trend from 2011 to 2015 mainly due to improved GP margins, reduced finance cost and increased investment income.

Finance cost decreased due to reduced gearing. Provision for taxation in current year 2015 has increased significantly due to newly introduced levy i.e. super tax.

Vertical Analysis - Last Six Years

	2015 (Rupees in Million)	2015 %	2014 (Rupees in Million)	2014 %
Balance Sheet				
Assets				
Non-Current Assets	7,197	76	3,526	55
Current Assets	2,267	24	2,905	45
Total Assets	9,464	100	6,431	100
Equity & Liabilities				
Shareholders' Equity	8,026	85	4,864	75
Non-Current Liabilities	611	6	686	11
Current Liabilities	827	9	881	14
Equity & Liabilities	9,464	100	6,431	100
Turnover & Profit				
Turnover (net)	6,565	100	6,451	100
Gross Profit	1,984	30	2,103	33
Operating Profit / (Loss)	1,709	26	1,716	27
Profit / (Loss) Before Taxation	1,671	25	1,688	26
Profit / (Loss) After Taxation	1,288	19	1,316	20

Comments on Vertical Analysis

Balance Sheet

Debt equity ratio showed continuous improvement over the years as the Company's shareholders' equity increased over the years due to issuance of right shares, improved profits and repayment of debts.

Current assets were 24% of total assets of the Company in the current year as compared to 45% in year 2014, mainly due to improved profitability and liquidity.

2013 (Restated)		2012		2011		2010	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
3,531	70	3,422	73	3,647	68	3,618	74
1,534	30	1,289	27	1,718	32	1,239	26
5,065	100	4,711	100	5,365	100	4,857	100
3,709	73	2,748	58	2,331	43	2,246	46
574	11	923	20	1,234	23	989	20
782	16	1,040	22	1,800	34	1,622	34
5,065	100	4,711	100	5,365	100	4,857	100
6,294	100	5,457	100	4,244	100	3,469	100
2,190	35	1,152	21	567	13	89	3
1,694	27	882	16	342	8	(136)	(4)
1,585	25	572	10	55	1	(297)	(9)
1,228	20	437	8	69	2	(14)	-

Profit and Loss Account

Gross profit increased from 13% to 30% from years 2011 to 2015 due to increased turnover and controlled cost.

Operating profit was 8% of turnover in year 2011 which has increased to 26% in year 2015, mainly due to improved gross profit margin.

Ratios

	2015	2014	2013 (Restated)	2012	2011	2010
Profitability Ratios:						
Gross Profit (percentage)	30.21	32.59	34.79	21.12	13.36	2.57
Net Profit / (Loss) Before Tax (percentage)	25.45	26.16	25.18	10.47	1.30	(8.57)
Net Profit / (Loss) After Tax (percentage)	19.62	20.40	19.50	8.00	1.62	(0.40)
EBITDA Margin to Sales (percentage)	30.23	30.65	30.91	20.90	14.26	2.41
Operating Leverage Ratio	(0.25)	0.53	5.97	5.54	(15.68)	5.69
Return on Equity After Tax (Average in Percentage)	19.99	30.70	38.38	17.19	3.00	(0.61)
Return on Capital Employed (Percentage)	15.73	25.97	31.37	11.43	1.92	(0.40)
Liquidity Ratios:						
Current Ratio	2.74	3.30	1.96	1.24	0.95	0.76
Acid Test Ratio	2.18	2.88	1.41	0.93	0.74	0.64
Cash to Current Liabilities	0.02	0.02	0.03	0.04	0.04	0.03
Cash Flows from Operations to Sales	0.25	0.27	0.31	0.26	0.05	0.05
Activity / Turnover Ratios:						
Inventory Turnover / (Days)	33	34	33	30	29	26
Inventory Turnover / (Times)	11	11	11	12	13	14
Creditor Turnover / (Days)	19	19	17	19	16	10
Creditor Turnover / (Time)	19	19	22	19	23	37
Total Assets Turnover Ratio	0.69	1.00	1.24	1.16	0.79	0.71
Fixed Asset Turnover Ratio	0.96	1.91	1.83	1.67	1.24	1.00
Operating Cycle	14	15	16	11	13	16
Investment / Market Ratios:						
E.P.S (Before Tax)	10.40	12.31	15.08	5.98	0.58	(3.11)
E.P.S (After Tax)	8.01	9.60	11.68	4.57	0.72	(0.14)
Price Earnings Ratio	10.86	6.82	4.99	6.48	12.50	(65.86)
Dividend Yield Ratio	0.03	0.05	0.04	0.07	-	-
Dividend Payout Ratio	0.37	0.31	0.21	0.44	-	-
Dividend Cover Ratio	2.67	3.20	4.67	2.29	-	-
Cash Dividend Per Share	3.00	3.00	2.50	2.00	-	-
Stock Dividend Per Share	-	0.10	-	-	-	-
Market Value Per Share - (Closing)	87.03	65.46	58.19	29.62	9.00	9.22
- (High)	89.81	84.47	62.94	30.40	12.34	17.69
- (Low)	50.22	44.82	29.81	6.55	8.50	9.22
Break-up Value Per Share	45.44	46.27	38.80	28.75	24.40	23.50
Capital structure Ratios:						
Financial Leverage Ratio	0.03	0.06	0.12	0.56	1.08	0.99
Weighted Average Cost of Debt	0.15	0.09	0.12	0.14	0.11	0.10
Long Term Debts to Equity Ratio (Percentage)	1.99	3.54	5.57	24.73	34.60	30.57
Interest Cover Ratio	45.15	59.71	15.54	2.84	1.19	(0.85)

Comments on Ratios

Profitability Ratios:

Profitability ratios of the Company are slightly declined due to increased electricity tariff, increased royalty on limestone and imposition of super tax. However, this adverse was largely offset by decrease in coal prices, optimum utilization of WHR system, efficient cost effective mixing of various power generation sources and increased investment income, resultantly the Company has managed to sustain its profitability during the year 2015. Return on Capital Employed has decreased because of increased shareholders' equity on account of issuance of right shares and the fact that work on cement line II is going on.

Liquidity Ratios:

The positivity remained in the liquidity of the Company owing to healthy profitability and better working capital management. However, the Company is in the phase of expansion which slightly slashed the liquidity position of the Company.

Activity / Turnover Ratios:

The Company managed to substantiate its financial position by enhanced inventory management and improved operating cycles.

Investment/Market Ratios:

A slight decrease was witnessed in the earnings per share due to increase in weighted average number of shares issued during the year. However, the investor confidence has been strengthened because of consistent growth in the financial position and performance of the Company.

Capital Structure:

Good financial health and liquidity benefits the Company in the form of improved capital structure. During the year, the Company issued right shares, to cater the financing needs of the plant expansion. The issue was overwhelmingly subscribed by the investors, hence, massively impacted the capital structure. The Company's improved liquidity and profitability provide company an opportunity to minimize its gearing.

Summary - Last Six Years

	2015	2014	2013 (Restated)	2012	2011	2010
	(Tons in '000)					
Clinker Production	937	847	958	894	979	946
Cement Production	971	945	994	1,004	986	1,009
Cement Dispatched	972	949	990	1,001	990	1,011
Summary of Balance Sheet	(Rupees in Million)					
Assets						
Non-Current Assets	7,197	3,526	3,531	3,422	3,647	3,618
Current Assets	2,267	2,905	1,534	1,289	1,718	1,239
Total Assets	9,464	6,431	5,065	4,711	5,365	4,857
Equity & Liabilities						
Shareholders' Equity	8,026	4,864	3,709	2,748	2,331	2,246
Non-Current Liabilities	611	686	574	923	1,234	989
Current Liabilities	827	881	782	1,040	1,800	1,622
Equity & Liabilities	9,464	6,431	5,065	4,711	5,365	4,857
Summary Of Profit & Loss						
Turnover & Profit						
Turnover (net)	6,565	6,451	6,294	5,457	4,244	3,469
Gross Profit	1,984	2,103	2,190	1,152	567	89
Operating Profit / (Loss)	1,709	1,716	1,694	882	342	(136)
Profit / (Loss) Before Taxation	1,671	1,688	1,585	572	55	(297)
Profit / (Loss) After Taxation	1,288	1,316	1,228	437	69	(14)

Cash Flow Statement - Direct Method

	2015	2014
	(Rupees `000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	6,575,345	6,477,832
Cash paid to suppliers and employees	(4,500,924)	(4,559,435)
Cash generated from operations	2,074,421	1,918,397
Income tax paid	(402,261)	(162,218)
Long-term loans, advances and deposits - net	(1,213)	851
Net cash generated from operating activities	1,670,947	1,757,030
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(199,880)	(524,022)
Additions to intangible assets	(2,483)	-
Proceeds from disposal of operating property, plant and equipment	4,343	11,961
Capital work-in-progress	(3,545,153)	333,539
Short-term investments	634,556	(1,200,000)
Dividend received	7,090	5,317
Net cash used in investing activities	(3,101,527)	(1,373,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of right shares - net	1,762,596	-
Long-term financing	(40,770)	-
Short-term borrowings	(11,853)	(137,572)
Dividend paid	(206,643)	(233,516)
Finance cost paid	(71,512)	(21,170)
Net cash used in financing activities	1,431,818	(392,258)
Net decrease in cash and cash equivalents	1,238	(8,432)
Cash and cash equivalents as at the beginning of the year	17,116	25,548
Cash and cash equivalents as at the end of the year	18,354	17,116

Summary of Cash Flow Statement - Last Six Years

	2015	2014	2013 (Restated)	2012	2011	2010
	(Rupeees in Million)					
Summary Of Cash Flows						
Net cash generated from operating activities	1,671	1,757	1,931	1,395	214	175
Net cash used in investing activities	(3,102)	(1,373)	(426)	(102)	(222)	(446)
Net cash generated from / (used in) financing activities	1,432	(392)	(1,517)	(1,326)	25	264
Change in cash and cash equivalents	1	(8)	(12)	(33)	17	(7)
Cash & cash equivalents - Year end	18	17	26	38	71	54

Comments on Cash Flow Statement

Cash flow from operating activities showed decreasing trend in 2015 and 2014, as compare to increased operating cash flows from 2010 to 2013 due to increased tax payments and certain payments to suppliers.

The Company's plant expansion for new line of cement has resulted in increase in cash outflow from investing activities in 2015 whereas the reason for increase in 2014 was short-term investments. However, cash flow from investing activities remained at lower side in previous year as no major capital expenditure was undertaken.

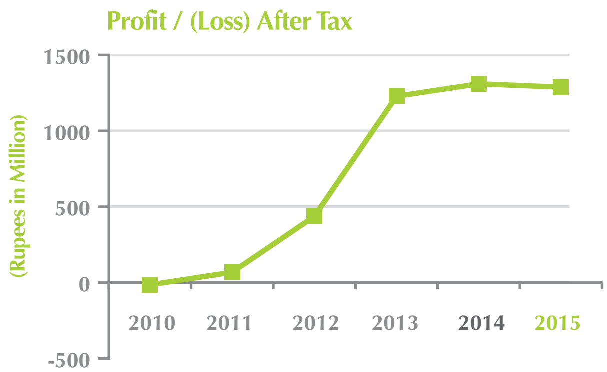
Cash inflow from financing activities increased in current year due to issuance of right shares, whereas the decrease in year 2012 and 2013 was mainly due to mark up payment against long-term loan acquired.

