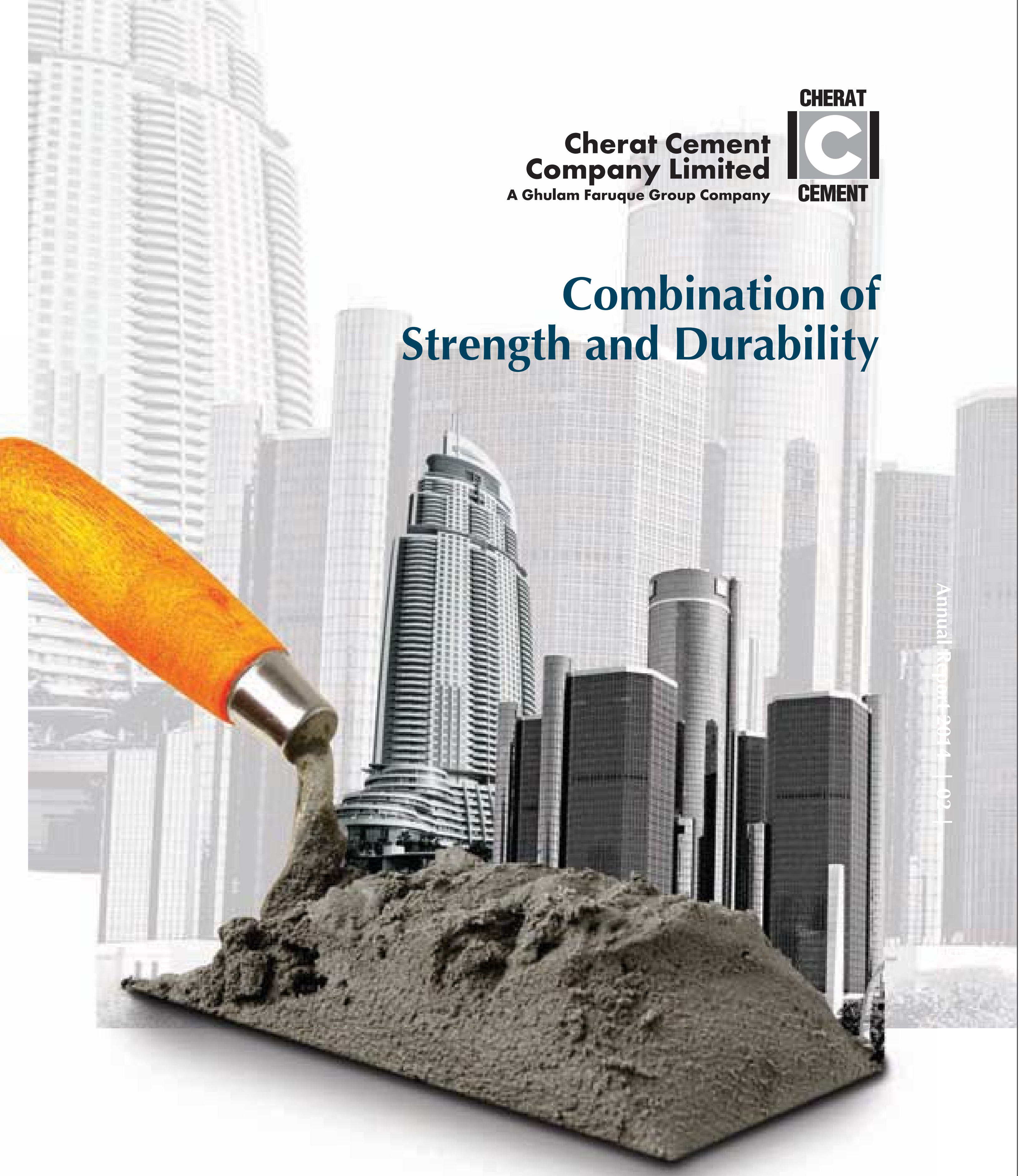
Cherat Cement Company Limited

A Ghulam Faruque Group Company

Combination of Strength and Durability

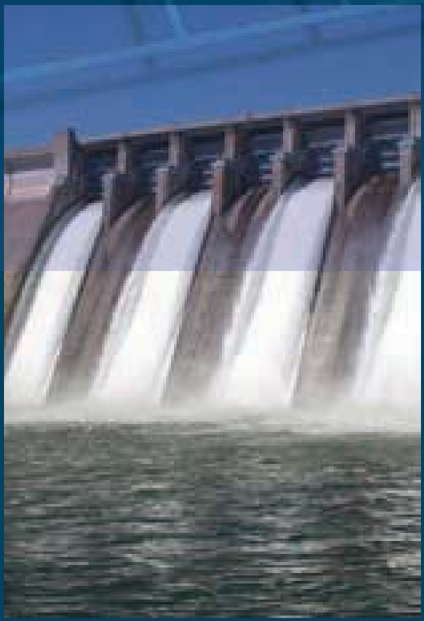


Annual Report 2014

Expansion of Cement Plant

As a consequence of the Government's plan to invest in large infrastructure projects, and increased private sector spending, domestic demand for cement is expected to remain strong for the medium to long term.

In view of this strong projected growth for cement, the Company has decided to install a new production line of more than 1.3 million tons capacity at its existing site in Nowshera, Khyber Pakhtunkhwa Province. Apart from achieving economies of scale, this will also allow the Company to meet future demand for cement locally, as well as continue to serve the Afghan market which, owing to its close proximity, the Company is best suited to serve.



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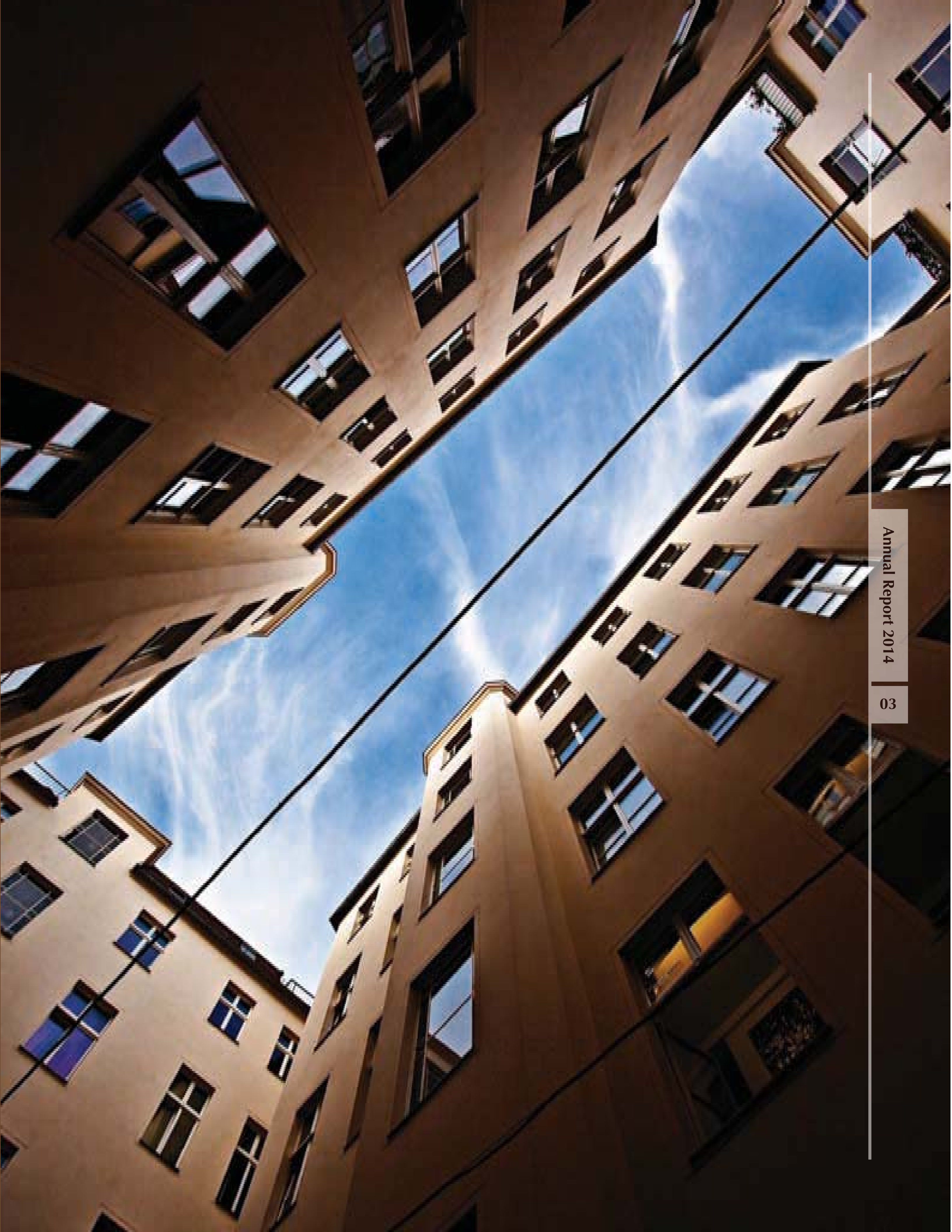
Vision

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.

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.

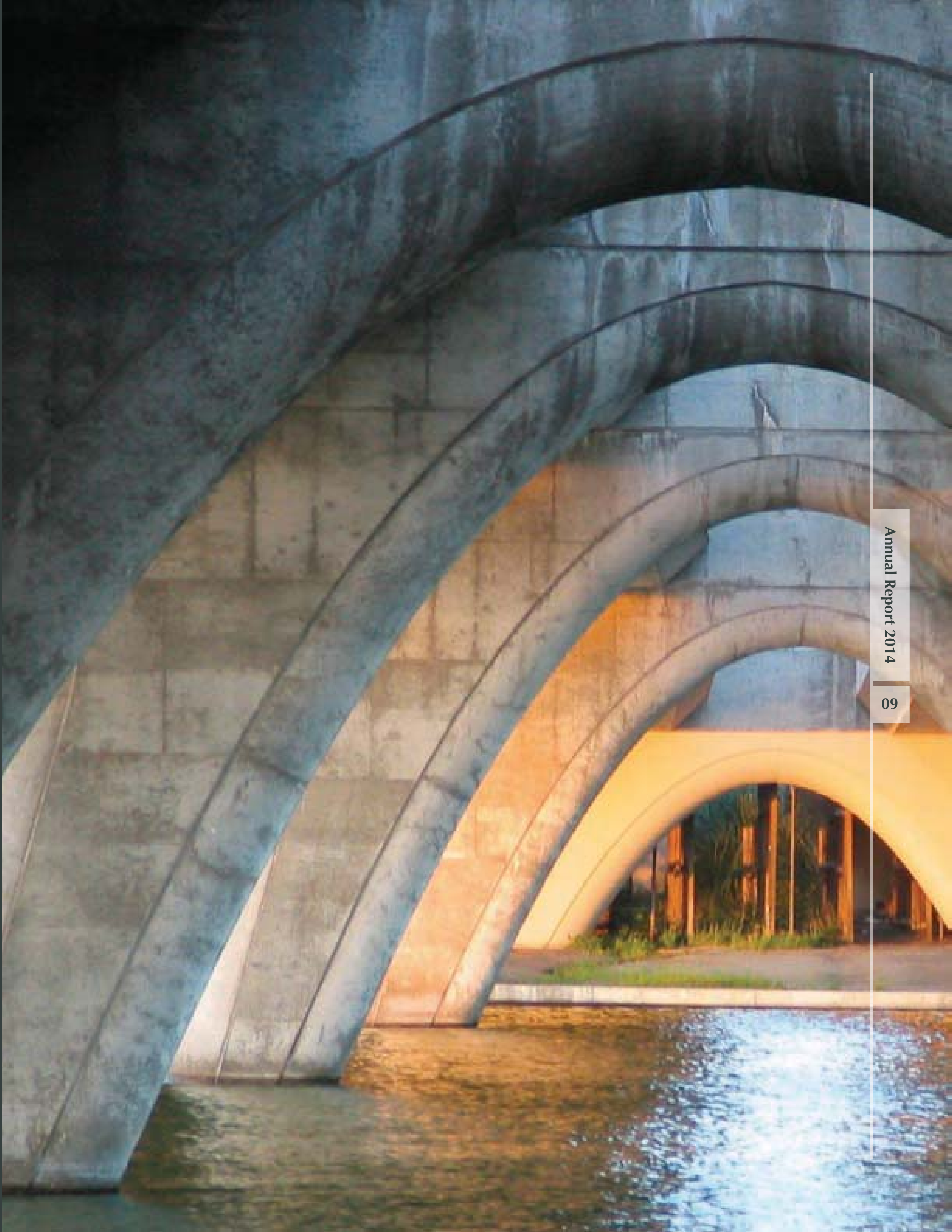
Environmental Protection
To protect environment and ensure health and safety of the work force and well-being of the people living in the adjoining areas of our plant.

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.