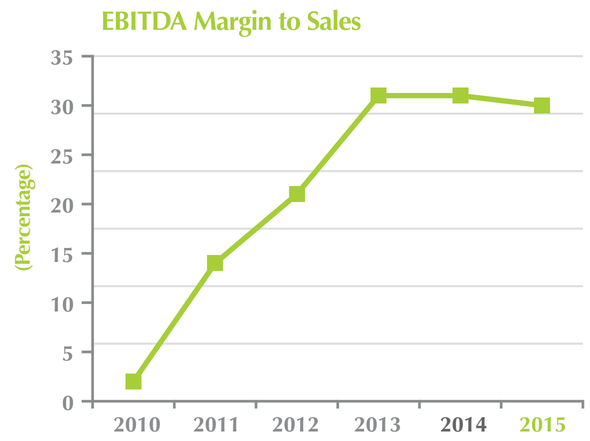
DuPont Analysis

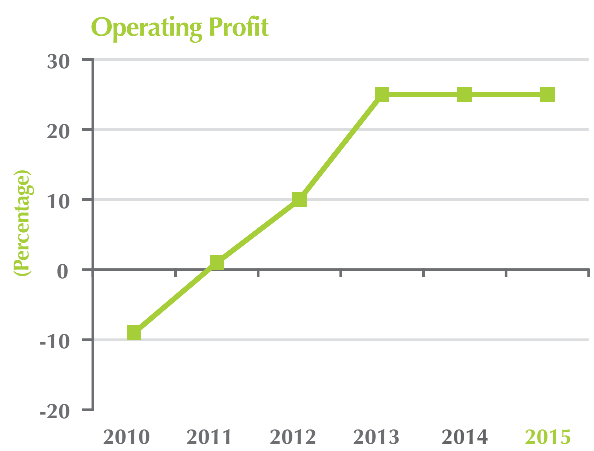
	2015	2014
Operating Margin	26.03%	26.61%
Asset Turnover	0.69	1.00
Interest Burden / Efficiency	97.79%	98.33%
Tax Burden / Efficiency	77.08%	77.98%
Leverage	1.18	1.32
RoE	16.00%	27.00%

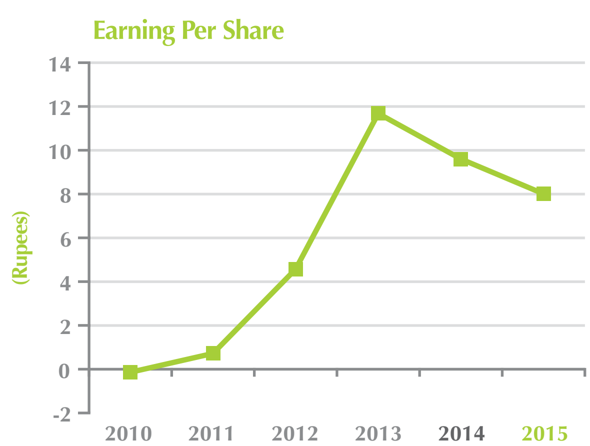
The return on Equity (RoE) has declined significantly on account of increase in shareholders' equity because of issuance of right shares and increase in capital work in progress for line II. Therefore, the RoE is expected to improve significantly after commissioning of line II.

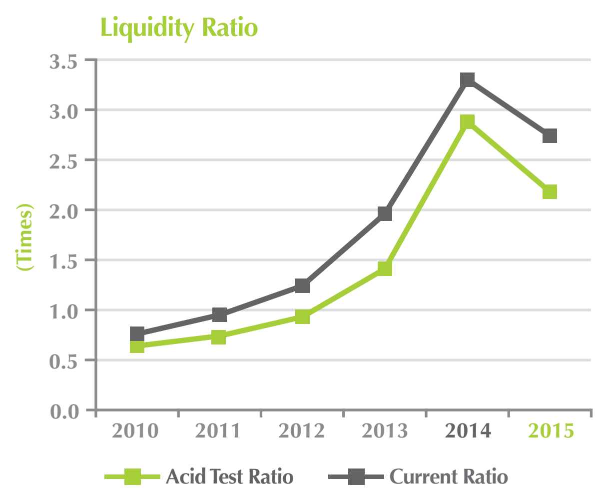
Graphical Presentations

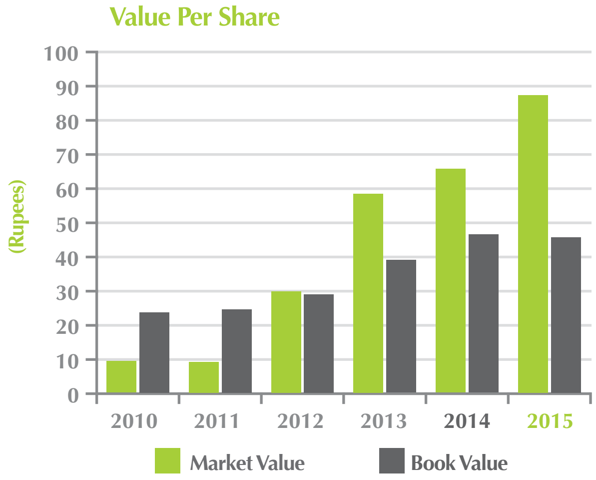


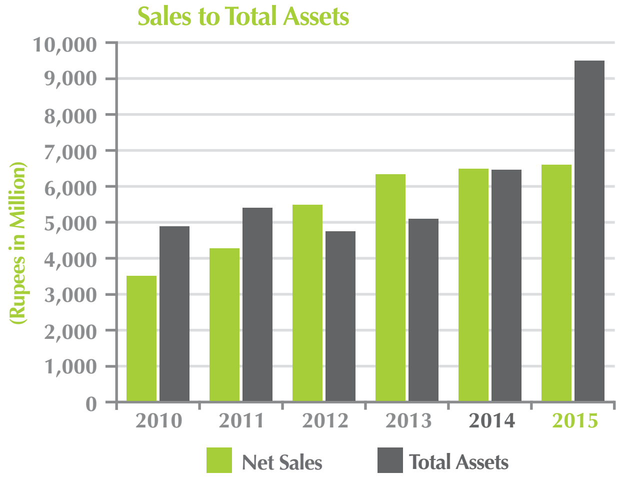




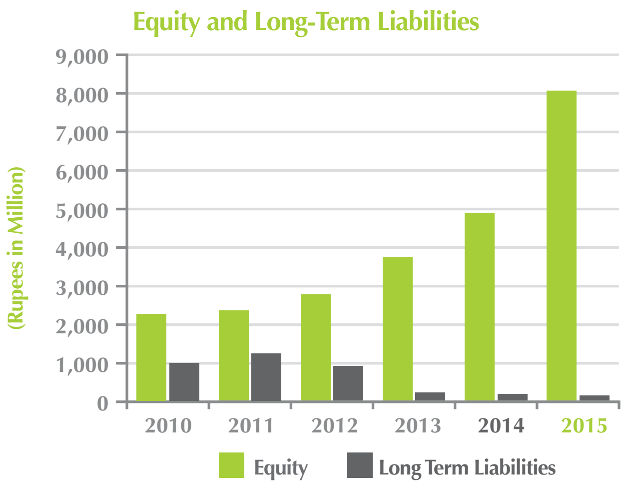


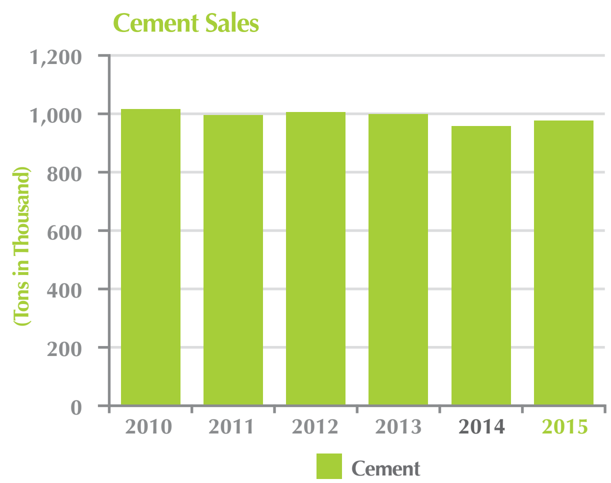


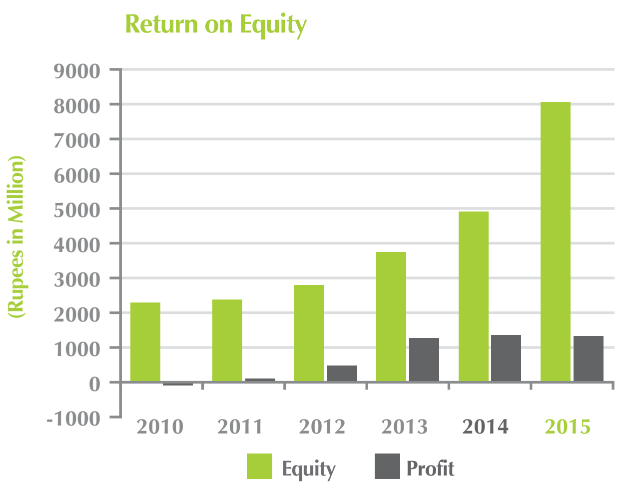

Value Per Share
(Rupees)
100
90
80
70
60
50
40
30
20
10
0
2010
2011
2012
2013
2014
2015
Market Value
Book Value


Sales to Total Assets
(Rupees in Million)
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2010
2011
2012
2013
2014
2015
Net Sales
Total Assets

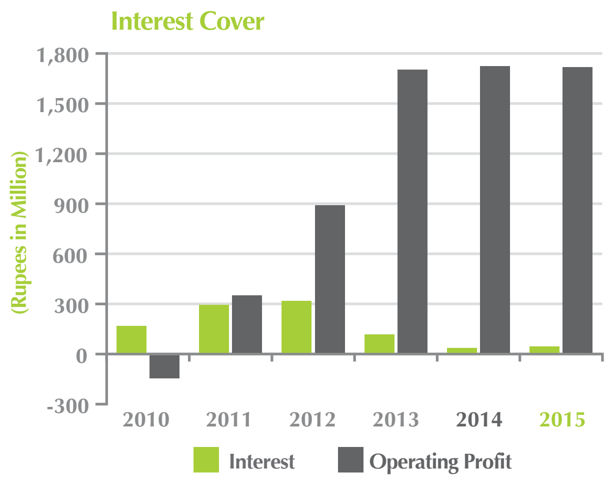

Assets and Liabilities
(Rupees in Million)
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2010
2011
2012
2013
2014
2015
Assets
Liabilities

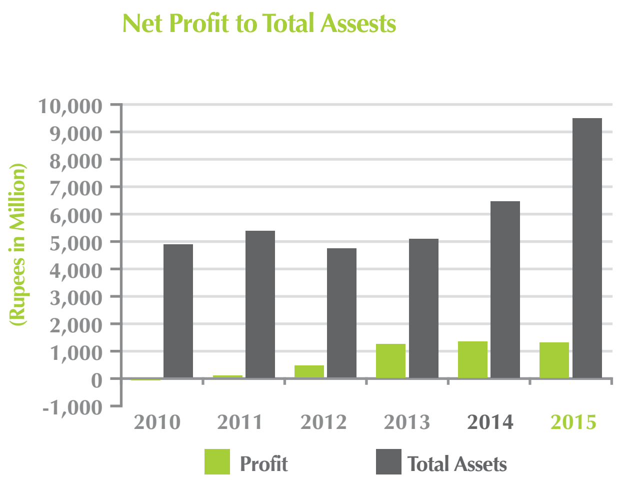

Equity and Long-Term Liabilities
(Rupees in Million)
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2010
2011
2012
2013
2014
2015
Equity
Long Term Liabilities

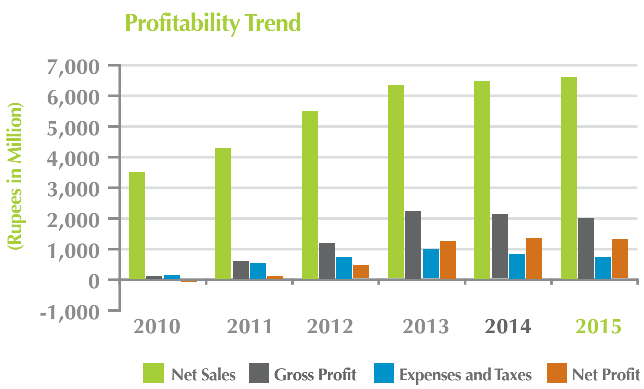

Cement Sales
(Tons in Thousand)
1,200
1,000
800
600
400
200
0
2010
2011
2012
2013
2014
2015
Cement