Strategic Objectives

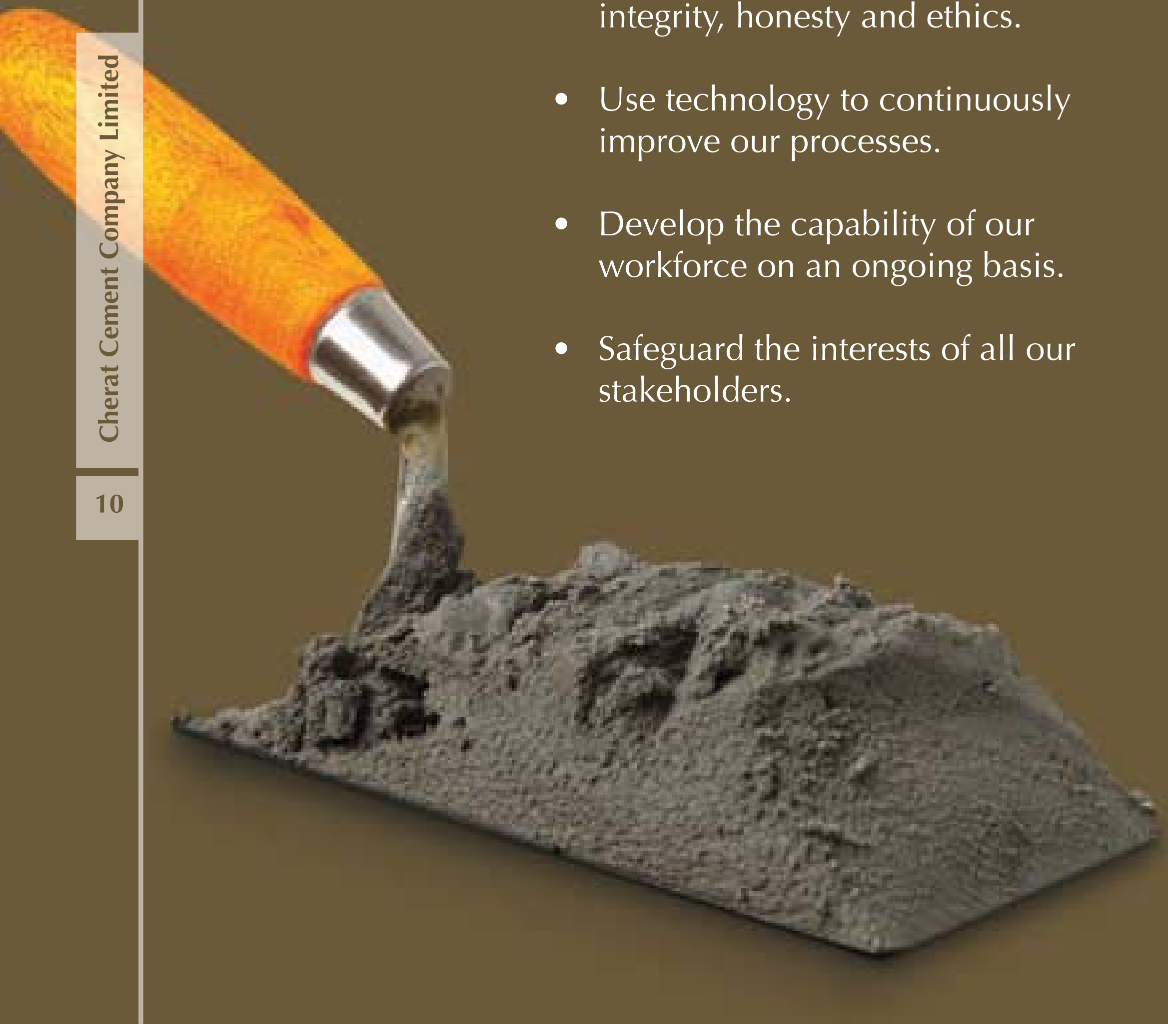
We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business and through opportunities for diversification. It is our endeavour to create value for our shareholders by maximizing the risk adjusted return on our investments. 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.



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.



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 1,000,000 tons. 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.

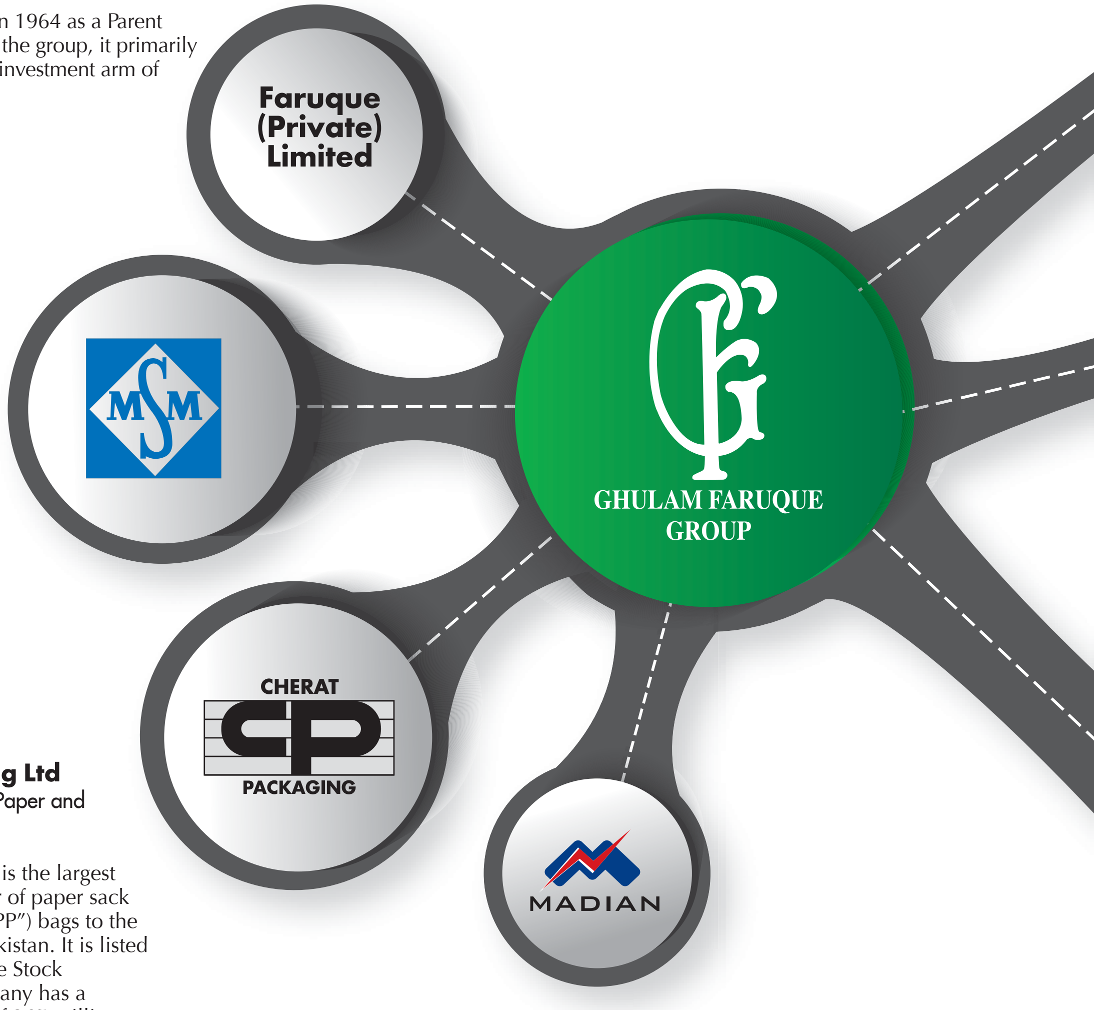
Group Structure

Introduction

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operations; details and brief profile of other leading ventures / group companies 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 7,000 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 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 per annum and 145 million PP bags. 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 hydro power 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 Engergy and v) LED

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

Pakistan's leader in CNG installations

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 5 CNG facilities at retail outlets of Shell, PSO and Caltex in Karachi and Lahore.

Greaves Engineering (Pvt.) Ltd

HVAC Contractors

Unicol Ltd

Joint venture distillery producing super fine ethanol

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. Aamir Amin (NIT)	Director

Executive Director & Chief Financial Officer

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid A. Vazir

Audit Committee

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

Human Resource & Remuneration Committee

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Bank 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.

Registered Office / Factory

Village Lakrai, P.O. Box 28, Nowshera

Head Office

Modern Motors House, Beaumont Road
Karachi 75530

Sales Offices

Peshawar: 1st Floor, Betani Arcade, Jamrud Road

Lahore: 3, Sunder Das Road

Islamabad: 1st Floor, Razia Sharif Plaza
Jinnah Avenue, Blue Area

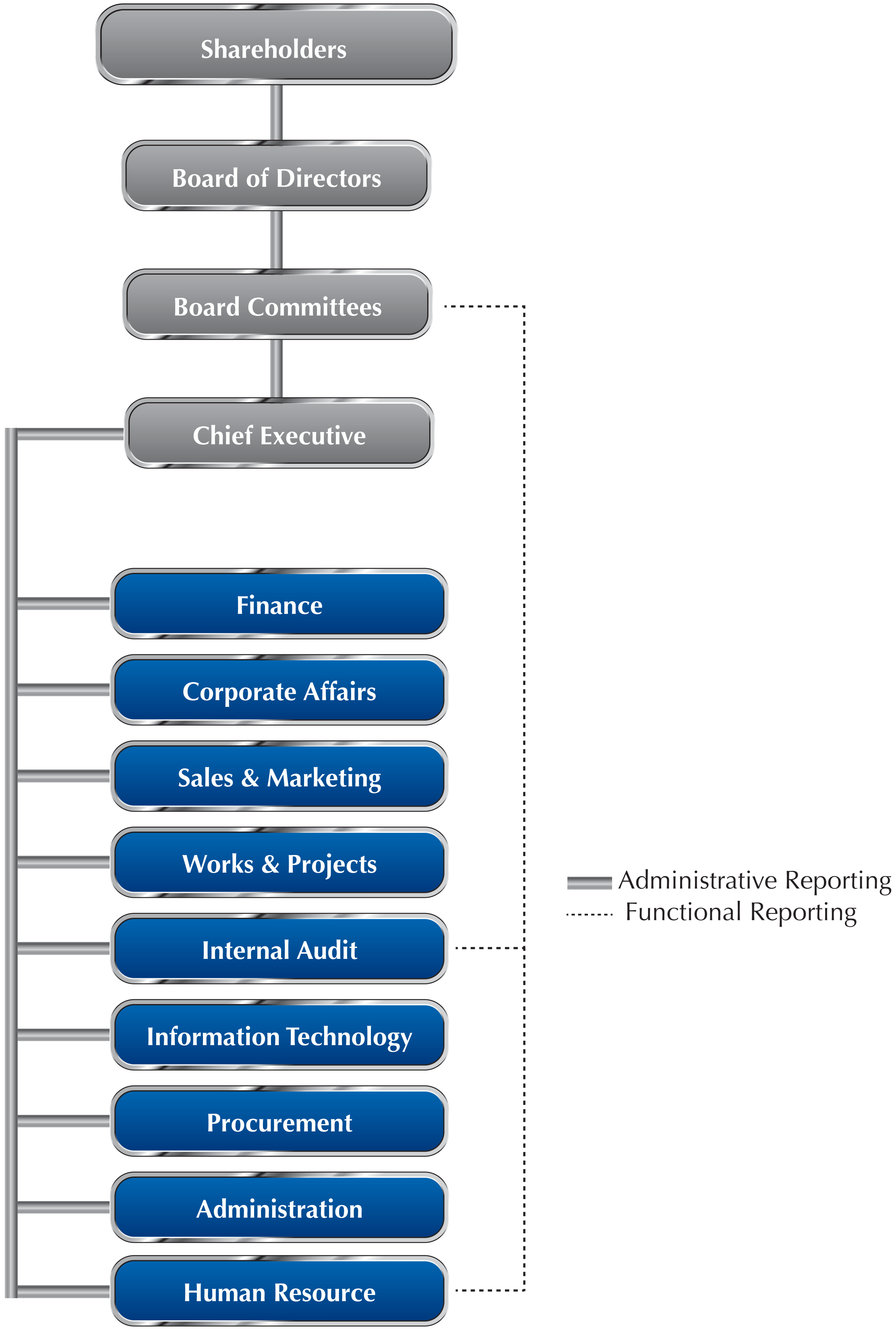
Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400

Milestones

1985	Cherat Cement started production in February, with 1100 tons per day capacity.	
1988	Optimization with 4 stage P.H. & 2 P.C. Burners	= 1400 t/day
1994	Doubling with 5 stage P.H. & Double Sting P.H. Plus 4 Burners in P.C,	= 2300 t/day
	In addition to Grinding Mill a Roller Press unit was installed.	
1994	Caterpillar 04 CAT power generators incorporated (6 MW) in June.	
1996	WARTSILLA Diesel Cherat Electric with 04 WDs (20 MW) commissioned in February.	
1998	IKN System at Cooler.	= 2500 t/day
2001	HMI In January the manual operating panels converted to HMI.	
2002	Cooler E.P. For better efficiency, Multicyclones converted to Electrostatic Precipitators in April.	
	Cherat Electric Merger in Cherat Cement in October..	
2003	Coal Mill On 7th April a Coal Grinding Mill was incorporated to replace the primary fuel Furnace Oil to Coal.	
2005	Capacity Expansion	= 3300 t/day
2006	LVT Cement Press installed.	
2008	03 Roto Packers Haver & Boecker (Germany) Commissioned on October 08 with packing capacity of 270 t/h (90 x 3).	
2009	Systems Applications & Products SAP incorporated in the Company	
2010	Waste Heat Recovery for Power Generation started in February.	
2012	Tyre Derived Fuel Processing Plant and RASPER (The Shredder) Installed	
2013	Refuse Derived Fuel Processing Plant Imported from Germany & Incorporated in the Company in December.	