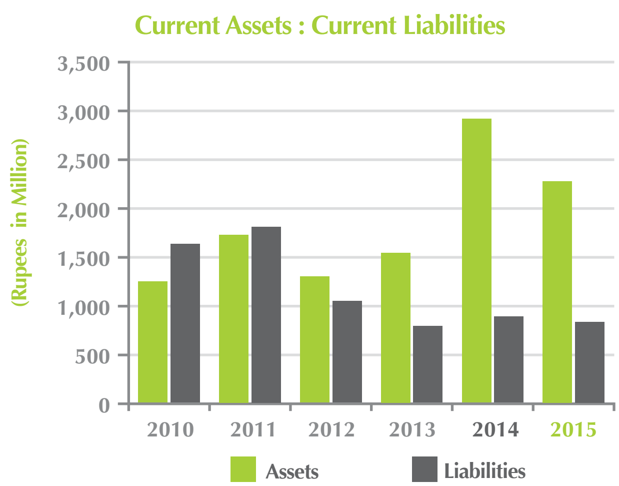

Return on Equity
(Rupees in Million)
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
-1000
2010
2011
2012
2013
2014
2015
Equity
Profit

Graphical Presentations









Statement of Value Addition and Distribution of Wealth

	2015 Rs. in '000	2015 %age	2014 Rs. in '000	2014 %age
Wealth Generated				
Turnover (including taxes)	7,857,300	97.51	7,649,170	99.01
Other operating income	201,029	2.49	76,593	0.99
	8,058,329	100.00	7,725,763	100.00
Distribution of Wealth				
Cost of sales (excluding employees' remuneration)	4,026,516	49.97	3,878,043	50.20
Marketing, selling and administrative expenses	213,500	2.65	233,835	3.03
To employees as remuneration	809,035	10.04	696,019	9.01
To government as taxes	1,674,908	20.78	1,569,411	20.31
To providers of finance as financial charges	37,855	0.47	28,745	0.37
To society / donations	8,351	0.10	3,542	0.05
Retained within the business	1,288,164	15.99	1,316,168	17.03
	8,058,329	100.00	7,725,763	100.00

Distribution of Wealth 2015

Cost of Sales (Excluding Employees' Remuneration)	49.97%
Marketing, Selling and Administrative Expenses	2.65%
To Employees as Remuneration	10.04%
To Government as Taxes	20.78%
To Providers of Finances as Financial Charges	0.47%
To Society / Donations	0.10%
Retained within the Business	15.99%

Distribution of Wealth 2014

Cost of Sales (Excluding Employees' Remuneration)	50.20%
Marketing, Selling and Administrative Expenses	3.03%
To Employees as Remuneration	9.01%
To Government as Taxes	20.31%
To Providers of Finances as Financial Charges	0.37%
To Society / Donations	0.05%
Retained within the Business	17.03%

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations No. 35 Chapter XI of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent Director	Mr. Javaid Anwar
Executive Director	Mr. Azam Faruque
Non-Executive Director	Mr. Omar Faruque Mr. Akbarali Pesnani Mr. Shehryar Faruque Mr. Tariq Faruque Mr. Shamshad Nabi (NIT) Mr. Saquib H. Shirazi

   The independent director meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy that occurred on the Board on 15.08.2014 was filled up by the directors within 4 days.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose and the board met atleast once every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of Cherat Cement Co. Ltd. are professionally qualified and experienced persons and are well aware of their duties and their responsibilities. Further, an orientation course for Directors was arranged by the company to apprise Directors of their duties and responsibilities. Two Directors of the company are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The board has formed an Audit Committee. It comprises of four members who are non-executives directors. The Chairman of the committee is an independent director.

16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is a non executive director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period‘, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

Omar Faruque
Chairman

Karachi: August 17, 2015

Statement of Compliance

With the Best Practices of Transfer Pricing

The Company has fully complied with the best practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

On behalf of the Board of Directors

Omar Faruque
Chairman

Karachi: August 17, 2015

Review Report to the Members

on Statement of Compliance with the Code of Corporate Governance

Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530
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Fax: +9221 35681965
eyfrsh.khi@pk.ey.com
ey.com/pk

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Cherat Cement Company Limited (the Company) for the year ended 30 June 2015 to comply with the requirements of Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel

Karachi: August 17, 2015

Share Price Sensitivity Analysis

Following are the major factors which might affect the share price of the Company in the stock exchanges:

Energy Crisis

Due to the on-going energy crisis, supply of electricity is often disrupted to industrial undertakings. Accordingly, the entire manufacturing industry is facing operational difficulties. This forces the Company to resort the expensive alternatives to run operations which directly affects the Company's financial performance.

Law and Order Situation

Unstable law and order situation often results in disruption of business activities and hindrance in supply chain that negatively impacts on the Company's performance.

Change in Government Policies

Any change in government policies related to cement sector may affect the share price of the Company. If policy change is positive than share price will increase, otherwise vice versa.

Plant Operations

Stable plant operations lead to higher production and better production efficiencies. Issues at production negatively affect the financial performance of the Company and therefore, also affect the share price. Share price is also affected by the addition of new capacity.

Consumer Demand

Increase in demand of cement may result in increase in market price of bag which will contribute towards better profitability and Earning Per Share (EPS), which will ultimately increase the share price.

Variation in Variable Cost

Any Increase in variable cost (mainly includes Coal, Power and Raw Material Cost) may badly effect the gross margins and will resultantly fall in the profitability and fall in EPS. This may badly effect the market price of the share downward.

Variation in Fixed Cost

Fixed cost which mainly consists of financial charges, exchange losses, and other overheads. If SBP discount rate goes up, rupee devaluation occurs and increase in inflation happens than net profitability of the Company will be effected and will have negative effect on the EPS which results into fall in share prices. If the said factors happen on the positive sides than share price will improve.

Glossary of Terms

AGM: A mandatory, public yearly gathering of a publicly traded company's executives, directors and interested shareholders.

HS&E: Health, Safety and Environment.

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

Return on Equity (ROE): The value found by dividing the company's net income by its net assets (ROE measures the amount a company earns on investments).

Current Ratio: The current ratio indicates a company's ability to meet short-term debt obligations.

Acid Test Ratio: The ratio of liquid assets to current liabilities.

Operating Cycle: The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

Earnings Per Share: Earnings found by dividing the net income of the company by the number of shares of common outstanding stock

Price-Earnings Ratio (P/E): The ratio found by dividing market price per share by earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

Dividend Payout Ratio: The ratio found by dividing the annual dividends per share by the annual earnings per share.

Long Term Debt-to-Equity Ratio: The ratio found by dividing long-term debt by the equity (all assets minus debts) held in stock (This is a measure of financial risk).

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standard

IFRIC: International Financial Reporting Issues Committee

Amortization: to charge a regular portion of an expenditure over a fixed period of time.

Joint Venture: A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task

KIBOR: Karachi Inter Bank Offer Rate.

Spread: Rate charged by the bank over KIBOR.

ISO 14001:2004: A standard for the management of environmental matters that is widely used in various parts of the world.

Security: A pledge made to secure the performance of a contract or the fulfillment of an obligation.

Term: Refers to the maturity or length of time until final repayment on a loan, bond, sale or other contractual obligation.

Principal: In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from which flows the interest.

Borrowing Cost: refers to finance costs that are directly attributable to the construction/acquisition of a qualifying assets and included in the cost of such asset.

Qualifying Asset: An asset that takes substantial period of time to get ready for its intended use/sale.

Consortium Financing: is a solution usually entails several banks or financial institutions joining hands to finance large projects through a common appraisal, common documentation and joint supervision.

Diminishing Musharakah: refers to joint ownership of asset by financier and borrower. The share of financier in the asset is divided into number of units and borrower will purchase those units periodically, thus increasing his own share till complete ownership.

Financial Statements

Auditors' Report to the Members

EY
Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
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Pakistan

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Fax: +9221 35681965
eyfrsh.khi@pk.ey.com
ey.com/pk

We have audited the annexed balance sheet of Cherat Cement Company Limited (the Company) as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.3 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Audit Engagement Partner: Khurram Jameel
Karachi: August 17, 2015

Balance Sheet
as at June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	6,830,753	3,361,632
Intangible assets	5	13,998	14,125
		6,844,751	3,375,757
Long-term investments	6	334,377	131,599
Long-term loans and advances	7	710	1,199
Long-term security deposits		17,398	17,238
		352,485	150,036
		7,197,236	3,525,793
CURRENT ASSETS			
Stores, spare parts and loose tools	8	983,385	1,181,254
Stock-in-trade	9	463,456	369,872
Loans and advances	10	17,429	18,028
Trade deposits, short-term prepayments and other receivables	11	183,858	74,136
Short-term investments	12	600,118	1,242,271
Taxation – net		-	2,498
Cash and bank balances	13	18,354	17,116
		2,266,600	2,905,175
TOTAL ASSETS		9,463,836	6,430,968
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	1,766,318	1,051,380
Reserves	15	6,259,723	3,812,888
		8,026,041	4,864,268
NON-CURRENT LIABILITIES			
Long-term financing	16	122,312	163,082
Long-term deposits	17	13,988	15,530
Deferred taxation	18	474,634	506,947
		610,934	685,559
CURRENT LIABILITIES			
Trade and other payables	19	653,940	676,921
Accrued mark-up	20	3,509	37,166
Short-term borrowings	21	87,523	99,376
Current maturity of long-term financing	16	40,770	40,770
Taxation – net		10,578	-
Unclaimed dividend		30,541	26,908
		826,861	881,141
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		9,463,836	6,430,968

The annexed notes from 1 to 40 form an integral part of these financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Profit and Loss Account

for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
Turnover – net	23	6,565,416	6,451,330
Cost of sales	24	(4,581,871)	(4,348,680)
Gross profit		1,983,545	2,102,650
Distribution costs	25	(205,796)	(188,395)
Administrative expenses	26	(164,310)	(141,444)
Other expenses	27	(105,425)	(132,920)
		(475,531)	(462,759)
Other income	28	201,029	76,593
Operating profit		1,709,043	1,716,484
Finance costs	29	(37,855)	(28,745)
Profit before taxation		1,671,188	1,687,739
Taxation			
Current - for the year		(425,415)	(243,104)
- prior years		10,078	23,578
Deferred		32,313	(152,045)
	30	(383,024)	(371,571)
Profit after taxation		1,288,164	1,316,168
			(Restated)
Earnings per share – basic and diluted	31	Rs. 8.01	Rs. 9.60

The annexed notes from 1 to 40 form an integral part of these financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Statement of Comprehensive Income

for the year ended June 30, 2015

	2015	2014
	(Rupees in '000)	
Net profit for the year	1,288,164	1,316,168
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealised gain on available-for-sale securities	202,778	63,363
Items that may not be reclassified subsequently to profit and loss account		
Actuarial gain on defined benefit plan	118,511	14,658
	321,289	78,021
Total comprehensive income for the year	1,609,453	1,394,189