Organizational Structure

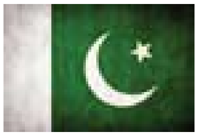


Calendar of Notable Events

July 2013- June 2014

July 05	Gold Medal Award Ceremony
July 20	Iftar Dinner with Dealers
August 14	Independence Day Celebration
August 18	Tree Plantation Day
September 22	Movie Night and Annual Dinner at HO
October 19	Eid Milan Party
October 31	Annual General Meeting
November	GFG Group Cricket Tournament at HO
January 20	Plant Management Dinner at Islamabad
April 13	GFG Group Table Tennis Tournament
May 01	Labour Day Celebrations
June 30	Year End Closing

Geographical Presence



PAK - Cement Local

Factory
Nowshera

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

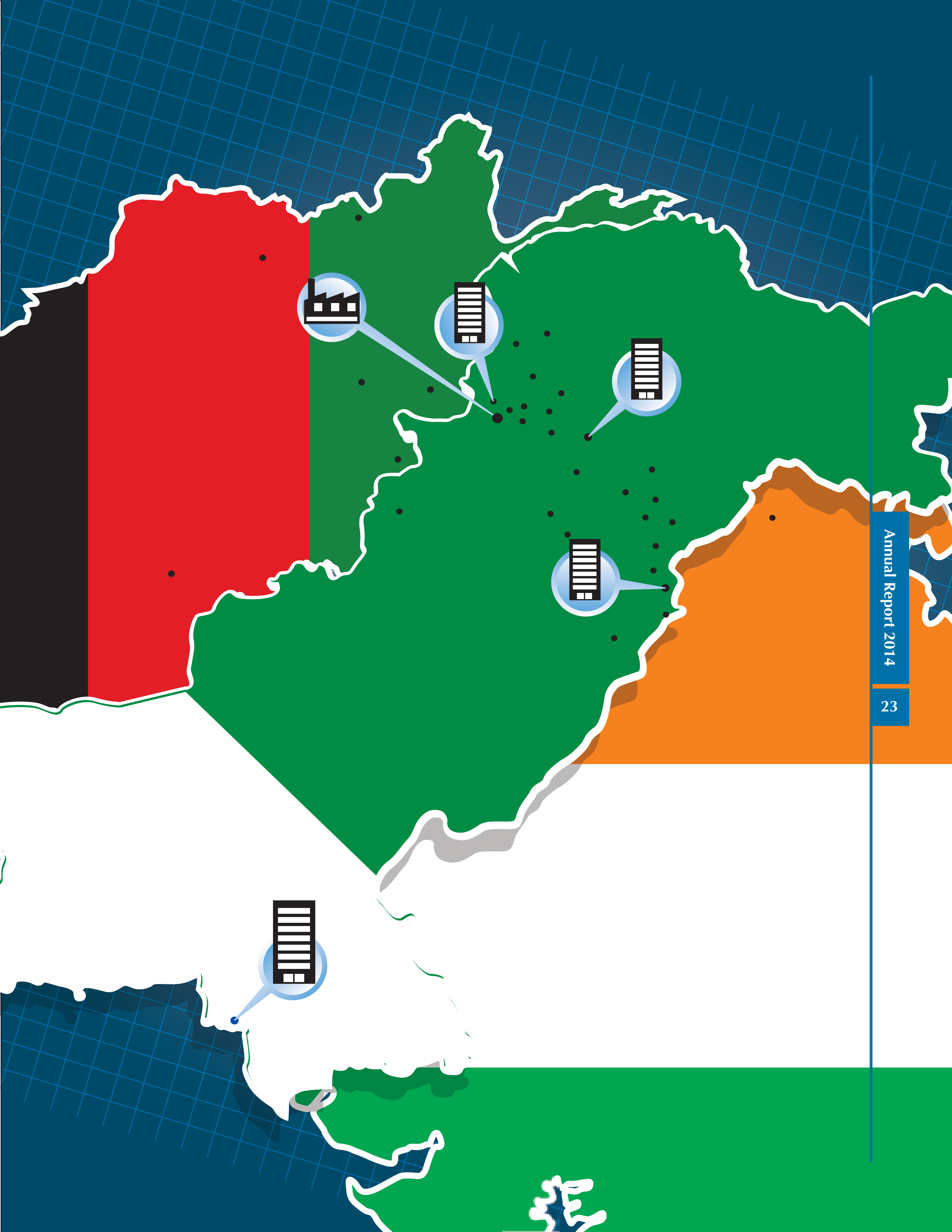
Main Distribution
- Swat • Dir • Bunair • Malakand • Swabi
- Charsadda • Peshawar • Mardan • Nowshera
- Southern KPK • FATA • Hazara
- Islamabad/ Rawalpindi • Attock •Chakwal
- Kashmir • Jhelum • Gujrat • Sialkot
- Gujranwala • Sheikhupura • Lahore • Kasur
- Okara • Sargodha • Narowal

AFG - Cement Export

Main Distribution
- Kandhar • Jalalabad
- Khost • Kabul
- Mazari Sharif
- Kunduz

IND - Clinker Export

Main Distribution
- Indian Punjab Region



Refuse Derived Fuel Project

Energy costs constitute a major portion of the cost of production for a cement manufacturer. After successfully installing waste heat recovery plant and utilizing shredded tyres along with local coal to efficiently manage its energy costs, the Company has installed Refuse Derived Fuel project at a cost of Rs. 500 million. This project involves utilizing municipal solid waste as a source of fuel to substitute some of the coal used presently. In this regard, suitable arrangements have also been made for sourcing of municipal solid waste. By taking these measures, the Company will not only be able to cut down on its energy costs but will also reduce to certain extent its reliance on imported coal and mitigate the risk of foreign currency fluctuations.

Notice of Annual General Meeting

Notice is hereby given that the 33rd Annual General Meeting of the Company will be held on Tuesday, September 30, 2014 at 12:00 noon at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the audited accounts of the Company for the year ended June 30, 2014 with the Directors' and the Auditors' Reports thereon.

2. To consider and approve the payment of final cash dividend @ 20% (Rs. 2.00 per share) in addition to interim cash dividend @ 10% (Re. 1.00 per share) and bonus shares in proportion of 10 shares for every 100 shares held i.e. 10% already paid to the shareholders for the financial year ended June 30, 2014 as recommended by the Board of Directors.

3. To appoint auditors for the year 2014/15 and to fix their remuneration.

4. To transact any other business with the permission of Chair.

By Order of the Board of Directors

Abid A. Vazir
Executive Director &
Company Secretary

Karachi: August 15, 2014

NOTES:

1. The register of members of the Company will be closed from Friday, September 19, 2014 to Tuesday September 30, 2014 (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 Thursday, September 18, 2014 will be treated in time for the entitlement of final cash dividend and Right Shares as announced by the Company. The payment of cash dividend will be made on existing paid-up capital of Rs. 1,051, 380,080.

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 48 hours before the Meeting.

3. 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.

4. Shareholders of the Company are requested to immediately notify any change in their addresses, to our share registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block "B", S.M.C.H.S. Main Shahrah-e-Faisal, Karachi - 74400.

5. 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.

CEO's Message

It gives me immense pleasure to state that the year 2013/14 has proved to be one of the best in the history of your company. Despite facing challenging business environment and inflationary trend, your company continued to grow as its revenues increased from last year and the profitability touched an all time peak.

Cherat Cement is considered one of the most efficient plants in Pakistan. It has taken various cost efficiency measures like Waste Heat Recovery plant, Tyre Derived Fuel and more recently Refuse Derived Fuel plant to control its costs. Due to the world class quality of its cement and ideal location, your Company enjoys strong brand loyalty both in Pakistan and in Afghanistan.

Several major infrastructural projects have been announced by the current government with special focus on constructing highways, dams, hydro power and housing projects. Majority of these projects are expected to be launched in the northern part of the country, which is the target market for the Company. Furthermore, greater spending by the private sector fuelled by inward remittances from expatriate Pakistanis on construction related activities, the domestic demand is set to grow in the near future.

In view of the expected rise in the domestic demand for cement, your company has decided to enhance its production capacity by installing another production line having a production capacity of over 1,300,000 tons per annum at its existing site in Nowshera, Khyber Pakhtunkhwa Province. The plant will be acquired from M/s. Tianjin Cement Industry Design and Research Institute Company Limited (TCDRI). The new line is expected to be commissioned in 30 months time at a cost of approximately Rs. 12 billion.

Cherat Cement remains a brand of choice for its loyal customers both in Pakistan and in Afghanistan. Our endeavor is to remain on path to success through hard work and retain our core values of business.

Azam Faruque
Chief Executive

Karachi: August 15, 2014

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. At present, he is the chairman of KPK Oil and Gas Development Company Ltd and a member of the Board of Directors of Cherat Packaging Ltd., Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Atlas Asset Management Ltd, Madian Hydro Power Ltd, and International Industries 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 the Ghulam Faruque Group goes back almost 30 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.



Directors' Profile

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. Aamir Amin
Director (NIT)

Mr. Aamir Amin is the Nominee Director of National Investment Trust on the Board of Cherat Cement Co. Ltd.

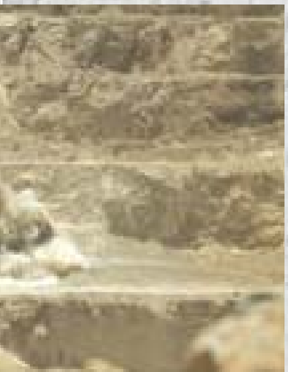
He is serving as the Chief Financial Officer of NIT. Mr. Amin is a Chartered Accountant by profession from Institute of Chartered Accountants of Pakistan with training from Ernst & Young - Pakistan and is also a Certified Information Systems Auditor. His work experience extends to over 14 years, mostly in the financial services industry.

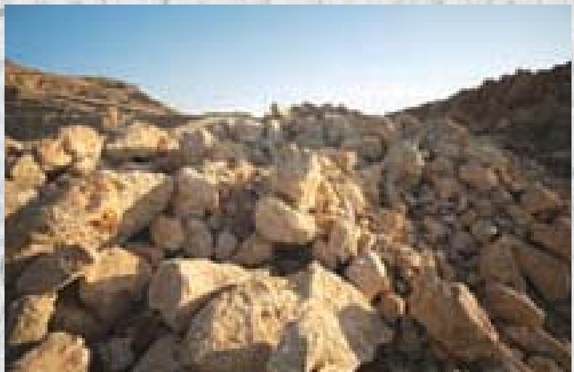
Mr. Saquib H. Shirazi
Director

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, Pakistan Cables Ltd., National Logistics Cell, Competitiveness Support Fund and Pakistan Petroleum Ltd.





Directors' Report to the Members

for the year ended June 30, 2014

The Board of Directors presents the Annual Report of the Company along with the audited accounts for the year ended June 30, 2014.

OVERVIEW

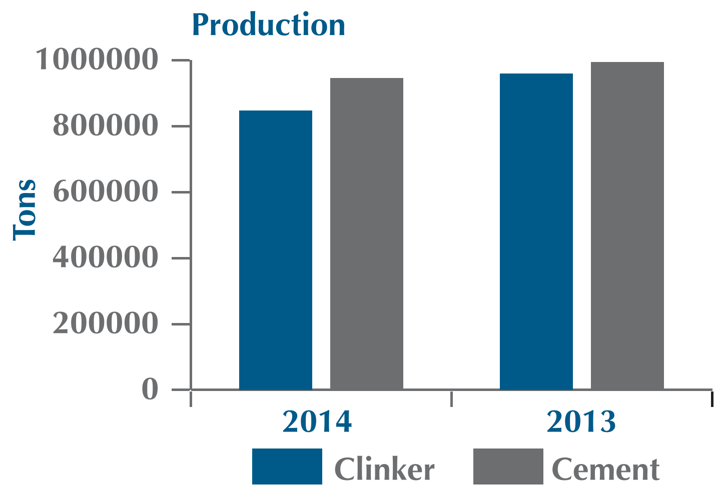
Encouraging steps taken to revive the economy and announcement of large infrastructural projects by the government have started to positively impact all sectors of the economy. Despite challenging political and security environment in the country and a crippling energy crisis, the performance of the cement industry remained promising with a growth of 2.54% in cement consumption over the previous year. While domestic demand increased by 4.34%, demand in the North of the country recorded an increase of 6.56%. However, exports declined by 2.84% this year mainly because of drop in exports to Afghanistan.

PRODUCTION & SEGMENT WISE SALES REVIEW

Comparative production and sales figures are provided under:

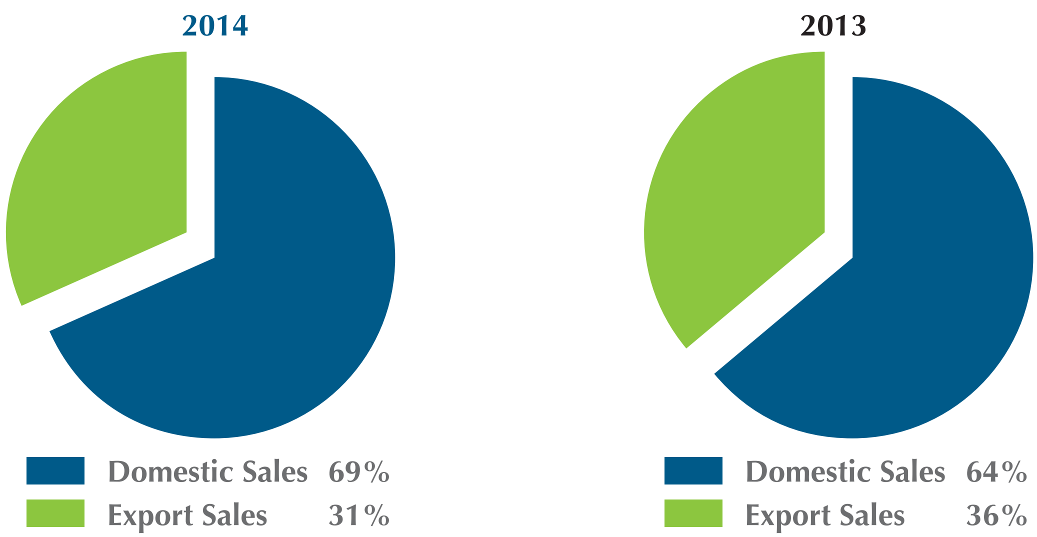
	2014 (in tons)	2013
• Clinker production	846,525	958,135
• Cement production	944,692	993,505
• Domestic sales	650,393	633,819
• Export sales	298,629	356,363
	949,022	990,182

The clinker and cement production of the company remained in line with the market demand for the product. The clinker production remained lower than last year due to planned maintenance of the plant carried out by the Company during the year. However, owing to effective measures taken, sales were not affected as the Company was carrying enhanced clinker stock to ensure uninterrupted dispatches during the period.



Outlay of development funds by the government for launch of infrastructure projects and construction activities carried out by private sector led to rise in local dispatches as the domestic sales of the Company grew by 16,574 tons i.e. 2.61% over last year. However, due to political uncertainty in Afghanistan arising from the expected withdrawal of NATO troops during the year as well as the presidential elections, export sales of the Company declined by 57,734 tons or 16% over the previous year. This also had an impact on aggregate sales of the Company as it declined by 41,160 tons or 4% during the year.

SALES



FINANCIAL PERFORMANCE

Despite decline in dispatches, stable cement prices during the year under review resulted in an increase in the sales revenue of the Company by 2%. During the year, the Company faced considerable challenge from rising costs of production due to escalation in prices of major input items. Significant increase in electricity tariff and imposition of fuel price adjustment levy following the decision of the Honorable Supreme Court has increased the production costs for the Company. However, improved liquidity position helped trim down finance costs during the year. Together with operational efficiencies, it enabled the Company to post an after tax profit of Rs. 1.31 billion for the year 2013/14 as follows:

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

	2014	2013
	(Rs. in million)	
Net sales	6,451.33	6,294.38
Cost of sales	4,348.68	4,104.29
Gross Profit	2,102.65	2,190.08
Expenses & taxes	786.48	962.43
Net Profit	1,316.17	1,227.65

ALTERNATE FUELS

After installing waste heat recovery plant and utilizing shredded tyres along with local coal to efficiently manage its energy costs, the Company has now embarked on a Refuse Derived Fuel (RDF) project. This project involves utilizing municipal solid waste as a source of fuel to substitute some of the coal used presently. Not only will the use of RDF allow the Company to cut down on its energy costs but it will also reduce to certain extent its reliance on imported coal in the future. The project has become operational this year.

EXPANSION OF CEMENT PLANT

Pursuant to our earlier announcement of our intention to expand the capacity of our cement plant, we are pleased to inform that keeping in view the expected rise in the domestic demand for cement, the Company has decided to install another production line at its existing site in Nowshera, Khyber Pakhtunkhwa Province. The Plant will be acquired from M/s. Tianjin Cement Industry Design and Research Institute Company Limited (TCDRI). TCDRI is the largest cement plant manufacturer in China and has wide experience of installing cement plants worldwide and also in Pakistan. The plant will have a production capacity of over 1,300,000 tons per annum. The new line is expected to be commissioned in 30 months time. The term loan for the project has been arranged and the letter of credit for the import of foreign component has been established by the Company. The total cost of the project is approximately Rs. 12 billion.

DIVIDEND

In view of upcoming expansion plan of the Company and the liquidity requirements associated with projects of such magnitude, the Board of Directors has proposed at its meeting held on August 15, 2014 final cash dividend @ 20% for the year ended June 30, 2014. This will be in addition to the interim cash dividend of 10% and 10% bonus shares announced earlier by the Company. This will take the aggregate cash dividend to 30% for the year. The approval of members for the dividend will be obtained at the Annual General Meeting to be held on September 30, 2014.

RIGHT SHARES

The Board of Directors has decided to issue 68% right shares on the existing paid-up capital of the Company in the ratio sixty eight (68) shares for every one hundred (100) shares held. The right shares will be offered at an issue price of Rs. 25/- per share including a premium of Rs. 15/- per share. The amount so raised shall be used towards the financing of the expansion project of the Company. The Company plans to raise Rs. 1.79 billion for the project by way of a rights issue. Furthermore, the Company has already finalized a loan of Rs. 9.50 billion from a consortium of Meezan Bank, Bank Alfalah and MCB Bank at competitive rates. The loan will have a tenure of 8 years including a grace period of 3 years. The Company will inject the remaining amount from its own resources.

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. Currently, the Company is working towards the rehabilitation of the IDPs of North Waziristan. 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.

Directors' Report to the Members

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 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. 1.50 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.
- 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, 2014.

•	Provident Fund	Rs. 539 million
•	Gratuity Fund	Rs. 269 million

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

Name of Director	Meetings Attended
Mr. Mohammed Faruque *	2
Mr. Akbarali Pesnani	5
Mr. Azam Faruque	5
Mr. Shehryar Faruque	3
Mr. Tariq Faruque	4
Mr. Javaid Anwar	4
Mr. Saquib H. Shirazi	3
Mr. Aamir Amin (NIT)	4
Mr. Omar Faruque *	2

* During the year, Mr. Omar Faruque was co-opted as a director in place of Mr. Mohammed Faruque who passed away.

- 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	3
Mr. Shehryar Faruque	1
Mr. Tariq Faruque	2

- 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	1
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 sale of shares by Mr. Omar Faruque and Mr. Tariq Faruque.

- Earnings per share (EPS) during the year was Rs. 12.52 as against Rs. 11.68 last year.

Directors' Report to the Members

BOARD OF DIRECTORS

During the year, our beloved Chairman – Mr. Mohammed Faruque passed away after serving the Company for many years. He has been succeeded by Mr. Omar Faruque as the Chairman of the Company.

FUTURE PROSPECTS

Despite the economic challenges and the energy crisis in the country, the cement industry has performed well during the year. Economic measures taken by the government are having positive impact on the macroeconomic indicators of the country. The current government has initiated several infrastructural projects, with especial 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. Furthermore, greater spending by private sector has resulted in rise in construction related activities, which is fueling the demand for cement. It is, therefore, expected that the domestic demand shall increase considerably and play an increasingly important role in higher cement dispatches in both the medium and long-term. In such a scenario, the addition of a new cement line at existing location will not only enhance the domestic market share of the Company, but will also allow it to achieve economies of scale and optimize the use of its existing resources by better allocation of fixed costs. Furthermore, political situation in Afghanistan is also expected to become clearer soon, which may provide boost to the reconstruction activities in the country. Your company shall benefit immensely from increase in the demand for cement due to its ideal location.

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 15, 2014

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 LED lights, Waste Heat Recovery plant, alternate fuels, like Refuse Derived Fuel and Tyre Derived Fuel. In addition, the Company uses combination of both imported and local coal in order to keep the fuel costs low.

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 customers base with no major complaints.

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

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. The Company has not only been able to pay off almost all its long term loans but also managed to invest more than Rs. 1 billion in short term deposits with high credit rating funds. These steps helped the Company reduce its financial charges and earn profits on short term investments. Moreover, the gearing of the Company has also decreased from 11% to 6%.

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 our 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. Currently, the Company is working towards the rehabilitation of the IDPs of North Waziristan. In this regard, it works with many reputable organizations and NGOs in Pakistan.

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. Currently, the Company is working towards the rehabilitation of the IDPs of North Waziristan.

Details of Charity Account

During the year the Company made a donation of Rs. 3.54 million. The main focus of the company was on education and health. The main recipients of the donations include Aga Khan University Hospital, The Kidney Centre, Institute of Business Administration, The Lahore Hospital Welfare Society, Marie Adelaide Leprosy Centre, WWF Pakistan, Nowshera Lions Club, Mayo Hospital and various local NGOs.

Additional Information

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.

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 staffs 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. The Employee are well trained to handle such situation

FUTURE OUTLOOK

Despite the economic challenges and the energy crisis in the country, the cement industry has performed well during the year. Economic measures taken by the government are having positive impact on the macroeconomic indicators of the country. The current government has initiated several infrastructural projects, with especial 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. Furthermore, greater spending by private sector has resulted in rise in construction related activities, which is fueling the demand for cement. It is, therefore, expected that the domestic demand shall increase considerably and play an increasingly important role in higher cement dispatches in both the medium and long-term. During this year the local demand of cement grew by 4.34% and we are expecting it to increase further in the coming years. In such a scenario, the addition of new cement line at existing location will not only enhance the domestic market share of the Company, but will also allow it to achieve economies of scale and optimize the use of its existing resources by better allocation of fixed costs. Furthermore, political situation in Afghanistan is also expected to become clearer soon, which may provide boost to the reconstruction activities in the country. Your company shall benefit immensely from increase in the demand for cement due to its ideal location.

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.

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.

For revenue maximization marketing targets are set for each area with respect to quantity and pricing. In line with its expansion, the Company management will try to improve the image of the Company and the brand. Specific marketing budgets are kept for advertisements.

Additional Information

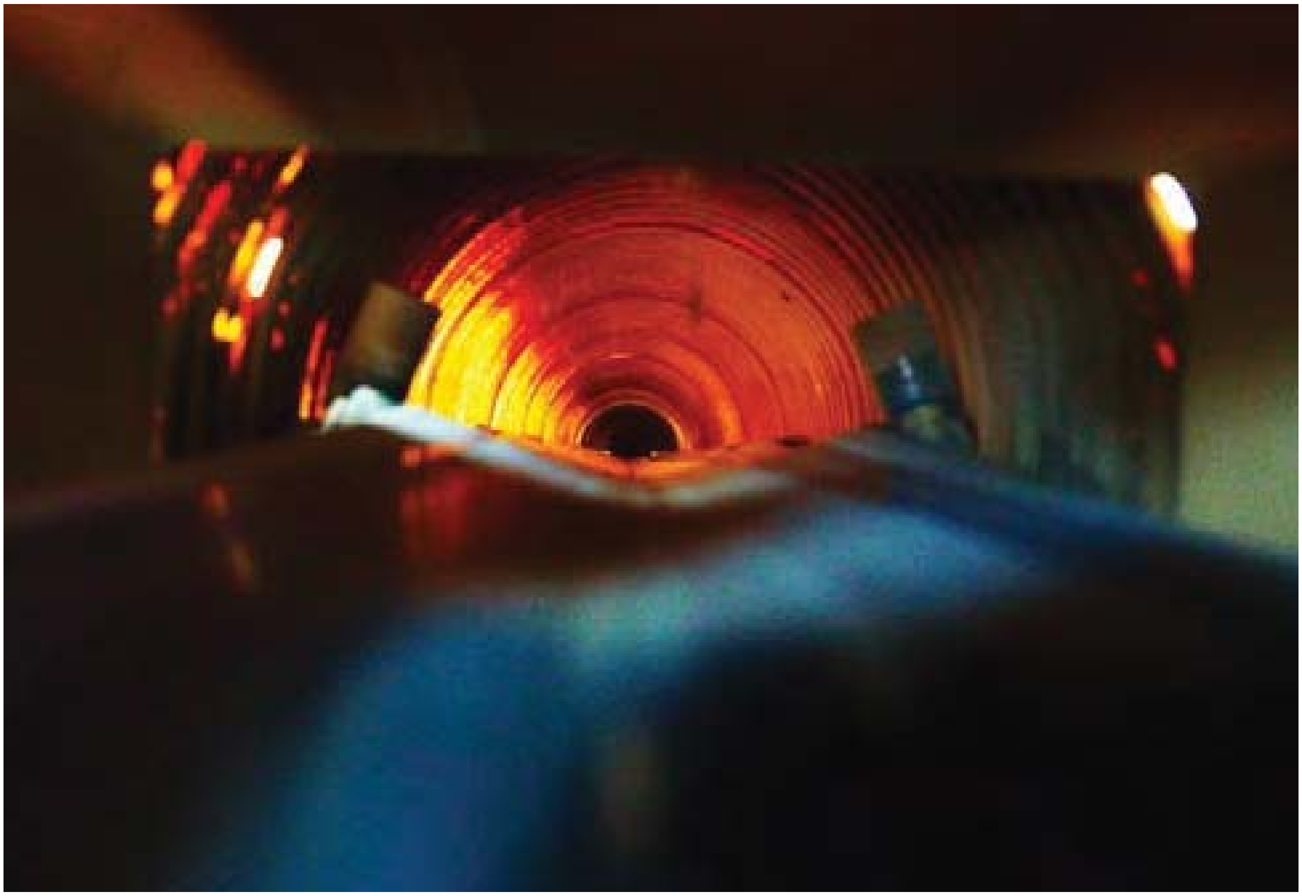
The Company has a plan of controlling costs by optimizing the usage of alternate energy resources like Waste Heat Recovery (WHR), Refuse Derived Fuel (RDF) and also use of mix of local and imported coal.

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 has opened the LC for new line at the existing location. Due consideration has been given to leverage and gearing by using adequate mix debt and equity for this project. Timely progress of this project in an effective and efficient manner would be next year's biggest challenge for the Company.

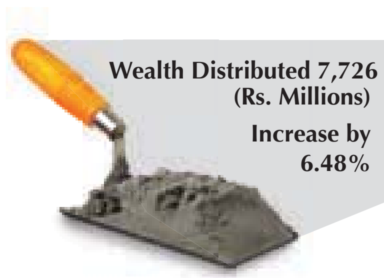
On the human resource side, we are developing a detailed training program for all levels of management. These trainings will be conducted based on the need assessment at the time of performance appraisal.

Increase in power tariff during the year is an area of major concern. Availability of power at competitive rates is a critical factor. We will try to manage this through alternate energy options. We are expecting stable interest rates during next year in view of improved macroeconomic indicators.

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.



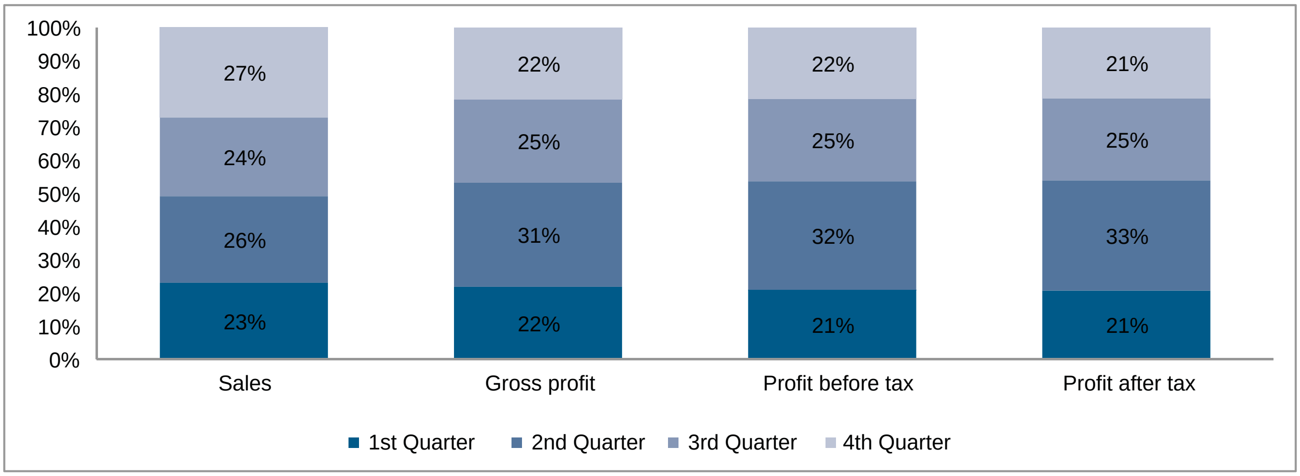
Critical Performance Indicators



The above are the Critical Performance Indicators being used by the management and are expected to remain valid in future.