The annexed notes from 1 to 40 form an integral part of these financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Cash Flow Statement

for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,671,188	1,687,739
Adjustment for:			
Depreciation	4.1.3	273,217	258,609
Amortisation	5.1	2,610	2,465
Unrealized loss / (gain) on short-term investments		7,597	(42,271)
Gain on disposal of operating property, plant and Equipment	4.1.4	(1,648)	(4,904)
Finance costs	29	37,855	28,745
Exchange loss	27	322	2,405
Dividend income	28	(7,090)	(5,317)
		312,863	239,732
		1,984,051	1,927,471
Decrease / (increase) in current assets			
Stores, spare parts and loose tools		197,869	(213,337)
Stock-in-trade		(93,584)	63,896
Loans and advances		599	(5,059)
Trade deposits, short-term prepayments and other receivables		8,789	(40,502)
		113,673	(195,002)
		2,097,724	1,732,469
(Decrease) / increase in current liabilities			
Trade and other payables		(23,303)	185,928
Cash generated from operations		2,074,421	1,918,397
Income tax paid		(402,261)	(162,218)
Long-term loans, advances and deposits – net		(1,213)	851
Net cash generated from operating activities		1,670,947	1,757,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(199,880)	(524,022)
Additions to intangible assets		(2,483)	-
Proceeds from disposal of operating property, plant and equipment	4.1.4	4,343	11,962
Capital work-in-progress	4.2	(3,545,153)	333,539
Short-term investments		634,556	(1,200,000)
Dividend received		7,090	5,317
Net cash used in investing activities		(3,101,527)	(1,373,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of right shares - net		1,762,596	-
Long-term financing		(40,770)	-
Short-term borrowings		(11,853)	(137,572)
Dividend paid		(206,643)	(233,516)
Finance costs paid		(71,512)	(21,170)
Net cash generated from / (used in) financing activities		1,431,818	(392,258)
Net increase / (decrease) in cash and cash equivalents		1,238	(8,432)
Cash and cash equivalents as at the beginning of the year		17,116	25,548
Cash and cash equivalents as at the end of the year	13	18,354	17,116

The annexed notes from 1 to 40 form an integral part of these financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Statement of Changes in Equity

for the year ended June 30, 2015

	Issued, Subscribed and Paid-up Capital	Reserves							Total
		Capital Reserves		Revenue Reserves					
		Share premium	Others	General Reserve	Unappro-priated profit	Actuarial (loss) / gain on gratuity fund	Unrealised gain on available-for-sale securities	Sub-total	
	(Rupees in '000)								
Balance as at July 01, 2013	955,801	-	50,900	420,000	2,251,298	(2,939)	33,969	2,753,228	3,709,029
Final cash dividend for the year ended June 30, 2013 @ Rs. 1.50/- per share	-	-	-	-	(143,370)	-	-	(143,370)	(143,370)
Interim cash dividend for the year ended June 30, 2014 @ Re. 1.00/- per share	-	-	-	-	(95,580)	-	-	(95,580)	(95,580)
Issuance of bonus shares @ 1 share for every 10 ordinary shares held	95,579	-	-	-	(95,579)	-	-	(95,579)	-
Net profit for the year	-	-	-	-	1,316,168	-	-	1,316,168	1,316,168
Other comprehensive income	-	-	-	-	-	14,658	63,363	78,021	78,021
Total comprehensive income	-	-	-	-	1,316,168	14,658	63,363	1,394,189	1,394,189
Balance as at June 30, 2014	**1,051,380**	**-**	**50,900**	**420,000**	**3,232,937**	**11,719**	**97,332**	**3,812,888**	**4,864,268**
Balance as at July 01, 2014	1,051,380	-	50,900	420,000	3,232,937	11,719	97,332	3,812,888	4,864,268
Final cash dividend for the year ended June 30, 2014 @ Rs. 2.00/- per share	-	-	-	-	(210,276)	-	-	(210,276)	(210,276)
Issue of right shares @ 68% (i.e. 68 shares for every 100 ordinary shares held)	714,938	1,072,408	-	-	-	-	-	1,072,408	1,787,346
Shares issue cost	-	(24,750)	-	-	-	-	-	(24,750)	(24,750)
Net profit for the year	-	-	-	-	1,288,164	-	-	1,288,164	1,288,164
Other comprehensive income	-	-	-	-	-	118,511	202,778	321,289	321,289
Total comprehensive income	-	-	-	-	1,288,164	118,511	202,778	1,609,453	1,609,453
Balance as at June 30, 2015	**1,766,318**	**1,047,658**	**50,900**	**420,000**	**4,310,825**	**130,230**	**300,110**	**6,259,723**	**8,026,041**

The annexed notes from 1 to 40 form an integral part of these financial statements.

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Notes to the Financial Statements

for the year ended June 30, 2015

1 CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) in the year 1981. Its main business activity is manufacturing, marketing and sale of cement. The Company 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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared on the basis of historical cost convention except for certain investments that have been measured at fair value.

2.3 New, revised and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New standards, interpretations and amendments

The Company has adopted the following amendments and improvements to accounting standards which became effective for the current year:

IAS 19	- Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32	- Financial Instruments : Presentation – (Amendment)
	- Offsetting Financial Assets and Financial Liabilities
IAS 36	- Impairment of Assets – (Amendment)
	- Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	- Financial Instruments: Recognition and Measurement – (Amendment)
	- Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	- Levies

Improvements to accounting standards issued by the IASB

IFRS 2	- Share-based Payment - Definitions of vesting conditions
IFRS 3	- Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3	- Business Combinations - Scope exceptions for joint ventures
IFRS 8	- Operating Segments - Aggregation of operating segments
IFRS 8	- Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	- Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
IAS 24 - Related Party Disclosures - Key management personnel
IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments and improvements to accounting standards did not have any effect on the financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10 -	Consolidated Financial Statements	01 January 2015
IFRS 10 -	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)	01 January 2015
IFRS 10 -	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 -	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	01 January 2016
IFRS 11 -	Joint Arrangements	01 January 2015
IFRS 11 -	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IFRS 12 -	Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 -	Fair Value Measurement	01 January 2015
IAS 1 -	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 16 -	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 -	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 -	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning

Notes to the Financial Statements
for the year ended June 30, 2015

on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities and assets, at the end of the reporting period. However, uncertainty about these estimates and judgments could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

2.5.1 Staff retirement benefits

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

2.5.2 Operating property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available to the Company. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

2.5.3 Taxation

Current

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. Instance where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingency.

Deferred Tax

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to profit and loss account.

2.5.4 Stock-in-trade, stores, spare parts and loose tools

The Company reviews the net realizable value (NRV) of stock-in-trade and stores, spare parts and loose tools to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

2.5.5 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future event(s).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment except for land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Land and capital work-in-progress are stated at cost. Depreciation is charged to profit and loss account applying the reducing balance method except for computers, which are depreciated using the straight-line method at the rates mentioned in the note 4.1.1 to the financial statements.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of operating property, plant and equipment, if any, are recognised in the profit and loss account.

The carrying values of operating property, plant and equipment are reviewed for impairment annually when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

Depreciation is charged from the month of the year in which addition / capitalization occurs, while no depreciation is charged in the month in which an asset is disposed off.

3.1.1 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of such assets can also be measured reliably.

Computer software and implementation costs that are directly associated with the computer and computer controlled machines which cannot operate without the related specific software, are included in the cost of respective assets. Software which is not an integral part of the related hardware is classified as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised on a straight-line method when assets are available for use. Amortisation is charged from the month of the year in which addition / capitalization occurs while no amortisation is charged in the month in which an asset is disposed off.

Notes to the Financial Statements
for the year ended June 30, 2015

3.2 Investments

3.2.1 Interest in a Joint Venture

The Company has an interest in a joint venture which is a jointly controlled entity. The Company combines its share and recognises its interest in the joint venture using the equity method. Under equity method, the investment in a joint venture is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the joint venture. Profit and loss account reflects the share of the results of operation of joint venture.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Company calculates the amount of impairment loss as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the profit and loss account.

Financial statements of the joint venture are prepared for same reporting period as that of the Company, using consistent accounting policies in line with that of the Company.

3.2.2 Available-for-sale securities

These are non-derivative financial assets which are intended to be held for an indefinite period of time, but may be sold in response to the need for liquidity or changes in interest rates.

These investments are initially measured at fair value plus transaction costs. After initial measurement, available-for-sale securities are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income and removed from the available-for-sale reserve.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

3.2.3 Designated through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuation in prices are classified as 'financial assets at fair value through profit or loss' category.

These investments are initially recognizes at fair value, relevant transaction costs are taken directly to profit and loss account.

Subsequent to initial recognition, these financial assets are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the profit and loss account in the period in which they arise.

Fair value is determined by reference to quoted market price at the close of business on each balance sheet date.

3.3 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and estimated net realizable value (NRV) except items-in-transit which are stated at invoice value plus other charges paid thereon upto the balance sheet date.

Provision / write-off, if required, is made in the financial statements for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

Net realizable value represents estimated selling prices in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.4 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and estimated NRV except for goods-in-transit which are stated at cost comprising invoice values plus other charges incurred thereon upto the balance sheet date.

Cost signifies in relation to:

Raw and packing material	-	Purchase cost on average basis
Finished goods and work-in-process	-	Cost of direct material, labour and proportion of manufacturing overheads
Stock-in-transit	-	Invoice value plus other charges paid thereon up to the balance sheet date

3.5 Trade debts

Trade debts are recognised at invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of customer's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are de-recognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

3.8 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Incomes and expenses arising from such assets and liabilities are also offset accordingly.

3.9 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak Rupees at the foreign exchange rate prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and current and savings accounts with commercial banks.

3.11 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable.

Notes to the Financial Statements
for the year ended June 30, 2015

3.11.1 Sale of goods

Revenue from sales is recognised upon passage of title to the customers that generally coincides with physical delivery. It is recorded at net of trade discounts and volume rebates.

3.11.2 Other income

Return on held-to-maturity investments is recognised on accrual basis using effective yield method.

Dividend income is recognised when the right to receive such payment is established.

Other revenues are accounted for on accrual basis.

3.12 Staff retirement benefits

3.12.1 Gratuity scheme

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the other comprehensive income. All the past service costs are recognised at the earlier of when the amendments or curtailment occurs and when the Company has recognised related restructuring or terminations benefits.

3.12.2 Provident fund

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 8.33 percent of basic salary.

3.13 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 Taxation

3.14.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with Turnover and Alternate Corporate taxes, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements. The charge for tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

3.14.2 Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that sufficient taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit and loss account.

3.14.3 Sales tax

Revenues, expenses and assets are recognized, net off amount of sales tax except:

Where sales tax incurred on a purchase of asset or service is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivables or payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the balance sheet.

3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.16 Impairment

The carrying value of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

3.17 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated as given in notes 33 and 34 to the financial statements.