Quarterly Performance Analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
Turnover- net	1,488,656	1,680,922	1,529,072	1,752,680	6,451,330
Cost of sales	(1,028,691)	(1,021,465)	(1,000,112)	(1,298,412)	(4,348,680)
Gross profit	459,965	659,457	528,960	454,268	2,102,650
Distribution costs	(45,127)	(45,957)	(47,936)	(49,375)	(188,395)
Administrative expenses	(33,674)	(34,820)	(36,161)	(36,789)	(141,444)
Other expenses	(30,521)	(42,181)	(32,246)	(27,972)	(132,920)
	(109,322)	(122,958)	(116,343)	(114,136)	(462,759)
Other income	8,742	19,022	16,844	31,985	76,593
Operating profit	359,385	555,521	429,461	372,117	1,716,484
Finance costs	(6,159)	(3,242)	(10,667)	(8,677)	(28,745)
Profit before taxation	353,226	552,279	418,794	363,440	1,687,739
Taxation	(80,512)	(115,159)	(93,148)	(82,752)	(371,571)
Profit after taxation	272,714	437,120	325,646	280,688	1,316,168



Quarterly Results Analysis

Quarter 1

- Sales were slow due to monsoon season and Ramazan. Similarly export to Afghanistan also remained slow due to uncertain political situation.

- Cost of sales was on higher side mainly due to inflationary trend and depreciation of Pak Rupees against US Dollar.

- Operating profit was low mainly due to low gross profit margin i.e. 30% as compared to other quarters of the year.

- Net profit was also on lower side because of less dispatches and clinker production as compared to other quarters.

Quarter 2

- Improved sales prices resulted in increased sales by 13% as compared to 1st quarter.

- Cost of sales was the lowest in 2nd quarter mainly on account of operational efficiencies involved and low fuel & power cost, as the Company's clinker production was the highest during the quarter.

- Operating profit increased by 55% mainly due to increase in gross profit margin.

- Net profit increased by 60% mainly due to increase in sales, reduction in cost of sales and finance cost.

Quarter 3

- Sales and dispatches decreased in 3rd quarter which adversely affected local and export sales.

- Cost of sales per unit increased mainly because of unabsorbed fixed cost, arising due to plant shut down.

- Operating profit was low due to low gross profit margin.

- Net profit also had a declining impact due to aforementioned reasons.

Quarter 4

- Better demand resumed during this quarter and 14% rise in turnover was experienced as compared to 3rd quarter.

- Cost of sales increased mainly due to charging of fuel price adjustment arrears and increase in WAPDA tariff.

- Gross profit was also low due to the above reasons.

- Operating and net profit was low as compared to last quarter due to low 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 Director's 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 Social 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 PKR 1,175bn towards PSDP for the year 2014-15. Out of this, PKR 650 bn has been allocated to provinces and PKR 525 bn for the Federal Government. 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. Mitigate: 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. Mitigate: 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 accounts).

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 two in near future.

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.

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.

Conflict of Interest Policy

A Conflicts 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 confidentially 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 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 (Internaly Displaced People). 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:

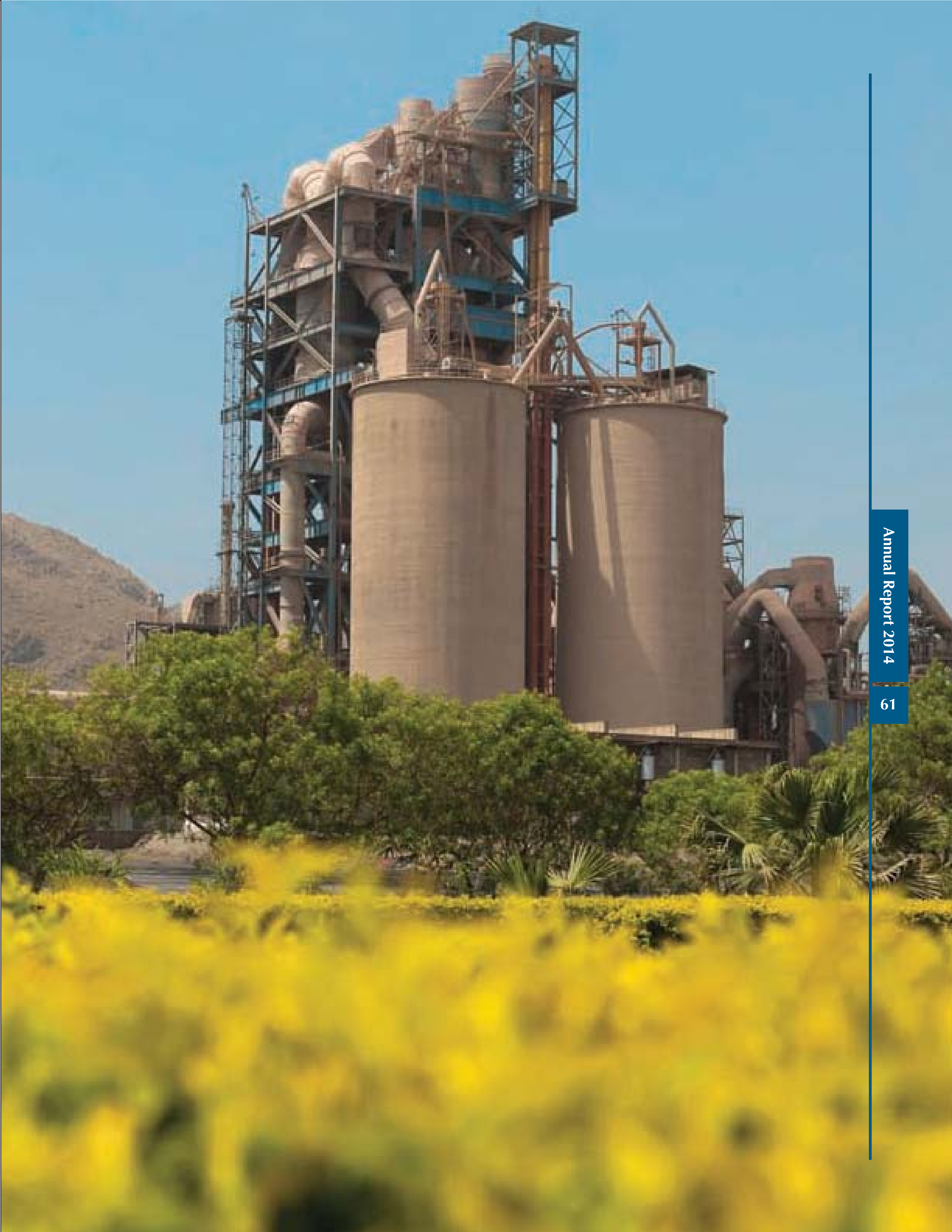
1. Ensure our product and operations comply with relevant environmental legislation and regulations.

2. Maintain and continually improve our environmental management systems to conform to the ISO14001 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 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.


200
150
100

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.

Investors' Grievance Policy

The Company has an Investors' Grievance Policy in place. Any complaints or observations 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.

AGM Proceedings

The last AGM was conducted at Cherat Cement site on Thursday, October 31, 2013 at 11 a.m. 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 power crisis, coal cost and future outlook of the Company. The questions were answered in detail by the management after which the Financial Statements were approved by the Shareholders. Shareholders also gave approval for appointment of EY Ford Rhodes Sidat Hyder & Company 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.

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 an on time deliveries.

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.

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.

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.

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.

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 Directors. One of the member 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 Managment 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 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 2013-14, 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 li sted 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;

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 least annually or at such other 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.

Terms of Reference of Human Resource and Remuneration Committee

Objectives: The Human Resource & Remuneration Committee (HR & RC) shall consider and make recommendations to the Board of Directors on 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:

Corporate Governance - Additional Information

a) Major HR Policy frame work, including compensation structure

b) Overall organizational structure

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

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 at least twice in a year or 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)

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

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

The post of Chairman is held by a Non-Executive Director. The Chairman is not involved in the day-to-day activities of the Company and is responsible for chairing the Board meetings.

The Chief Executive is responsible for the overall operations of the Company and takes all the managerial decisions. He draws a salary, which is approved by the Board. To ensure smooth functioning of the Company, the Chief Executive may delegate the authority to different functional heads.

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).

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 Stoc 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 Ernst & Young Ford Rhodes Sidat Hyder and Co., 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 12, 2014

Horizontal Analysis - Last Six Years

	2014		2013 (Restated)	
	(Rupees in Million)	14 Vs. 13 %	(Rupees in Million)	13 Vs. 12 %
Balance Sheet				
Assets				
Non Current Assets	3,526	-	3,531	3
Current Assets	2,905	89	1,534	19
Total Assets	6,431	27	5,065	8
Equity & Liabilities				
Shareholders Equity	4,864	31	3,709	35
Non Current Liabilities	686	20	574	(38)
Current Liabilities	881	13	782	(25)
Equity & Liabilities	6,431	27	5,065	8
Turnover & Profit				
Turnover (net)	6,451	2	6,294	15
Gross Profit	2,103	(4)	2,190	90
Operating Profit/(Loss)	1,716	1	1,694	92
Profit / (Loss) Before Taxation	1,688	7	1,585	177
Profit / (Loss) After Taxation	1,316	7	1,228	181

Comments on Horizontal Analysis

Balance Sheet

Current assets increased as compared to year 2013 due to short term investments made and simultaneously shareholders' equity increased during the year due to healthy profits and gain on investments made.

Profit and Loss Account

Turnover has been increased over the years from 2009 to 2014 due to increase in sale

2012		2011		2010		2009	
(Rupees in Million)	12 Vs. 11 %	(Rupees in Million)	11 Vs. 10 %	(Rupees in Million)	10 Vs. 09 %	(Rupees in Million)	09 Vs. 08 %
3,422	(6)	3,647	1	3,618	6	3,400	28
1,289	(25)	1,718	39	1,239	(8)	1,343	(22)
4,711	(12)	5,365	10	4,857	2	4,743	8
2,748	18	2,331	4	2,246	(1)	2,268	5
923	(25)	1,234	25	989	(30)	1,404	124
1,040	(42)	1,800	11	1,622	51	1,071	(33)
4,711	(12)	5,365	10	4,857	2	4,743	8
5,457	29	4,244	22	3,469	(24)	4,567	52
1,152	103	567	537	89	(87)	671	275
882	158	342	351	(136)	(137)	371	1,384
572	936	55	119	(297)	(216)	257	559
437	537	69	590	(14)	(109)	159	1,490

price and sale quantities except for the year 2010 when turnover was low due to low sale price and depressed demand.

Gross profit increased in the years 2011, 2012, 2013 and 2014 but current year showed a decline in gross profit by 4% due to increased cost of sales mainly due to increase in WAPDA tariff.

Operating profit increased in years 2011, 2012 and 2013 mainly due to better gross profit margin and also positively increased in the current year.

Finance cost decreased due to reduced gearing. Profit after tax increased due to reduction in expenses.

Vertical Analysis - Last Six Years

	2014		2013 (Restated)	
	(Rupees in Million)	%	(Rupees in Million)	%
Balance Sheet				
Assets				
Non Current Assets	3,526	55	3,531	70
Current Assets	2,905	45	1,534	30
Total Assets	6,431	100	5,065	100
Equity & Liabilities				
Shereholders equity	4,864	75	3,709	73
Non current Liabilities	686	11	574	11
Current Liabilities	881	14	782	16
Equity & Liabilities	6,431	100	5,065	100
Turnover & Profit				
Turnover (net)	6,451	100	6,294	100
Gross profit	2,103	33	2,190	35
Operating Profit/(Loss)	1,716	27	1,694	27
Profit / (Loss) before taxation	1,688	26	1,585	25
Profit / (Loss) after taxation	1,316	20	1,228	20

Comments on Vertical Analysis

Balance Sheet

Debt equity ratio showed continuous improvement over the years as the company's equity share was increased over the years due to improved profits and reduction in debts.

2012		2011		2010		2009	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
3,422	73	3,647	68	3,618	74	3,400	72
1,289	27	1,718	32	1,239	26	1,343	28
4,711	100	5,365	100	4,857	100	4,743	100
2,748	58	2,331	43	2,246	46	2,268	48
923	20	1,234	23	989	20	1,404	30
1,040	22	1,800	34	1,622	34	1,071	22
4,711	100	5,365	100	4,857	100	4,743	100
5,457	100	4,244	100	3,469	100	4,567	100
1,152	21	567	13	89	3	671	15
882	16	342	8	(136)	(4)	371	8
572	10	55	1	(297)	(9)	257	6
437	8	69	2	(14)	-	159	3

Current assets were 45% of total assets of the company in the current year as compared to 30% in year 2013 which shows better liquidity position of the company.

Profit and Loss Account

Gross profit increased from 13% to 35% from year 2011 to 2013 and was 33% in year 2014, mainly due to stable prices.

Operating profit was 8% of turnover in year 2011 which has increased to 27% in year 2014 mainly due to improving gross profit margin.

Ratios

	2014	2013 (Restated)	2012	2011	2010	2009
Profitability Ratios:						
Gross Profit (Percentage)	32.59	34.79	21.12	13.36	2.57	14.69
Net Profit / (loss) Before Tax (Percentage)	26.16	25.18	10.47	1.30	(8.57)	5.63
Net Profit / (loss) After Tax (Percentage)	20.40	19.50	8.00	1.62	(0.40)	3.49
EBITDA Margin to Sales (Percentage)	30.65	30.91	20.90	14.26	2.41	12.42
Operating Leverage Ratio	0.53	5.97	5.54	(15.68)	5.69	35.79
Return on Equity After Tax (Average in Percentage)	30.70	38.38	17.19	3.00	(0.61)	7.20
Return on Capital Employed (Percentage)	25.97	31.37	11.43	1.92	(0.40)	5.10
Liquidity Ratios:						
Current Ratio	3.30	1.96	1.24	0.95	0.76	1.25
Acid Test Ratio	2.88	1.41	0.93	0.74	0.64	0.99
Cash to Current Liabilities	0.02	0.03	0.04	0.04	0.03	0.06
Cash Flow from Operations to Sales	0.27	0.31	0.26	0.05	0.05	0.07
Activity / Turnover Ratios:						
Inventory Turnover (Days)	34	33	30	29	26	23
Inventory Turnover (Times)	11	11	12	13	14	16
Creditor Turnover (Days)	19	17	19	16	10	43
Creditor Turnover (Time)	19	22	19	23	37	9
Total Assets Turnover Ratio	1.00	1.24	1.16	0.79	0.71	0.96
Fixed Asset Turnover Ratio	1.91	1.83	1.67	1.24	1.00	1.40
Operating Cycle	15	16	11	13	16	(20)
Investment / Market Ratios:						
E.P.S (Before Tax)	16.05	15.08	5.98	0.58	(3.11)	2.69
E.P.S (After Tax)	12.52	11.68	4.57	0.72	(0.14)	1.67
Price Earnings Ratio	5.23	4.99	6.48	12.50	(65.86)	7.19
Dividend Yield Ratio	0.05	0.04	0.07	-	-	-
Dividend Payout Ratio	0.24	0.21	0.44	-	-	-
Dividend Cover Ratio	4.17	4.67	2.29	-	-	-
Cash Dividend per share	3.00	2.50	2.00	-	-	-
Stock Dividend per share	0.10	-	-	-	-	-
Market Value per share	65.46	58.19	29.62	9.00	9.22	12.00
Break-up Value per share	46.27	38.80	28.75	24.40	23.50	23.73
Capital Structure Ratios:						
Financial Leverage Ratio	0.06	0.12	0.56	1.08	0.99	0.78
Weighted Average Cost of Debt	0.09	0.12	0.14	0.11	0.10	0.10
Long Term Debts to Equity Ratio (Percentage)	3.54	5.57	24.73	34.60	30.57	32.66
Interest Cover Ratio	59.71	15.54	2.84	1.19	(0.85)	3.25

Comments on Ratios

Profitability Ratios:

We experienced a positive growth in profitability ratios in the year 2012 – 2013, by effectively making our efforts in maximum utilization of production capacity and as well as better sales mix. Therefore, the profitability results relatively remained constant in the current year. Besides this, a declining trend was experienced in export sales due to relative adverse political situation in our target country Afghanistan, however local sales had a growing impact. Apart from this, the Company is benefitted from applying various cost saving measures i.e. WHR and alternative fuels (TDF, RDF) etc.

Liquidity Ratios:

The liquidity condition of the Company remained positive, mainly due to increased profitability.

Activity / Turnover Ratios:

This progressively improved as compared to year 2010, due to better working capital management.

Investment / Market Ratios:

Due to lowest margin in year 2010, Earning per Share was adverse. After recovery of sales price in 2011, investment / market ratios started improving and resulted in positive Earning per Share, thereafter generating best results in the year 2013 and maintaining stability in the current year 2014.

Capital Structure Ratios:

Year 2014 proved to be the best in the history of our company due to early repayments of long term debt and less utilization of running finance and as a result mark – up charge also decreased this year thus improving the capital structure. Capital Structure ratios got better as compared to year 2010 when financial leverage ratio was also high.

Cash Flow Statement - Direct Method

	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	(Rupees `000)	
Cash receipts from customers	6,477,832	6,331,917
Cash paid to suppliers and employees	(4,559,435)	(4,334,836)
Cash generated from operations	1,918,397	1,997,081
Income tax paid	(162,218)	(68,117)
Long term loans, advances and deposits - net	851	1,612
Net cash generated from operating activities	1,757,030	1,930,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(524,022)	(108,808)
Proceeds from disposal of operating property, plant and equipment	11,962	6,668
Capital-Work-In-Progress	333,539	(312,295)
Investment in available-for-sale securities	-	(13,293)
Short-term investment	(1,200,000)	-
Dividend received	5,317	1,662
Net cash used in investing activities	(1,373,204)	(426,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans	-	(885,122)
Short-term borrowings	(137,572)	(199,092)
Dividend paid	(233,516)	(277,102)
Finance cost paid	(21,170)	(155,374)
Net cash used in financing activities	(392,258)	(1,516,690)
Net decrease in cash and cash equivalents	(8,432)	(12,180)
Cash and cash equivalents as at the beginning of the year	25,548	37,728
Cash and cash equivalents as at the end of the year	17,116	25,548

Summary - Last Six Years

	2014	2013 (Restated)	2012	2011	2010	2009
	(Tons in '000)					
Clinker Production	847	958	894	979	946	967
Cement Production	945	994	1,004	986	1,009	1,025
Cement dispatched	949	990	1,001	990	1,011	1,023
Summary of Balance Sheet	(Rupees in Million)					
Assets						
Non-current Assets	3,526	3,531	3,422	3,647	3,618	3,400
Current Assets	2,905	1,534	1,289	1,718	1,239	1,343
Total Assets	6,431	5,065	4,711	5,365	4,857	4,743
Equity & Liabilities						
Shereholders equity	4,864	3,709	2,748	2,331	2,246	2,268
Non-current Liabilities	686	574	923	1,234	989	1,404
Current Liabilities	881	782	1,040	1,800	1,622	1,071
Equity & Liabilities	6,431	5,065	4,711	5,365	4,857	4,743
Summary of Profit & Loss						
Turnover & Profit						
Turnover (net)	6,451	6,294	5,457	4,244	3,469	4,567
Gross profit	2,103	2,190	1,152	567	89	671
Operating Profit / (Loss)	1,716	1,694	882	342	(136)	371
Profit / (Loss) before taxation	1,688	1,585	572	55	(297)	257
Profit / (Loss) after taxation	1,316	1,228	437	69	(14)	159

Summary of Cash Flow Statement - Last Six Years

	2014	2013	2012	2011	2010	2009
			(Rupeees in Million)			
Summary Of Cash Flows						
Net cash generated from operating activities	1,757	1,931	1,395	214	175	310
Net cash used in investing activities	(1,373)	(426)	(102)	(222)	(446)	(980)
Net cash generated from financing activities	(392)	(1,517)	(1,326)	25	264	666
Change in cash and cash equivalents	(8)	(12)	(33)	17	(7)	(5)
Cash & cash equivalents - Year end	17	26	38	71	54	61

Comments on Cash Flow Statement

Cash flow from operating activities showed an increasing trend from year 2009 to 2013, but decreased in current year 2014 due to increase in payment of taxes, as tax losses have fully been utilized up till last year 2013.

Cash flow from investing activities increased in current period due to short term investments made. However it was low in the years 2011 and 2012 as no major capital expenditure was undertaken.

Cash flow from financing activities increased in years 2012 and 2013 due to mark-up payment against long term loan acquired. However it declined in current year 2014, as substantial amount of loan has been paid off.