3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.19 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

Notes to the Financial Statements

for the year ended June 30, 2015

		Note	2015	2014
4	**PROPERTY, PLANT AND EQUIPMENT**		(Rupees in '000)	
	Existing Line			
	Operating property, plant and equipment	4.1	3,244,178	3,320,210
	Capital work-in-progress	4.2	47,797	41,422
			3,291,975	3,361,632
	New Line			
	Capital work-in-progress	4.3	3,538,778	-
			6,830,753	3,361,632

4.1 Operating property, plant and equipment

4.1.1 Following is a statement of operating property, plant and equipment:

2015 Description	COST			DEPRECIATION				Book Value as at June 30, 2015	Depreciation rate % per annum
	As at July 01, 2014	Additions / (disposals)	As at June 30, 2015	As at July 01, 2014	Adjustment on disposals	For the year	As at June 30, 2015		
	(Rupees in '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	627,567	1,671	629,238	344,786	-	21,262	366,048	263,190	7.5
Plant and machinery	5,698,938	71,512	5,770,450	3,036,353	-	180,955	3,217,308	2,553,142	5-7.5
Power and other installations	152,710	13,840	166,550	73,349	-	8,523	81,872	84,678	10-20
Furniture and fittings	40,800	1,601	42,401	27,960	-	1,257	29,217	13,184	10-20
Quarry, factory and laboratory equipment	472,519	59,876	532,395	297,397	-	33,146	330,543	201,852	10-20
Motor vehicles	165,364	42,541 (12,321)	195,584	74,825	(9,626)	22,757	87,956	107,628	20
Office equipment	11,414	2,065	13,479	8,364	-	748	9,112	4,367	10-20
Computers	72,500	6,774	79,274	67,238	-	4,569	71,807	7,467	33.33
	7,250,482	199,880 (12,321)	7,438,041	3,930,272	(9,626)	273,217	4,193,863	3,244,178	

2014 Description	COST As at July 01, 2013	COST Additions / (disposals)	COST As at June 30, 2014	DEPRECIATION As at July 01, 2013	DEPRECIATION Adjustment on disposals	DEPRECIATION For the year	DEPRECIATION As at June 30, 2014	Book Value as at June 30, 2014	Depreciation rate % per annum
	(Rupees in '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	521,978	105,589	627,567	325,437	-	19,349	344,786	282,781	7.5
Plant and machinery	5,375,218	323,720	5,698,938	2,857,124	-	179,229	3,036,353	2,662,585	5-7.5
Power and other installations	128,704	24,006	152,710	65,531	-	7,818	73,349	79,361	10-20
Furniture and fittings	39,961	839	40,800	26,678	-	1,282	27,960	12,840	10-20
Quarry, factory and laboratory equipment	443,527	28,992	472,519	270,517	-	26,880	297,397	175,122	10-20
Motor vehicles	143,953	37,770 (16,359)	165,364	65,764	(9,308)	18,369	74,825	90,539	20
Office equipment	11,414	-	11,414	7,727	-	637	8,364	3,050	10-20
Computers	69,487	3,106 (93)	72,500	62,279	(86)	5,045	67,238	5,262	33.33
	6,742,912	524,022 (16,452)	7,250,482	3,681,057	(9,394)	258,609	3,930,272	3,320,210	

		Note	2015	2014
			(Rupees in '000)	
4.1.2	**Reconciliation of book value:**			
	Book value as at the beginning of the year		3,320,210	3,061,855
	Additions during the year		199,880	524,022
	Depreciation for the year		(273,217)	(258,609)
	Disposals during the year at book value		(2,695)	(7,058)
	Book value as at the end of the year		3,244,178	3,320,210
4.1.3	**The depreciation for the year has been allocated as follows:**			
	Cost of sales	24	259,667	245,600
	Distribution costs	25	5,774	4,963
	Administrative expenses	26	7,776	8,046
			273,217	258,609

Notes to the Financial Statements
for the year ended June 30, 2015

4.1.4 Disposal of operating property, plant and equipment

Description	Cost	Book value	Sale proceed	Gain	Mode of disposal	Particulars of buyers
	(Rupees in '000)					
Vehicles						
Honda Accord Reg. # AKC-007	2,410	307	1,350	1,043	Tender	Mirza Zafar Hussain (Karachi) - outside Party
Suzuki Alto VXR CNG 1000cc Reg.# APA-370	502	109	510	401	Tender	Ms. Rozina Khawaja (Tando Muhammad Khan) - Outside Party
Suzuki Alto VXR CNG 1000cc Reg.# APB-311	503	104	126	22	Employee car scheme	Mr. Aftab A. Siddiqui - Employee
Suzuki Alto VXR CNG 1000cc Reg.# ARK-279	615	163	163	-	Employee car scheme	Mr. Humayun A. Zuberi - Employee
Suzuki Alto VXR CNG 1000cc Reg.# ARK-280	615	163	163	-	Employee car scheme	Mr. Shariq Hussain - Employee
Suzuki Mehran CNG 800cc Reg.# BA-6890	469	124	124	-	Employee car scheme	Mr. Miraj Gul - Employee
Suzuki Cultus VXR CNG 1000cc Reg.# BA-6760	749	199	199	-	Employee car scheme	Mr. Muhammad Riaz - Employee
Suzuki Cultus VXR CNG 1000cc Reg.# BA-6805	749	199	199	-	Employee car scheme	Mr. Azam Khan - Employee
Suzuki Cultus VXR CNG 1000cc Reg.# BA-6654	749	199	209	10	Employee car scheme	Mr. Shahid Ahmed - Employee
Suzuki Mehran CNG 800cc Reg.# BA-6880	469	124	129	5	Employee car scheme	Mr. Gulfam Khan Khattak - Employee
Honda CD-70 Reg. # KBU-1213 Pool Bike	54	8	25	17	Tender	Mr. Raza Ahmed (Karachi) - outside Party
Suzuki Alto VXR CNG 1000cc Reg.# B-2549	615	154	154	-	Employee car scheme	Mr. Noor-Ul-Basar - Employee
Suzuki Alto VXR CNG 1000cc Reg.# B-2548	615	163	163	-	Employee car scheme	Mr. Qasim Khan - Employee
Suzuki Alto VXR CNG 1000cc Reg.# B-2551	615	157	157	-	Employee car scheme	Mr. Rafiullah – Employee
Honda Civic VTI, 1800cc Reg. # U-1026	1,128	133	283	150	Employee car scheme	Mr. Zahir Shah - Employee
Suzuki Alto VXR CNG 1000cc Reg.# BA-7713	655	174	174	-	Employee car scheme	Mr. Daud Khan - Employee
Suzuki Cultus VXR CNG 1000cc Reg.# BA-7979	809	215	215	-	Employee car scheme	Mr. Tufail Khatak - Employee
2015	12,321	2,695	4,343	1,648		
2014	16,452	7,058	11,962	4,904		

4.2 Movement of Capital work-in-progress – Existing line

Description	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Motor vehicles	Quarry, factory and lab equipment	Furniture and fittings	Total
	(Rupees in '000)							
Balance as at June 30, 2013	116,797	219,627	-	29,091	-	-	-	365,515
Capital expenditure incurred / advances made during the year	4,222	118,001	-	4,364	2,006	441	188	129,222
Transferred to operating property, plant and equipment	(105,589)	(323,720)	-	(24,006)	-	-	-	(453,315)
Balance as at June 30, 2014	15,430	13,908	-	9,449	2,006	441	188	41,422
Capital expenditure incurred / advances made during the year	-	88,209	6,774	4,391	42,558	60,845	3,478	206,255
Transferred to operating property, plant and equipment	(1,671)	(71,512)	(6,774)	(13,840)	(42,541)	(59,876)	(3,666)	(199,880)
Balance as at June 30, 2015	13,759	30,605	-	-	2,023	1,410	-	47,797

4.3 Capital work-in-progress – New Line

Description	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Motor vehicles	Quarry, factory and lab equipment	Furniture and fittings	Total
	(Rupees in '000)							
Capital expenditure incurred / advances made during the year	686,918	2,831,686	1,001	15,616	874	-	2,683	3,538,778

4.3.1 This represents costs incurred on the installation of new cement line at our existing location in Nowshera, Khyber Pakhtunkhwa Province.

5 INTANGIBLE ASSETS

Description	Cost			Amortisation			Book value as at June 30	Amortisation Rate % per annum
	As at July 01	Additions during the year	As at June 30	As at July 01	For the year	As at June 30		
	(Rupees in '000)							
Computer software								
2015	**24,649**	**2,483**	**27,132**	**10,524**	**2,610**	**13,134**	**13,998**	**10**
2014	24,649	-	24,649	8,059	2,465	10,524	14,125	10

Notes to the Financial Statements
for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in '000)	
5.1 The amortisation for the year has been allocated as follows:			
Cost of sales	24	2,370	2,225
Distribution costs	25	136	136
Administrative expenses	26	104	104
		2,610	2,465

6 LONG-TERM INVESTMENTS

	Note	2015	2014
Investment in related parties			
Interest in a Joint Venture	6.1	-	-
Available-for-sale securities	6.2	334,377	131,599
		334,377	131,599

6.1 Movement of interest in a joint venture – under equity method

	Note	2015	2014
Company's share in net assets		106,705	106,705
Less: Provision for impairment loss	6.1.3	(106,705)	(106,705)
		-	-

6.1.1 The Company has 10,744,997 shares (2014: 10,744,997 shares) representing 50% (2014: 50%) interest in Madian Hydro Power Limited (MHPL), a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited. The project is formed to build, operate and maintain hydro power generation plant at Madian over River Swat for the generation and supply of electric power.

6.1.2 The share of the assets, liabilities, revenue and expenses of the joint venture as at the year ended June 30 is as follows:

	2015	2014
	(Rupees in '000)	
Current assets	88	76
Non-current assets	106,662	106,674
Current liabilities	(45)	(45)
Net assets	106,705	106,705

6.1.3 MHPL has completed technical feasibility of the project in 2009, which was approved by Private Power and Infrastructure Board (PPIB). Due to security situation in Swat, MHPL sought for an indefinite extension from PPIB for further post feasibility study deadlines applicable to the project. The PPIB's response to the request is still awaited. Some foreign investors have shown their interest in becoming part of this project, but nothing has materialized yet. In view of considerable delays associated with starting the project activities and the aforesaid uncertain situation, the management has assessed that the carrying value of investment is impaired.

		Note	2015	2014
			(Rupees in '000)	
6.2	**Available-for-sale securities – at fair value**			
	Ordinary shares of listed company			
	Cherat Packaging Limited			
	1,772,380 (2014: 1,772,380) fully paid ordinary shares of Rs. 10/- each.		334,377	131,599

		Note	2015	2014
7	**LONG-TERM LOANS AND ADVANCES – secured, considered good**			
	Loans to:			
	Executives		-	67
	Employees	7.1	3,021	3,772
			3,021	3,839
	Less: Due within one year – current portion of loans	10	(2,311)	(2,640)
			710	1,199

7.1 Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 11% per annum (2014: upto 15% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

		Note	2015	2014
			(Rupees in '000)	
8	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		505,736	654,045
	Spare parts		455,814	520,464
	Loose tools		541	588
			962,091	1,175,097
	Add: Stores and spare parts in transit		21,294	6,157
			983,385	1,181,254
9	**STOCK-IN-TRADE**			
	Raw and packing material		66,573	61,986
	Work-in-process		343,520	245,558
	Finished goods		53,363	62,328
			463,456	369,872
10	**LOANS AND ADVANCES – considered good**			
	Current portion of loans due from:			
	Executives		-	125
	Employees		2,311	2,515
		7	2,311	2,640
	Advances to suppliers – unsecured		15,118	15,388
			17,429	18,028

Notes to the Financial Statements
for the year ended June 30, 2015

	Note	2015	2014
11 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES		(Rupees in '000)	
Trade deposits		547	547
Short-term prepayments		15,906	16,735
Duty drawback receivable		13,303	12,326
Staff gratuity fund	11.1	123,552	4,108
Insurance claims receivable		9,229	5,597
Sales tax adjustable		-	17,949
Sales tax and excise duty refundable		8,368	8,368
Others		12,953	8,506
		183,858	74,136

11.1 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2015.