DuPont Analysis

2014

Operating Margin
26.61%

Asset Turnover
1.00

Interest Burden / Efficiency
98.33%

Tax Burden / Efficiency
77.98%

Leverage
1.32

RoE
27.00%

2013

Operating Margin
26.91%

Asset Turnover
1.24

Interest Burden / Efficiency
93.57%

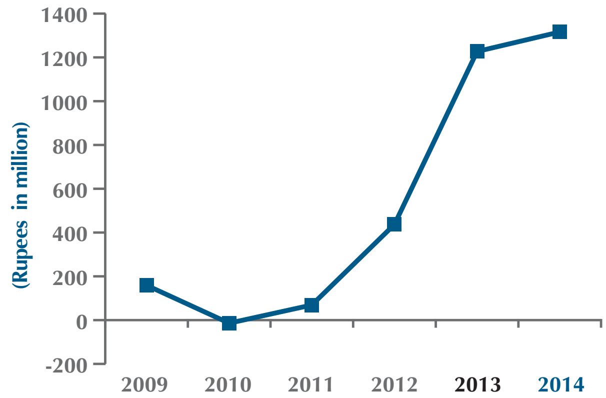
Tax Burden / Efficiency
77.45%

Leverage
1.37

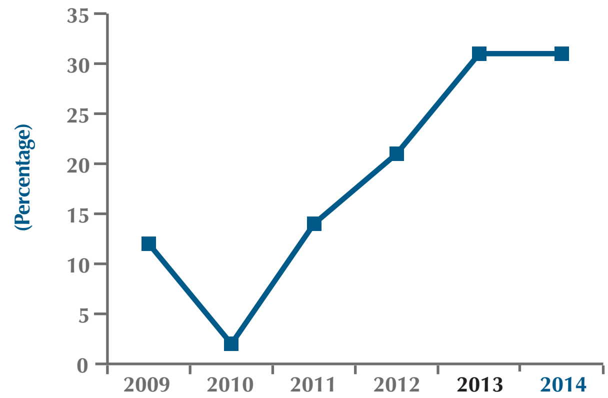
RoE
33.10%

Graphical Presentations

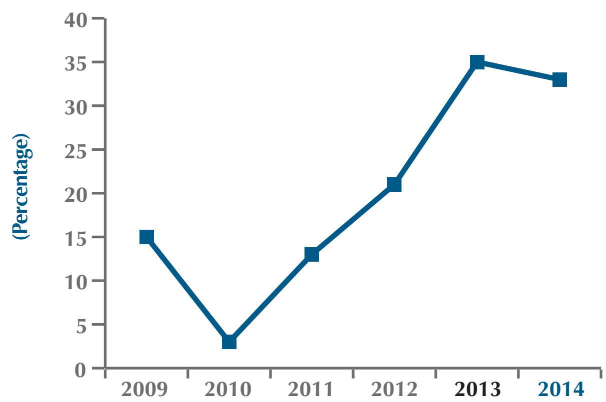
Profit / (Loss) After Tax



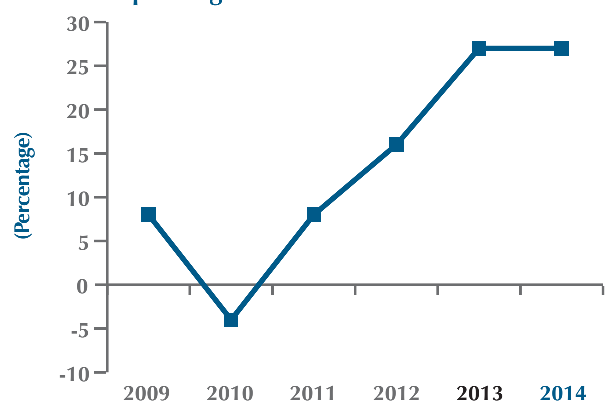
EBITDA Margin to Sales



Gross Profit %

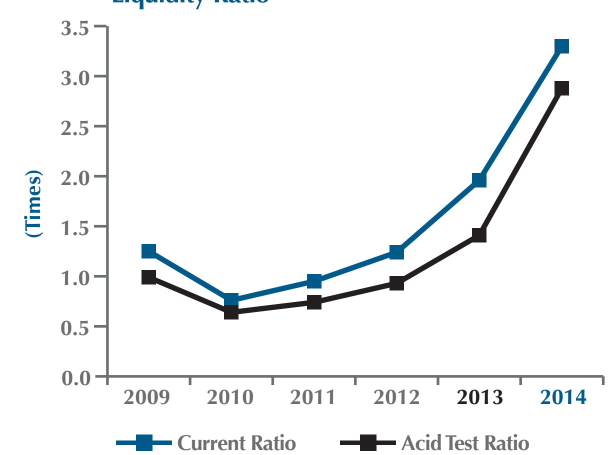


Operating Profit %



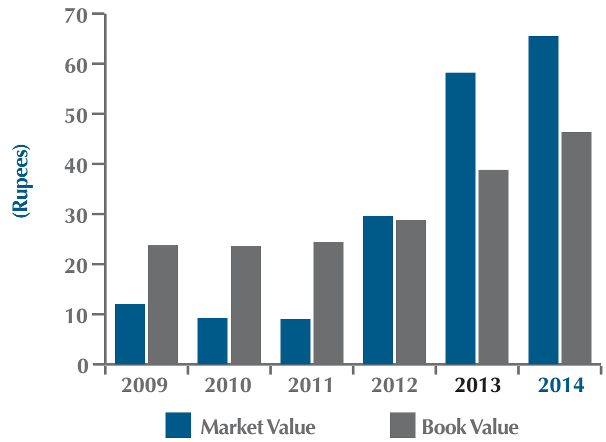
Earning Per Share

Liquidity Ratio

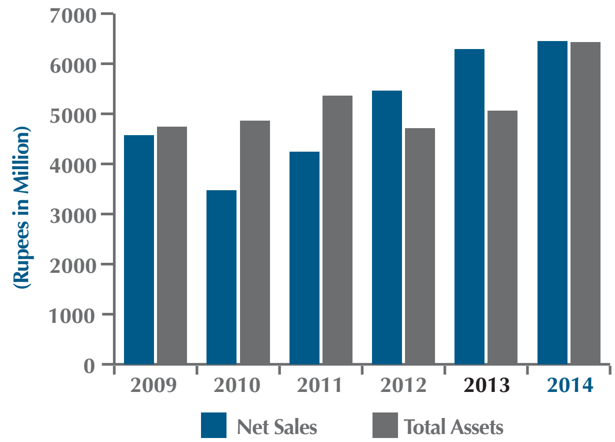


Cherat Cement Company Limited

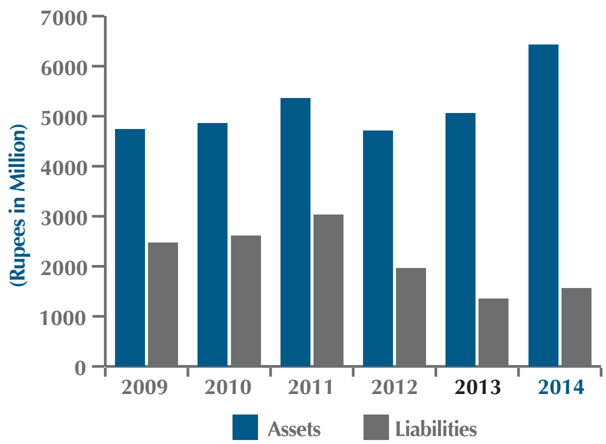
Value Per Share



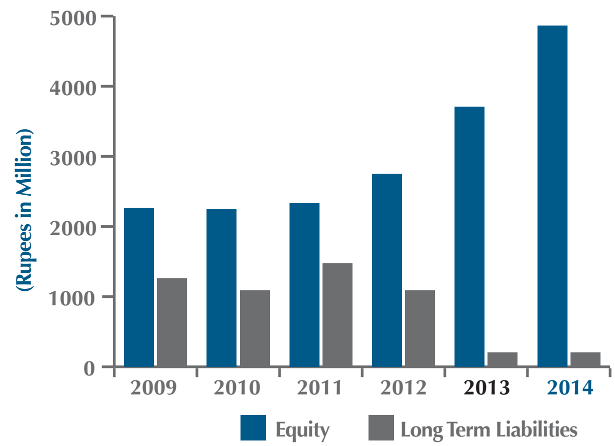
Sales to Total Assets



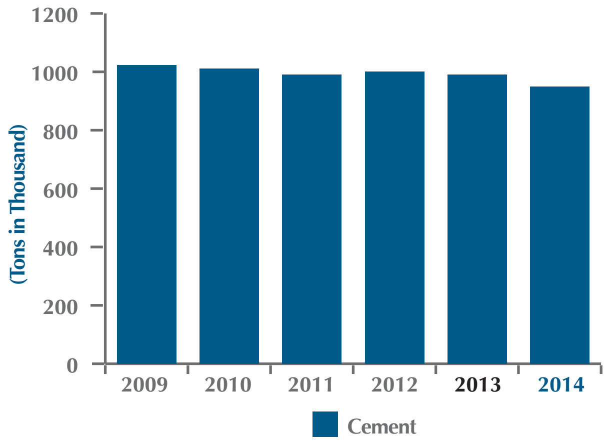
Assets and Liabilities



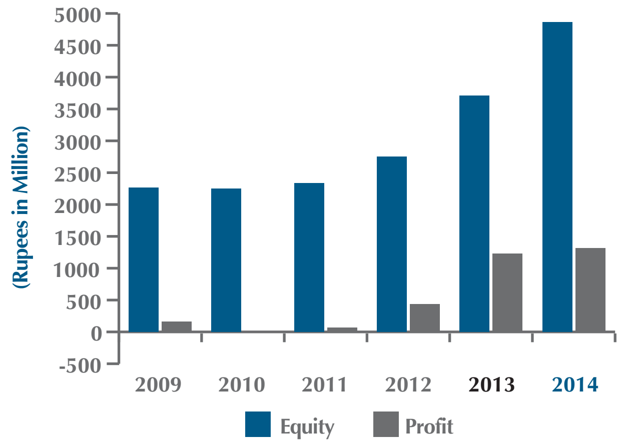
Equity and Long-Term Liabilities



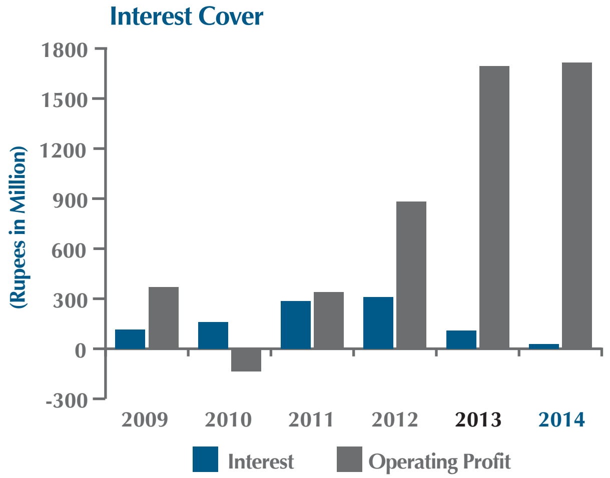
Cement Sales

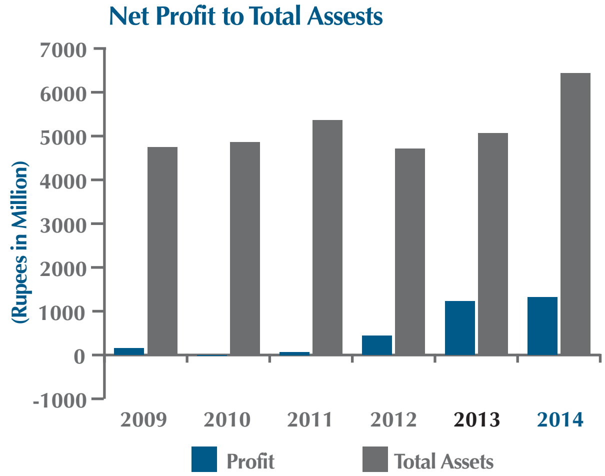


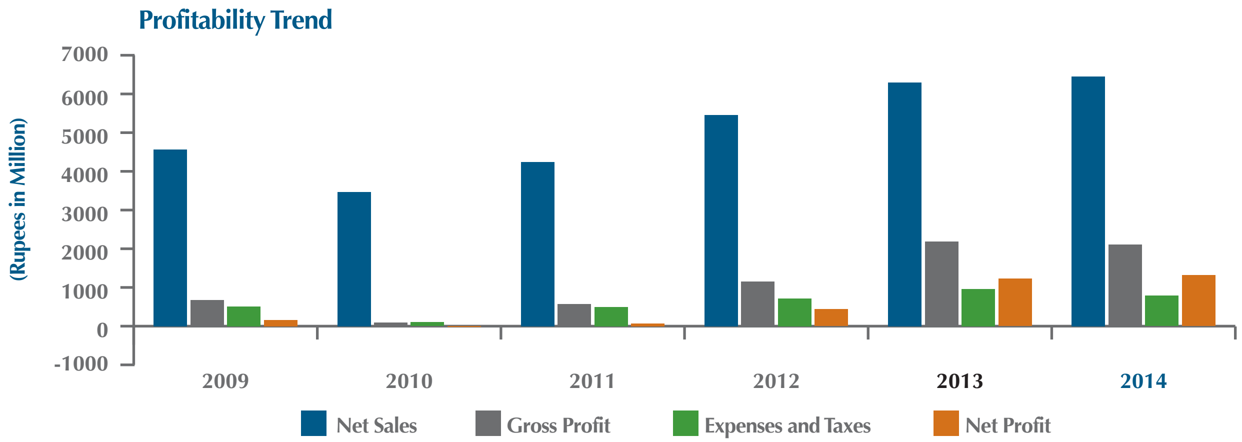
Return on Equity



Graphical Presentations







Statement of Value Addition and Distribution of Wealth

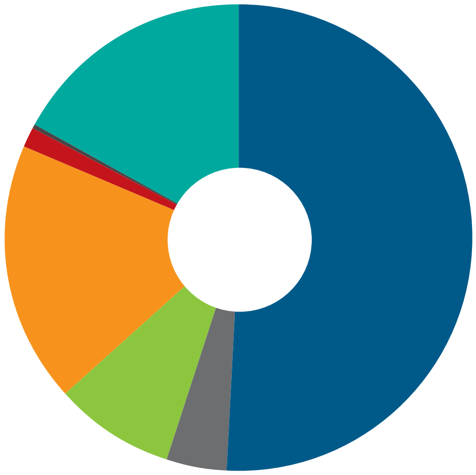
	2014 Rs. in '000	2014 %age	2013 Rs. in '000	2013 %age
Wealth Generated				
Turnover (including taxes)	7,649,170	99.01	7,241,417	99.80
Other operating income	76,593	0.99	14,703	0.20
	7,725,763	100.00	7,256,120	100.00
Distribution of Wealth				
Cost of sales (excluding employees' remuneration)	3,878,043	50.20	3,690,747	50.86
Marketing, selling and administrative expenses	233,835	3.03	320,032	4.41
To employees as remuneration	696,019	9.01	601,800	8.29
To government as taxes	1,569,411	20.31	1,304,527	17.98
To providers of finance as financial charges	28,745	0.37	108,988	1.50
To society / donations	3,542	0.05	2,378	0.03
Retained within the business	1,316,168	17.03	1,227,648	16.93
	7,725,763	100.00	7,256,120	100.00

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%

Distribution of Wealth 2013

Cost of Sales (Excluding Employees' Remuneration)	50.86%
Marketing, Selling and Administrative Expenses	4.41%
To Employees as Remuneration	8.29%
To Government as Taxes	17.98%
To Providers of Finances as Financial Charges	1.50%
To Society / Donations	0.03%
Retained within the Business	16.93%



Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulation 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. Aamir Amin (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 17.12.2013 was filled up by the directors within 13 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).

24. 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 15, 2014

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 15, 2014

Review Report to the Members

on Statement of Compliance with the Code of Corporate Governance

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 35650007-11
Fax: +9221 35681965
www.ey.com

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 2014 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 con-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 2014.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 15, 2014

Share Price Sensitivity Analysis

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

Energy Crises

Due to the on-going energy crises, 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 effect 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.

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.

Amortisation: 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.

Gearing Ratio: Compares some form of owner's equity (or capital) to borrow funds.

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

Financial Statements

Auditors' Report to the Members

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 35650007-11
Fax: +9221 35681965
www.ey.com/pk

We have audited the annexed balance sheet of Cherat Cement Company Limited (the Company) as at 30 June 2014 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 2014 and of the profit, the comprehensive income, its 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: August 15, 2014

Balance Sheet

as at June 30, 2014

	Note	June 30 2014	June 30 2013 (Restated)	July 01 2012 (Restated)
		(Rupees in '000)		
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets				
Property, plant and equipment	4	3,361,632	3,427,370	3,245,352
Intangible assets	5	14,125	16,590	19,055
		3,375,757	3,443,960	3,264,407
Long-term investments	6	131,599	68,236	138,658
Long-term loans and advances	7	1,199	1,405	2,177
Long-term security deposits		17,238	17,258	17,116
		150,036	86,899	157,951
		3,525,793	3,530,859	3,422,358
CURRENT ASSETS				
Stores, spare parts and loose tools	8	1,181,254	967,917	869,760
Stock-in-trade	9	369,872	433,768	318,503
Loans and advances	10	18,028	12,969	11,174
Trade deposits, short-term prepayments and other receivables	11	74,136	33,634	37,283
Short-term investments	12	1,242,271	-	-
Taxation – net		2,498	59,806	14,758
Cash and bank balances	13	17,116	25,548	37,728
		2,905,175	1,533,642	1,289,206
TOTAL ASSETS		6,430,968	5,064,501	4,711,564
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	14	1,051,380	955,801	955,801
Reserves	15	3,812,888	2,753,228	1,731,783
		4,864,268	3,709,029	2,687,584
NON-CURRENT LIABILITIES				
Long-term financing	16	163,082	203,852	888,974
Long-term deposits	17	15,530	14,905	13,923
Deferred taxation	18	506,947	354,902	20,485
		685,559	573,659	923,382
CURRENT LIABILITIES				
Trade and other payables	19	676,921	503,246	400,341
Accrued mark-up	20	37,166	20,145	52,381
Short-term borrowings	21	99,376	236,948	436,040
Current maturity of long-term financing	16	40,770	-	200,000
Unclaimed dividend		26,908	21,474	11,836
		881,141	781,813	1,100,598
CONTINGENCIES AND COMMITMENTS	22			
TOTAL EQUITY AND LIABILITIES		6,430,968	5,064,501	4,711,564

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, 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Turnover – net	23	6,451,330	6,294,376
Cost of sales	24	(4,348,680)	(4,104,293)
Gross profit		2,102,650	2,190,083
Distribution costs	25	(188,395)	(159,623)
Administrative expenses	26	(141,444)	(120,603)
Other expenses	27	(132,920)	(230,438)
		(462,759)	(510,664)
Other income	28	76,593	14,703
Operating profit		1,716,484	1,694,122
Finance costs	29	(28,745)	(108,988)
Profit before taxation		1,687,739	1,585,134
Taxation			
Current - for the year		(243,104)	(46,437)
- prior years		23,578	23,368
Deferred		(152,045)	(334,417)
	30	(371,571)	(357,486)
Profit after taxation		1,316,168	1,227,648
Earnings per share – basic	31	Rs. 12.52	Rs. 11.68

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, 2014

	2014	2013 (Restated)
	(Rupees in '000)	
Profit after taxation	1,316,168	1,227,648
Unrealised gain on available-for-sale securities	63,363	23,040
Actuarial gain on defined benefit plan	14,658	57,497
	78,021	80,537
Total comprehensive income for the year	1,394,189	1,308,185

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, 2014

	Note	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		(Rupees in '000)	
Profit before taxation		1,687,739	1,585,134
Adjustment for:			
Depreciation	4.1.3	258,609	248,905
Amortisation	5	2,465	2,465
Provision for impairment of investment in a joint venture		-	106,705
Unrealized gain on short-term investments	28	(42,271)	-
Gain on disposal of operating property, plant and equipment	4.1.4	(4,904)	(2,338)
Finance costs	29	28,745	108,988
Share of loss in a joint venture	6.1	-	50
Exchange loss	27	2,405	2,455
Dividend income	28	(5,317)	(1,662)
		239,732	465,568
		1,927,471	2,050,702
Increase in current assets			
Stores, spare parts and loose tools		(213,337)	(98,157)
Stock-in-trade		63,896	(115,265)
Loans and advances		(5,059)	(1,795)
Trade deposits, short-term prepayments and other receivables		(40,502)	3,649
		(195,002)	(211,568)
		1,732,469	1,839,134
Increase in current liabilities			
Trade and other payables		185,928	157,947
Cash generated from operations		1,918,397	1,997,081
Income tax paid		(162,218)	(68,117)
Long-term loans, advances and deposits – net		851	1,612
Net cash generated from operating activities		1,757,030	1,930,576
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	4.1.1	(524,022)	(108,808)
Proceeds from disposal of operating property, plant and equipment	4.1.4	11,962	6,668
Capital work-in-progress	4.2	333,539	(312,295)
Investment in available-for-sale securities		-	(13,293)
Short-term investments		(1,200,000)	-
Dividend received		5,317	1,662
Net cash used in investing activities		(1,373,204)	(426,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing		-	(885,122)
Short-term borrowings		(137,572)	(199,092)
Dividend paid		(233,516)	(277,102)
Finance costs paid		(21,170)	(155,374)
Net cash used in financing activities		(392,258)	(1,516,690)
Net decrease in cash and cash equivalents		(8,432)	(12,180)
Cash and cash equivalents as at the beginning of the year		25,548	37,728
Cash and cash equivalents as at the end of the year	13	17,116	25,548