The fair value of scheme's assets and the present value of obligation under the scheme as at the balance sheet date are as follows:

	2015	2014
Staff Gratuity Fund Asset:	(Rupees in '000)	
Present value of defined benefit obligation	353,290	264,832
Fair value of plan assets	(476,842)	(268,940)
Asset recognised in the balance sheet	(123,552)	(4,108)
Current service cost	15,635	13,504
Interest cost	34,892	25,242
Expected return on plan assets	(36,460)	(24,928)
	14,067	13,818
Experience adjustment arising on plan liabilities losses	50,666	12,286
Return on plan assets excluding interest income gains	(169,177)	(26,944)
	(118,511)	(14,658)
Movement in net asset recognised in the balance sheet:		
Balance as at July 01	(4,108)	8,732
Net charge for the year	14,067	13,818
Re-measurements chargeable in other comprehensive income	(118,511)	(14,658)
Contribution to the fund	(15,000)	(12,000)
Balance as at June 30	(123,552)	(4,108)

Movement in the present value of defined benefit obligation:	2015	2014
	(Rupees in '000)	
Balance as at July 01	264,832	225,183
Current service cost	15,635	13,504
Interest cost	34,892	25,242
Benefits paid during the year	(12,735)	(11,383)
Actuarial loss	50,666	12,286
Balance as at June 30	353,290	264,832
Movement in the fair value of plan assets:		
Balance as at July 01	268,940	216,451
Expected return	36,460	24,928
Contributions	15,000	12,000
Benefits paid during the year	(12,735)	(11,383)
Actuarial gain	169,177	26,944
Balance as at June 30	476,842	268,940
Principal actuarial assumptions used are as follows:	(Percentage)	
Expected rate of increase in salary level	9.50	11.5
Valuation discount rate	9.75	13.5
Rate of return on plan assets`	9.75	13.5

Comparisons for past years:	2015	2014	2013	2012	2011
	(Rupees in '000)				
As at June 30					
Present value of defined benefit obligation	353,290	264,832	225,183	192,274	156,403
Fair value of plan assets	(476,842)	(268,940)	(216,451)	(119,496)	(66,231)
(Surplus) / Deficit	(123,552)	(4,108)	8,732	72,778	90,172
Experience adjustment on plan liabilities	(50,666)	(12,286)	(7,666)	(21,851)	(7,253)
Experience adjustment on plan assets	169,177	26,944	65,163	35,061	(5,605)
	118,511	14,658	57,497	13,210	(12,858)

Notes to the Financial Statements
for the year ended June 30, 2015

Composition of plan assets is as follows:

	2015	2014
	(Rupees in '000)	
Defence Savings Certificates	9,301	7,040
Special Savings Certificates	21,333	-
Mutual funds / Shares / COIs / PIBs	443,630	255,604
Amount in banks	2,578	6,296
	476,842	268,940

The expected return on plan assets was based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of related obligation.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year 2015 amounts to Rs. 205.636 million (2014: Rs. 51.872 million).

12 SHORT-TERM INVESTEMENTS

Designated through profit or loss
- Mutual Fund Units

2015	2014		2015	2014
Units			(Rupees in '000)	
-	20,860,702	ABL Cash Fund	-	209,122
14,142,260	-	ABL Government Securities Fund	141,881	-
-	3,055,048	Meezan Sovereign Fund	-	154,219
-	302,515	Atlas Money Market Fund	-	152,026
353,966	-	Atlas Income Fund	180,606	-
332,770	1,534,745	HBL Money Market Fund	33,659	153,968
-	3,146,252	Pakistan Cash Management Fund	-	157,313
2,488,288	1,017,618	Metro Bank Pakistan Sovereign Fund	132,029	50,922
-	15,751,082	NAFA Money Market Fund	-	157,719
11,037,238	-	NAFA Government Securities Fund	111,943	-
-	4,957,673	NIT-Government Bond Fund	-	50,092
-	1,563,186	UBL Liquidity Fund	-	156,890
28,354,522	52,188,821		600,118	1,242,271

12.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2015 as quoted by the respective Asset Management Company.

13 CASH AND BANK BALANCES

	Note	2015	2014
		(Rupees in '000)	
With banks in:			
Current accounts		11,837	9,535
Saving accounts	13.1	4,919	5,965
		16,756	15,500
Cash in hand:			
Foreign currency		14	14
Local currency		1,584	1,602
		1,598	1,616
		18,354	17,116

13.1 Effective profit rate in respect of saving accounts is 5% per annum (2014: 6.5% per annum).

14 SHARE CAPITAL

14.1 Authorised capital

2015	2014		2015	2014
Number of shares			(Rupees in '000)	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

14.2 Issued, subscribed and paid-up capital

2015	2014			2015	2014
			Fully paid ordinary shares of Rs. 10/- each		
19,842,000	19,842,000	-	Issued for consideration in cash	198,420	198,420
80,236,008	80,236,008	-	Issued as fully paid bonus shares	802,360	802,360
71,493,845	-	-	Right shares issued during the year	714,938	-
171,571,853	100,078,008			1,715,718	1,000,780
5,060,000	5,060,000	-	Issued for consideration other than cash on amalgamation	50,600	50,600
176,631,853	105,138,008			1,766,318	1,051,380

The following is the detail of shares held by the related parties:

	2015	2014
	(Number of Shares)	
Faruque (Private) Limited	35,648,485	19,194,187
Cherat Packaging Limited	4,243,362	243,362
Mirpurkhas Sugar Mills Limited	5,770,252	3,770,252
Greaves Pakistan (Private) Limited	2,199,093	2,199,093

15 RESERVES

	Note	2015	2014
		(Rupees in '000)	
Capital reserves			
Share premium		1,047,658	-
Others	15.1	50,900	50,900
		1,098,558	50,900
Revenue reserves			
General reserves		420,000	420,000
Unappropriated profit		4,310,825	3,232,937
Actuarial gain on gratuity fund		130,230	11,719
Unrealized gain on available-for-sale securities		300,110	97,332
		5,161,165	3,761,988
		6,259,723	3,812,888

15.1 This reserve was created due to amalgamation of Cherat Electric Limited with Cherat Cement Company Limited.

16 LONG-TERM FINANCING – secured

	Note	2015	2014
		(Rupees in '000)	
Refused Derived Fuel (RDF) Loan	16.1	163,082	203,852
Less: Current maturity		(40,770)	(40,770)
		122,312	163,082

Notes to the Financial Statements
for the year ended June 30, 2015

16.1 This represents a long-term financing obtained from a Islamic bank under the Diminishing Musharika Scheme for RDF, carrying profit at the rate of 6 months KIBOR + 0.75% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first drawdown i.e., from December 2014. The financing is secured against registered first pari-passu hypothecation charge on plant and machinery.

17 LONG-TERM DEPOSITS – unsecured

	Note	2015	2014
		(Rupees in '000)	
Dealers	17.1	10,780	10,999
Suppliers and contractors	17.2	3,208	4,531
		13,988	15,530

17.1 This represents interest-free security deposits from dealers which are refundable / adjustable on cancelation or withdrawal of dealership.

17.2 This represents interest-free security deposits from suppliers and contractors which are refundable / adjustable after the satisfactory execution of the agreements.

18 DEFERRED TAXATION

	Note	2015	2014
		(Rupees in '000)	
Deferred tax liability on taxable temporary difference: Accelerated tax depreciation on operating property, plant and equipment		474,634	506,947

19 TRADE AND OTHER PAYABLES

	Note	2015	2014
Creditors		26,719	3,524
Bills payable		140,475	191,984
Accrued liabilities		140,172	174,452
Advances from customers		80,021	68,344
Retention money		7,206	1,580
Workers' Profits Participation Fund	19.2	88,305	90,641
Workers' Welfare Fund	19.3	73,340	66,724
Sales tax payable		24,247	31,051
Royalty and excise duty payable		66,632	41,675
Others		6,823	6,946
		653,940	676,921

19.1 Provident Fund

	2015	2014
Size of the trust	725,182	549,266
Cost of investments made	595,813	458,577
Fair value of investments	718,568	538,661
	(Percentage)	
Percentage of investment made	99.09	98.07

The major categories of investment of provident fund are as follows:

	2015	2014
	(Rupees in '000)	
Banks	19,350	43,728
Government securities	363,991	261,998
Others	335,227	232,935
	718,568	538,661

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

		Note	2015	2014
19.2	**Workers' Profits Participation Fund**		(Rupees in '000)	
	Opening balance		90,641	84,946
	Interest thereon	29	807	916
			91,448	85,862
	Less: Payment made during the year		(91,448)	(85,862)
			-	-
	Charge for the year	27	88,305	90,641
	Closing balance		88,305	90,641

19.3 As per Workers' Welfare Fund (WWF) Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Government through Finance Acts 2006 and 2008 amended the WWF Ordinance, 1971, where by the term `total income` shall be considered as profit before taxation as per declaration of income in the return or as per accounts, whichever is higher. These amendments were challenged by the Company in the Honourable Peshawar High Court. During the year 2013-14, the Honourable Peshawar High Court declared the impugned levy of contribution introduced in the WWF Ordinance,1971 through the Finance Acts 2006 & 2008 as illegal and "ultra vires" as it lacks the essential mandate to be introduced and passed through a Money Bill under the Constitution. However, the Honourable Sindh High Court had earlier decided the same matter against the tax payers. This case is now in the Honourable Supreme Court of Pakistan for final adjudication.

As the Honourable Peshawar High Court has concerned jurisdiction in this case, WWF charge for the current year is based on the decision of the Honourable Peshawar High Court. Further, the management has made a reversal of Rs. 16.314 million in respect of prior years' provision. However, as a matter of prudence, an amount of Rs. 35.040 million pertaining to prior years' has not been reversed which may be reconsidered after evaluating future legal development in this case.

		Note	2015	2014
			(Rupees in '000)	
20	**ACCRUED MARK-UP**			
	Long-term financing		1,007	34,680
	Short-term running finance		2,502	2,486
			3,509	37,166
21	**SHORT-TERM BORROWINGS – secured**			
	Short-term running finance	21.1	87,523	99,376

Notes to the Financial Statements

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21.1 These facilities are obtained from various commercial banks amounting to Rs. 2,265 million (2014: Rs. 1,865 million) out of which Rs. 2,177.477 million (2014: Rs. 1,765.624 million) remains unutilized at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.60% per annum to 3 months KIBOR + 1% per annum and 1 month KIBOR + 1% per annum to 1 month KIBOR + 1.25% per annum. These facilities are secured against registered joint pari-passu hypothecation charge over stocks and book debts for Rs. 3,002.7 million. Further, the Company has obtained credit facilities from various commercial Islamic banks amounting to Rs. 550 million (2014: Rs. 350 million) out of which Rs. 550 million (2014: Rs. 350 million) remains unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 733.70 million.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 During the period from 1994 to 1999, excise duty was wrongly collected from the Company based on retail price inclusive of excise duty. The stand point of the Revenue Department was challenged by the Company and the High Courts have agreed with the Company's point of view that excise duty shall not be included as a component for determining the value i.e., Retail Price for levying excise duty. On an appeal filed by the Department, the Honourable Supreme Court of Pakistan, on February 15, 2007, upheld the point of view of the High Courts.

The Department filed a review petition against the decision of the Honourable Supreme Court of Pakistan. On January 20, 2009, the Honourable Supreme Court of Pakistan gave a favorable decision for the Company and has not allowed the admittance for hearing of this review petition.

The aforesaid decision has resulted in creation of a refund claim of Rs. 882 million (June 30, 2014: Rs. 882 million), which was wrongly collected from the Company. However, while verifying the refund claim, the Collector of Excise and Sales Tax Peshawar has issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that as the burden of this levy has been passed on to the end customers, thereby this refund does not belong to the Company. The Company has challenged this show cause notice in the Honourable Peshawar High Court and has taken the stance that this matter had already been dealt with at the Honourable Supreme Court level, based on the doctrine of *res judicata*. The Honourable Peshawar High Court granted a stay order to the Company against any adverse proceeding by the Department in this case on June 24, 2008.

In April 2011, the Honourable Peshawar High Court settled the writ petition by giving instructions to the Federal Board of Revenue (FBR) to appoint an independent firm of Chartered Accountants for verification of this refund claim. However, based on an out of court settlement, the Regional Tax Office (RTO) Peshawar carried out the verification of this refund claim. This exercise was carried out based on the terms of reference advised by the Federal Tax Ombudsman (FTO). RTO Peshawar finalized the report against the Company without giving any consideration to the facts of the case and the factual and legal submissions of the Company. This report was also not in line with the parameters given by the FTO. Accordingly, the FTO made a ruling for verification of the adverse observations of the RTO Peshawar through an independent firm of Chartered Accountant. This ruling of FTO was challenged by the FBR to the President of Pakistan who is the ultimate authority in such matters. The company made the presentation to the President of Pakistan upon its invitation through secretariat. The President of Pakistan rejected the representation of FBR and approved the recommendations of FTO with slight modifications that this verification will be carried out by two reputed audit firms.

Subsequently, being aggrieved of the orders, the FBR filed a writ petition in the Honourable Peshawar High Court against the authority of FTO to pass such an order. The Honourable Peshawar High Court has granted stay as an interim relief to the FBR.

In view of the inherent uncertainties involved and delays associated with such matters, this amount has not been recognised as income in the profit and loss account.

22.1.2 The Company has filed various refund cases which are pending at different adjudication levels. The amount involved is around Rs. 57 million (2014: Rs. 57 million). However, keeping in view of the inherent uncertainties involved in such matters and the fact that it is difficult to determine the outcome of these cases at this stage, no amount has been recognised as income in the profit and loss account.

22.1.3 The Competition Commission of Pakistan (CCP) had issued a show cause notice to the Company on a Suo Moto action for an increase in prices of cement across the country on March 20, 2008. The similar notices were also issued to other cement manufacturers. The Company filed a writ petition before the Honourable Islamabad High Court (HIHC) challenging the Competition Ordinance, 2007. The HIHC granted a stay order restricting the CCP to pass any adverse order(s) against the show cause notices issued to the cement manufacturers.

The HIHC finally dismissed the writ petition and vacated the stay order. However, the Company filed a writ petition in the Honourable Lahore High Court (HLHC) on this issue. The HLHC allowed the CCP to issue an order but restricted them from taking adverse action against the cement companies. The CCP in its order dated August 27, 2009 imposed a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 226 million on the Company. The Company simultaneously filed a writ petition in the Honourable Supreme Court of Pakistan challenging this order and also challenging the vires of law. This appeal is still pending adjudication. In line with historic judgement of Honourable Supreme Court of Pakistan dated July 31, 2009 the Competition Commission of Pakistan (CCP) Ordinance required approval of the National Assembly. The CCP Ordinance was repromulgated as an Ordinance twice with some changes creating further legal complications which were brought in to the knowledge of HLHC by amending the Company's appeal. Accordingly, the management, based on the legal advice, believes that there are good legal grounds and is hopeful that there will be no adverse outcome for the Company and therefore no provision for the above penalty has been made in these financial statements.

22.1.4 During the year ended June 30, 2013, the Company won a petition in the Honourable Sindh High Court against Special Excise Duty (SED) levied by the FBR under section 3A of the Federal Excise Act 2005 and SRO 655(1) / 2007 dated June 06, 2007 for the period from July 2007 to June 2011. This has resulted in a refund claim of Rs. 100.08 million. However, the FBR has challenged this decision in the Honourable Supreme Court of Pakistan where it is pending for adjudication. Keeping in view the uncertainties involved in the realisation of such refunds, no amount of income has been recognised in these financial statements.

	2015	2014
22.2 Commitments	(Rupees in '000)	
Letters of credits issued by commercial banks	2,873,408	53,667

23 TURNOVER

	2015	2014
Gross sales – Local	6,366,636	5,919,624
Rebate and commission	(184,243)	(162,831)
	6,182,393	5,756,793
Sales tax	(998,220)	(937,683)
Federal excise duty	(293,664)	(260,157)
	(1,291,884)	(1,197,840)
Net local sales	4,890,509	4,558,953
Gross sales – Export	1,764,373	1,985,790
Rebate and commission	(89,466)	(93,413)
Net export sales	1,674,907	1,892,377
	6,565,416	6,451,330

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24 COST OF SALES

	Note	2015	2014
		(Rupees in '000)	
Raw and packing material consumed			
Opening stock		61,986	50,395
Purchases		791,382	765,142
		853,368	815,537
Closing stock	9	(66,573)	(61,986)
		786,795	753,551
Duty drawback on exports		(8,840)	(10,890)
		777,955	742,661
Manufacturing overheads			
Salaries, wages and benefits	24.1	555,355	470,637
Stores and spare parts consumed		262,893	209,134
Fuel and power		2,569,019	2,401,509
Rent, rates and taxes		79,339	54,350
Insurance		68,061	53,828
Vehicle running expenses		37,244	36,054
Travelling and conveyance		10,123	10,483
Printing and stationery		1,465	1,334
Legal and professional charges		2,226	1,506
Laboratory expenses		1,120	1,972
Depreciation	4.1.3	259,667	245,600
Amortisation	5.1	2,370	2,225
Repairs and maintenance		24,462	23,395
Communication		2,807	3,460
Stores written-off		1,850	6,626
Miscellaneous		14,912	8,419
		4,670,868	4,273,193
Work-in-process			
Opening		245,558	314,350
Closing	9	(343,520)	(245,558)
Cost of goods manufactured		4,572,906	4,341,985
Finished goods			
Opening		62,328	69,023
Closing	9	(53,363)	(62,328)
		4,581,871	4,348,680

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 12.928 million and Rs. 7.724 million, respectively (2014: Rs. 10.953 million and Rs. 7.803 million, respectively).

25 DISTRIBUTION COSTS

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	25.1	148,600	135,233
Export expenses		1,297	1,554
Travelling and conveyance		2,684	1,268
Staff training expenses		397	277
Vehicle running expenses		9,672	10,837
Communication		3,854	4,511
Printing and stationery		1,138	1,393
Rent, rates and taxes		8,538	5,015
Utilities		8,870	8,499
Repairs and maintenance		3,835	4,937
Insurance		2,160	2,039
Advertisement		5,472	4,509
Entertainment		1,652	1,094
Depreciation	4.1.3	5,774	4,963
Amortisation	5.1	136	136
License and subscription		446	532
Miscellaneous		1,271	1,598
		205,796	188,395

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 4.514 million and Rs. 3.241 million, respectively (2014: Rs. 3.989 million and Rs. 3.111 million, respectively).

26 ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	26.1	105,080	90,149
Travelling and conveyance		4,794	5,686
Staff training expenses		108	118
Vehicle running expenses		5,921	6,045
Communication		3,412	3,709
Printing and stationery		3,634	2,316
Rent, rates and taxes		2,285	2,309
Utilities		1,748	1,502
Repairs and maintenance		1,100	2,036
Legal and professional charges		13,281	9,724
Insurance		3,208	2,665
License and subscription		8,180	4,126
Advertisement		583	641
Depreciation	4.1.3	7,776	8,046
Amortisation	5.1	104	104
Entertainment		1,499	1,320
Miscellaneous		1,597	948
		164,310	141,444

Notes to the Financial Statements
for the year ended June 30, 2015

26.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs.4.063 million and Rs. 3.102 million, respectively (2014: Rs. 3.518 million and Rs. 2.904 million, respectively).

27 OTHER EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Workers' Profits Participation Fund	19.2	88,305	90,641
Workers' Welfare Fund	19.3	6,616	34,444
Auditors' remuneration	27.1	1,831	1,888
Donations	27.2	8,351	3,542
Exchange loss		322	2,405
		105,425	132,920

27.1 Auditors' remuneration

	2015	2014
Audit fee	950	880
Half yearly review and CCG certification	360	345
Tax and other corporate services	359	533
Out of pocket expenses	162	130
	1,831	1,888

27.2 Recipients of donations do not include any donee in which any director or his spouse had any interest.

28 OTHER INCOME

	Note	2015	2014
		(Rupees in '000)	
Income from financial assets			
Profit on saving accounts with banks		1,936	1,341
Gain on short-term investments - net		180,426	42,271
Dividend income from a related party		7,090	5,317
		189,452	48,929
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.4	1,648	4,904
Scrap sales		9,924	22,598
Miscellaneous income		5	162
		11,577	27,664
		201,029	76,593

29 FINANCE COSTS

	Note	2015	2014
Mark-up on long-term financing		21,393	10,727
Mark-up on short-term borrowings		10,893	11,703
Bank charges and commission		4,762	5,399
Interest on Workers' Profits Participation Fund	19.2	807	916
		37,855	28,745

30 TAXATION

The assessments of the Company for and upto the tax year 2014 have been completed or deemed to be assessed.

30.1 Reconciliation between tax expense and accounting profit

	2015	2014
	(Rupees in '000)	
Accounting profit for the year before taxation	1,671,188	1,687,739
Tax at applicable rate of 33% (2014 : Rate 34%)	551,492	573,831
Super Tax	33,708	-
Tax effects of:		
- expenses that are inadmissible in determining taxable income – net	9,672	49,207
- allocation of ratio of revenue chargeable under FTR and Non-FTR	(154,934)	(307,085)
BMR rebate	(14,523)	(34,773)
Tax effect of prior years' charge	(10,078)	(23,578)
Tax effect of deductible temporary differences – net	(32,313)	152,045
Tax credits	-	(38,076)
	383,024	371,571

31 EARNINGS PER SHARE

	2015	2014
Profit after taxation (Rupees `000)	1,288,164	1,316,168
		(Restated)
Weighted average number of ordinary shares in issue	160,725,983	137,137,687
Earnings per share - basic	Rs. 8.01	Rs. 9.60

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e., market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Notes to the Financial Statements
for the year ended June 30, 2015

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

32.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk, such as equity risk.

32.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company's interest rate risk arises from long-term and short-term borrowings obtained with floating rates. All the borrowings of the Company are obtained in the functional currency.

Sensitivity Analysis

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax
		(Rupees in `000)
2015		
KIBOR	+200	(5,012)
KIBOR	-200	5,012
2014		
KIBOR	+200	(6,065)
KIBOR	-200	6,065

32.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rate. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relate primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

The management keeps on evaluating different options available for hedging purposes.

32.1.3 Equity risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 334.377 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 33.44 million on the other comprehensive income or profit and loss account depending whether or not the decline is significant and prolonged. An increase of 10% in the share price of the listed security would impact other comprehensive income with the similar amount.

32.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's exposure to credit risk is minimal as the Company receives advance against sales.

32.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	2015	2014
	(Rupees in '000)	
Long-term investments		
Counter parties without credit rating	334,377	131,599
Short-term investments		
AAA	111,943	157,313
AA+	-	152,026
AA	33,659	831,918
AA-	180,606	101,014
A+	273,910	-
	600,118	1,242,271
Cash at bank		
Current accounts – A1+	11,689	9,535
Current accounts – A1	148	-
Saving accounts – A1+	4,919	5,965
	16,756	15,500

Notes to the Financial Statements
for the year ended June 30, 2015

32.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date the Company has unavailed credit facility of Rs. 2,727.477 million (2014: Rs. 2,115.624 million).

Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2015					2014				
	INTEREST/MARKUP/PROFIT BEARING			NON INTEREST BEARING	Total	INTEREST/MARKUP/PROFIT BEARING			NON INTEREST BEARING	Total
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees in '000)									
Long-term financing	40,770	122,312	163,082	-	163,082	40,770	163,082	203,852	-	203,852
Long-term deposits	-	-	-	13,988	13,988	-	-	-	15,530	15,530
Trade and other payables	-	-	-	401,416	401,416	-	-	-	446,831	446,831
Accrued mark-up	-	-	-	3,509	3,509	-	-	-	37,166	37,166
Short-term borrowings	87,523	-	87,523	-	87,523	99,376	-	99,376	-	99,376
Unclaimed dividend	-	-	-	30,541	30,541	-	-	-	26,908	26,908
	128,293	122,312	250,605	449,454	700,059	140,146	163,082	303,228	526,435	829,663

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

32.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2015.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, less cash and cash equivalents.

The gearing ratios as at June 30, 2015 and 2014 were as follows:

	2015	2014
	(Rupees in '000)	
Long-term financing including current portion	163,082	203,852
Accrued mark-up	3,509	37,166
Short-term borrowings	87,523	99,376
Total debt	254,114	340,394
Cash and cash equivalents	(18,354)	(17,116)
Net debt	235,760	323,278
Share capital	1,766,318	1,051,380
Reserves	6,259,723	3,812,888
Total capital	8,026,041	4,864,268
Capital and net debt	8,261,801	5,187,546
Gearing ratio	2.85%	6.23 %

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

32.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market date (unobservable inputs).

During the year ended June 30, 2015, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

Notes to the Financial Statements
for the year ended June 30, 2015

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015		2014	
	Chief Executive	Executives / Key Employees	Chief Executive	Executives / Key Employees
	(Rupees in '000)			
Managerial remuneration	24,808	227,254	21,630	191,389
Housing allowance	1,452	72,475	1,452	60,986
Retirement benefits	2,946	23,374	2,641	19,002
Utilities	716	15,721	758	13,215
Leave fare assistance	1,473	13,662	1,321	11,526
	31,395	352,486	27,802	296,118
Number	1	121	1	108

33.1 The Chief Executive and an executive have been provided with furnished accommodation. Further, the Chief Executive and certain executives are also provided with the use of company maintained cars, telephone facility, utilities and some other facilities, which are reimbursed at actual to the extent of their entitlements.

33.2 The aggregate amount charged in the financial statements for the year for fee to 7 directors amounted to Rs. 0.800 million (2014: 7 directors - Rs. 0.675 million).

33.3 No remuneration was paid to any of the directors other than the Chief Executive.

34 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 the financial statements are as follows:

Relationship	Nature of transactions	2015	2014
		(Rupees in '000)	
Group companies	Purchase of packing material	498,364	473,800
	Purchase of raw material	129,475	118,743
	Sale of goods	317	229
	Purchase of fixed asset	8,500	8,800
	Dividend received	7,090	5,317
	Software consultancy charges	10,236	8,604
	Dividend paid	49,412	56,149
Other related parties	Insurance premium	38,233	41,807

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

35 NUMBER OF EMPLOYEES

Total number of persons employed as at the year end were 539 (2014: 520) and average number of employees during the year were 529 (2014: 514).

36 CAPACITY – Clinker

	2015	2014
	(Tons)	
Annual installed capacity as of June 30	1,000,000	1,000,000
Actual production	936,916	846,525

Actual production is less than the installed capacity due to planned maintenance shut down and in line with the industry demand.

37 DATE OF AUTHORISATION

These financial statements were authorised for issue on 17 August, 2015 by the Board of Directors of the Company.

38 DIVIDEND AND APPROPRIATIONS

38.1 Subsequent to the year ended June 30, 2015, the Board of Directors has proposed the following in its meeting held on August 17, 2015 for approval of the members at the Annual General Meeting:

	2015	2014
	(Rupees in '000)	
Final cash dividend @ Rs. 3.00/- per share (2014: Rs. 2.00/- per share)	529,896	210,276

38.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed a dividend amounting to Rs. 529.896 million in its meeting held on August 17, 2015 for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company believes that it would not be liable to pay tax on its undistributed reserves as of June 30, 2015.

39 CORRESPONDING FIGURES

There were no reclassifications that could affect the financial statements materially.

40 GENERAL

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Pattern of Shareholding

as at June 30, 2015

No. of Shareholders	Shareholding From	Shareholding To	Shares Held
636	1	100	22,660
1,268	101	500	468,631
744	501	1000	647,643
1,400	1001	5000	3,792,735
470	5001	10000	3,733,738
161	10001	15000	1,990,651
120	15001	20000	2,153,399
103	20001	25000	2,389,381
40	25001	30000	1,131,624
25	30001	35000	811,029
37	35001	40000	1,410,352
28	40001	45000	1,168,270
26	45001	50000	1,250,218
14	50001	55000	734,954
11	55001	60000	641,959
8	60001	65000	501,216
7	65001	70000	467,585
8	70001	75000	592,134
5	75001	80000	391,880
12	80001	85000	982,542
6	85001	90000	535,191
4	90001	95000	371,400
9	95001	100000	892,388
2	100001	105000	204,000
5	105001	110000	540,364
2	110001	115000	223,462
2	115001	120000	240,000
4	120001	125000	499,000
3	125001	130000	384,590
2	130001	135000	263,556
3	135001	140000	418,100
3	140001	145000	425,093
1	145001	150000	150,000
1	150001	155000	154,884
2	160001	165000	323,091
1	165001	170000	167,027
1	170001	175000	175,000
3	185001	190000	559,354
1	190001	195000	193,065
4	195001	200000	799,500
1	200001	205000	204,000
1	205001	210000	206,000
1	210001	215000	213,500
1	215001	220000	218,500
2	225001	230000	456,468
1	230001	235000	232,000
1	235001	240000	239,727
2	240001	245000	486,631
1	245001	250000	245,723
2	250001	255000	505,898
1	275001	280000	277,200
1	280001	285000	284,800
1	315001	320000	320,000
1	320001	325000	321,160
1	325001	330000	325,500
2	335001	340000	673,976

No. of Shareholders	Shareholding From	To	Shares Held
1	345001	350000	350,000
1	355001	360000	360,000
1	360001	365000	360,500
2	365001	370000	735,415
1	370001	375000	374,000
1	385001	390000	386,000
1	430001	435000	431,391
2	445001	450000	900,000
1	465001	470000	466,500
1	490001	495000	493,533
1	515001	520000	520,000
1	540001	545000	541,500
1	545001	550000	550,000
1	565001	570000	567,076
1	615001	620000	617,234
1	640001	645000	644,660
1	660001	665000	661,440
1	670001	675000	675,000
1	675001	680000	679,350
1	715001	720000	719,192
1	725001	730000	725,784
1	730001	735000	731,045
1	735001	740000	736,143
1	745001	750000	748,000
1	805001	810000	805,343
1	860001	865000	861,200
2	870001	875000	1,749,000
1	995001	1000000	1,000,000
1	1075001	1080000	1,075,689
1	1120001	1125000	1,121,250
1	1205001	1210000	1,208,254
1	1240001	1245000	1,241,655
1	1245001	1250000	1,250,000
2	1280001	1285000	2,562,911
1	1360001	1365000	1,361,633
1	1375001	1380000	1,376,126
2	1495001	1500000	2,995,500
1	1715001	1720000	1,716,597
1	1720001	1725000	1,722,000
1	1735001	1740000	1,739,578
1	1930001	1935000	1,930,400
1	1945001	1950000	1,948,979
1	2195001	2200000	2,199,093
1	2260001	2265000	2,265,000
1	2860001	2865000	2,861,361
1	3135001	3140000	3,139,803
1	3210001	3215000	3,214,164
1	4240001	4245000	4,243,362
1	4285001	4290000	4,289,612
1	4590001	4595000	4,590,500
1	5290001	5295000	5,290,736
1	5770001	5775000	5,770,252
1	8940001	8945000	8,945,000
1	14520001	14525000	14,521,858
1	35645001	35650000	35,648,485
5,262			176,631,853

Categories of Shareholders

as at June 30, 2015

Shareholders' Category	No. of Shareholders	Shares Held
Directors And Their Spouse(S) And Minor Children		
Mr. Omar Faruque	1	1,376,126
Mr. Azam Faruque	1	1,716,597
Mrs. Samia Faruque w/o Mr. Azam Faruque	1	52,710
Mr. Akbarali Pesnani	1	83,013
Mrs. Sakina Pesnani w/o Mr. Akbarali Pesnani	1	65,893
Mr. Shehryar Faruque	1	617,234
Mr. Tariq Faruque	1	1,241,655
Mr. Javaid Anwar	1	840
Mr. Saquib H. Shirazi	1	59,001
Associated Companies, Undertakings And Related Parties		
Faruque (Private) Limited	1	35,648,485
Cherat Packaging Limited	1	4,243,362
Mirpurkhas Sugar Mills Limited	1	5,770,252
Greaves Pakistan (Private) Limited	1	2,199,093
Executive	1	1,376,633
Public Sector Companies And Corporations	9	685,771
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas And Pension Funds	36	9,836,794
Mutual Funds		
MCBFSL - Trustee JS Value Fund	1	520,000
CDC - Trustee PICIC Investment Fund	1	4,590,500
CDC - Trustee JS Large Cap. Fund	1	675,000
CDC - Trustee PICIC Growth Fund	1	8,945,000
CDC - Trustee Pakistan Strategic Allocation Fund	1	1
CDC - Trustee Meezan Balanced Fund	1	124,000
CDC - Trustee JS Islamic Fund	1	550,000
CDC - Trustee Faysal Balanced Growth Fund	1	5,000
CDC - Trustee Unit Trust Of Pakistan	1	875,000
CDC - Trustee JS Aggressive Asset Allocation Fund	1	125,000
CDC - Trustee AKD Index Tracker Fund	1	24,296
CDC - Trustee Al Meezan Mutual Fund	1	661,440
CDC - Trustee Meezan Islamic Fund	1	4,289,612
CDC - Trustee Faysal Asset Allocation Fund	1	175,000
CDC - Trustee Al-Ameen Shariah Stock Fund	1	1,495,500
MC FSL - Trustee JS Growth Fund	1	1,250,000
CDC - Trustee KASB Asset Allocation Fund	1	76,500
CDC - Trustee NIT-Equity Market Opportunity Fund	1	567,076
CDC - Trustee First Habib Stock Fund	1	35,500
CDC - Trustee Lakson Equity Fund	1	1,930,400
CDC - Trustee Crosby Dragon Fund	1	67,500
CDC - Trustee PICIC Stock Fund	1	204,000
CDC - Trustee KSE Meezan Index Fund	1	167,027
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	40,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	60,000
CDC - Trustee First Habib Islamic Balanced Fund	1	20,000
CDC - Trustee PIML Strategic Multi Asset Fund	1	27,000
CDC - Trustee First Capital Mutual Fund	1	13,000
CDC - Trustee PIML Islamic Equity Fund	1	16,000
CDC - Trustee Faysal Savings Growth Fund - Mt	1	36,500
CDC - Trustee National Investment (Unit) Trust	1	14,521,858
CDC - Trustee PICIC Islamic Stock Fund	1	245,000
CDC - Trustee PIML Value Equity Fund	1	79,000
CDC - Trustee First Habib Income Fund - Mt	1	59,500
CDC - Trustee HBL Mustahekum Sarmaya Fund 1	1	40,000
General Public	5,058	54,886,344
Others	110	14,260,840
Total	5,262	176,631,853

Shareholders Holding 5% Or More	Shares Held	Percentage
Faruque (Private) Limited	35,648,485	20.18
CDC - Trustee National Investment (Unit) Trust	14,521,858	8.22
CDC - Trustee PICIC Growth Fund	8,945,000	5.06

Proxy Form

34th Annual General Meeting 2015

Registered folio / participant's ID No. and A/c. No.	______________
	______________
Number of shares held:	______________
	______________

Important

Instruments of Proxy will not be considered as valid unless deposited or received at the Company's Head Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

I / We ____

of ____

being a member of CHERAT CEMENT COMPANY LIMITED, hereby appoint ______________________

______________________ of ________________ another member of the Company as my / our proxy to attend & vote for me / us and on my / our behalf at the 34th Annual General meeting of the Company to be held on Friday, 16th October, 2015 at 11:00 a.m. and at any adjournment thereof.

1. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   NIC or ______________________
   Passport No. ______________________

Signature of Shareholder

Revenue Stamp

2. Signature: ______________________
   Name: ______________________
   Address: ______________________
   ____
   NIC or ______________________
   Passport No. ______________________

(Signature should agree with the specimen signature registered with the Company)

Note: SECP' circular of January 26, 2000 is on the reverse side of this form.

Circular

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
STATE LIFE BUILDING, 7- BLUE AREA

Islamabad, January 26, 2000

Circular No. 1 of 2000

Sub: Guidelines for Attending General Meeting and Appointment of Proxies

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guideline for the convenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The company shall obtain list of beneficial owners from the CDC as per Regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.

(2) The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

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