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, 2014

	Issued, Subscribed and Paid-up Capital	Reserves							
		Capital Reserve	Revenue Reserves				Unrealised gain on available for-sale securities	Total	Total
			General Reserve	Un-appropriated profit	Actuarial (loss) / gain on defined benefit plan	Sub-total			
	(Rupees in '000)								
Balance as at July 01, 2012 – as previously reported	955,801	50,900	420,000	1,310,390	-	1,730,390	10,929	1,792,219	2,748,020
Effect of change in accounting policy as disclosed in note 3	-	-	-	-	(60,436)	(60,436)	-	(60,436)	(60,436)
Balance as at July 01, 2012 – as restated	955,801	50,900	420,000	1,310,390	(60,436)	1,669,954	10,929	1,731,783	2,687,584
Profit for the year – as restated	-	-	-	1,227,648	-	1,227,648	-	1,227,648	1,227,648
Other comprehensive income	-	-	-	-	57,497	57,497	23,040	80,537	80,537
Total comprehensive income	-	-	-	1,227,648	57,497	1,285,145	23,040	1,308,185	1,308,185
Final cash dividend for the year ended June 30, 2012 @ Rs. 2/- per share	-	-	-	(191,160)	-	(191,160)	-	(191,160)	(191,160)
Interim cash dividend for the year ended June 30, 2013 @ Re. 1/- per share	-	-	-	(95,580)	-	(95,580)	-	(95,580)	(95,580)
Balance as at June 30, 2013	**955,801**	**50,900**	**420,000**	**2,251,298**	**(2,939)**	**2,668,359**	**33,969**	**2,753,228**	**3,709,029**
Balance as at July 01, 2013 – as restated	955,801	50,900	420,000	2,251,298	(2,939)	2,668,359	33,969	2,753,228	3,709,029
Profit for the year	-	-	-	1,316,168	-	1,316,168	-	1,316,168	1,316,168
Other comprehensive income	-	-	-	-	14,658	14,658	63,363	78,021	78,021
Total comprehensive income	-	-	-	1,316,168	14,658	1,330,826	63,363	1,394,189	1,394,189
Final cash dividend for the year ended June 30, 2013 @ Rs. 1.50/- per share	-	-	-	(143,370)	-	(143,370)	-	(143,370)	(143,370)
Interim cash dividend for the year ended June 30, 2014 @ Re. 1/- per share	-	-	-	(95,580)	-	(95,580)	-	(95,580)	(95,580)
Issuance of bonus shares – 1 share for every 10 ordinary shares held	95,579	-	-	(95,579)	-	(95,579)	-	(95,579)	-
Balance as at June 30, 2014	1,051,380	50,900	420,000	3,232,937	11,719	3,664,656	97,332	3,812,888	4,864,268

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, 2014

1 CORPORATE INFORMATION

Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares under the Company Act, 1913 (now the Companies Ordinance, 1984) in the year 1981. Its main business activity is manufacturing, marketing and 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 of 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 designated investment at fair value and available-for-sale securities that have been measured at fair value in accordance with IAS 39 “Financial Instruments, Recognition and Measurement”.

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 that the Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to accounting standards issued by the IASB
IAS 1 – Presentation of Financial Statements – Clarification of the requirements for comparative information
IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
IAS 32 – Financial Instruments ; Presentation – Tax Effects of Distribution to Holders of Equity nstruments
IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IAS-19 (revised) which has resulted in a change in accounting policy as described in note 3.11.1 to the financial statements.

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

The following revised 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)
IAS 16 & 38	–	Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 & 40	–	Agriculture: Bearer Plants	01 January 2016
IAS 19	–	Employee Contributions	01 July 2014
IAS 32	–	Offsetting Financial Assets and Financial Liabilities – (Amendment)	01 January 2014
IAS 36	–	Recoverable Amount for Non-financial Assets – (Amendment)	01 January 2014
IAS 39	–	Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014
IFRIC 21	–	Levies	01 January 2014

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. 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 10	–	Consolidated Financial Statements	01 January 2013
IFRS 11	–	Joint Arrangements	01 January 2013
IFRS 12	–	Disclosure of Interests in Other Entities	01 January 2013
IFRS 13	–	Fair Value Measurement	01 January 2013
IFRS 14	–	Regulatory Deferral Accounts	01 January 2016
IFRS 15	–	Revenue from Contracts with Customers	01 January 2017

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 assumptions and estimates 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 judgments, estimates and assumptions which are significant to the financial statements.

2.5.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 11.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes 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 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.

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 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.

Under equity method, the investment in 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. Unrealized gains and losses resulting from transactions between the Company and joint venture are eliminated to the extent of the interest in joint venture.

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

2.5.3 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.

2.5.4 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 in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to profit and loss account.

2.5.5 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.

2.5.6 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.

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.

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.

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. Unrealised gains and losses resulting from transactions between the Company and joint venture are eliminated to the extent of the interest in joint venture.

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 operating 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 recognised at fair value, relevant transaction costs are taken directly to the 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 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

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.

3.5 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 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees (functional currency) 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.

3.9 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.

3.10 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.

3.10.1 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.

3.10.2 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.

3.11 Staff retirement benefits

3.11.1 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 recognised in full in the period in which they occur in other comprehensive income. All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

During the year, the Company has changed its accounting policy in respect of recognition of actuarial gains and losses. With effect from current year, the Company has recognised actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees;

The above change has been accounted for retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8). Accordingly, the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2012 and related notes in accordance with requirement of IAS 1 “Presentation of Financial Statements (Revised)”. The balance sheet and profit and loss account as of and for the year ended June 30, 2013 respectively have been restated and presented accordin□ly.

Had there been no change in the accounting policy, the following would have been the impacts as of July 01, 2012, June 30, 2013 and June 30, 2014 and for the years then ended:

	(Rupees in ‘000)
As of July 01, 2012:	
Employee benefit liability would have been lower by:	60,436
Opening accumulated loss on defined benefit plan would have been lower by:	60,436
As of and for the year ended June 30, 2013:	
Employee benefit liability would have been higher by:	495
Accumulated actuarial loss on defined benefit plan would have been lower by:	2,939
Charge for defined benefit plan would have been higher by:	3,434
As of and for the year ended June 30, 2014:	
Employee benefit asset would have been lower by:	11,719
Accumulated actuarial gain on defined benefit plan would have been lower by:	11,719

3.11.2 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.

3.12 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events and 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.

3.13 Taxation

3.13.1 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 or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The tax charge as calculated above is compared with turnover tax, calculated at applicable tax rates under section 113 of the Income Tax Ordinance, 2001 and under final tax regime, whichever is higher is provided in the financial statements. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in prior years arising from assessments framed during the year for such years.

3.13.2 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 in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan (ICAP), if considered material.

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.

3.13.3 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.

3.14 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.

3.15 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, 2014

	Note	2014	2013
4 PROPERTY, PLANT AND EQUIPMENT		(Rupees in '000)	
Operatin□ property, plant and equipment	4.1	3,320,210	3,061,855
Capital work-in-progress	4.2	41,422	365,515
		3,361,632	3,427,370

4.1 Operating property, plant and equipment

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

2014 Description	COST			DEPRECIATION				Book Value as at June 30, 2014	Depreciation rate % per annum
	As at July 01, 2013	Additions / (disposals)	As at June 30, 2014	As at July 01, 2013	Adjustment on disposals	For the year	As at June 30, 2014		
	(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	

2013 Description	COST As at July 01, 2012	COST Additions / (disposals)	COST As at June 30, 2013	DEPRECIATION As at July 01, 2012	DEPRECIATION Adjustment on disposals	DEPRECIATION For the year	DEPRECIATION As at June 30, 2013	Book Value as at June 30, 2013	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	519,575	2,403	521,978	309,581	-	15,856	325,437	196,541	7.5
Plant and machinery	5,357,221	17,997	5,375,218	2,680,177	-	176,947	2,857,124	2,518,094	5-7.5
Power and other installations	128,427	277	128,704	58,503	-	7,028	65,531	63,173	10-20
Furniture and fittings	39,357	604	39,961	25,329	-	1,349	26,678	13,283	10-20
Quarry, factory and laboratory equipment	397,170	46,357	443,527	243,457	-	27,060	270,517	173,010	10-20
Motor vehicles	116,778	38,560 (11,385)	143,953	58,052	(7,055)	14,767	65,764	78,189	20
Office equipment	9,953	1,461	11,414	7,150	-	577	7,727	3,687	10-20
Computers	68,498	1,149 (160)	69,487	57,118	(160)	5,321	62,279	7,208	33.33
	6,645,649	108,808 (11,545)	6,742,912	3,439,367	(7,215)	248,905	3,681,057	3,061,855	

	Note	2014	2013
		(Rupees in '000)	
4.1.2 Reconciliation of book value:			
Book value as at the beginning of the year		3,061,855	3,206,282
Additions during the year		524,022	108,808
Depreciation for the year		(258,609)	(248,905)
Disposals during the year at book value		(7,058)	(4,330)
Book value as at the end of the year		3,320,210	3,061,855
4.1.3 The depreciation for the year has been allocated as follows:			
Cost of sales	24	245,600	237,542
Distribution costs	25	4,963	4,868
Administrative expenses	26	8,046	6,495
		258,609	248,905

4.1.4 Disposal of operating property, plant and equipment

Description	Cost	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	(Rupees in '000)					
Vehicles						
Suzuki Bolan GL Reg. # B-2397 (Ambulance)	461	93	496	403	Tender	Mr. Muhammad Talha Fayyaz (Peshawar) - outside party
Suzuki Pickup Reg. # B-7261	272	19	310	291	Tender	Mr. Jehangir Ahmed (Peshawar) - outside party
Honda City 1300cc I-Dsi, Reg. # U-9846	910	237	237	-	Employee car scheme	Mr. Arif Raza Qureshi - Employee
Honda City 1300cc I-Dsi, Reg. # U-9843	910	237	237	-	Employee car scheme	Mr. Hussain Javed - Employee
Honda City 1300cc I-Dsi, Reg. # APE-983	854	221	221	-	Employee car scheme	Mr. Zafar Imam - Employee
Honda City 1300cc I-Dsi, Reg. # U-9845	910	237	237	-	Employee car scheme	Mr. Asmatullah - Employee
Suzuki Alto 1000cc Reg. # B-2421	499	96	125	29	Employee car scheme	Mr. Himmat Khan - Employee
Suzuki Alto 1000cc Reg. # APN-754	514	138	138	-	Employee car scheme	Mr. S.M. Atif - Employee
Suzuki Alto 1000cc Reg. # APN-755	514	138	138	-	Employee car scheme	Mr. Sirajuddin - Employee
Suzuki Alto 1000cc Reg. # AMY-175	492	101	128	27	Employee car scheme	Mr. Imran Shaukat - Employee
Suzuki Cultus1000cc Reg. # BA-6761	749	244	641	397	Tender	Mr. Usman Khan (Peshawar) - outside party
Suzuki Alto 1000cc Reg. # BB-1311	642	266	642	376	Insurance claim	EFU General Insurance Ltd.
Honda City Manual, Reg. # BC-4894	1,520	1,419	1,540	121	Insurance claim	EFU General Insurance Ltd.
Suzuki Mehran 800cc Reg. # BA-2149	403	103	103	-	Employee car scheme	Mr. Zaheer Ahmed - Employee
Suzuki Mehran 800cc Reg. # LH-3955	403	103	103	-	Employee car scheme	Mr. Awal Gul - Employee
Suzuki Cultus 1000cc Reg. # B-2380	595	106	364	258	Tender	Mr. Muhammad Asim Khan (Peshawar) - outside party
Suzuki Cultus 1000cc Reg. # BB-4791	891	452	756	304	Tender	Mr. Matee-ur-Rehman (Peshawar) - outside party
Suzuki Cultus 1000cc Reg. # B-2448	514	123	129	6	Employee car scheme	Mr. Abdul Ghaffar - Employee
Honda Civic Reg. # AGD-050	1,139	100	500	400	Tender	Mr. Shiraz Ahmed Khan (Karachi) - outside party
Toyota Corolla GLI Reg. # WK-753	1,491	1,098	1,491	393	Insurance claim	EFU General Insurance Ltd.
Honda City Manual, Reg. # KPK-0272	1,540	1,514	1,540	26	Insurance claim	EFU General Insurance Ltd.
Land Cruiser Reg. # B-7336	136	6	1,800	1,794	Tender	Haji Qasim Khan (Peshawar) - outside party
	16,359	7,051	11,876	4,825		
Aggregate of operating property, plant and equipment disposed-off having book value below Rs. 50,000/- each						
Computer – Notebooks	93	7	86	79		
2014	16,452	7,058	11,962	4,904		
2013	11,545	4,330	6,668	2,338		

4.2 Movement of Capital work-in-progress

Description	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Motor vehicles	Quarry, factory and laboratory equipment	Furniture and fittings	Total
	(Rupees in '000)							
Balance as at June 30, 2012	1,468	35,861	-	1,741	-	-	-	39,070
Capital expenditure incurred / advances made during the year	117,732	201,763	1,149	27,627	38,560	-	-	386,831
Transferred to operating property, plant and equipment	(2,403)	(17,997)	(1,149)	(277)	(38,560)	-	-	(60,386)
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

4.2.1 During the year borrowing costs have been capitalized amounting to Rs. 9.446 million (2013: Rs. 14.150 million) by using capitalization rate of 9.28% (2013: 10.57%).

4.2.2 During the year the transfer to building on leasehold land amounting to Rs. 105.329 million, plant and machinery Rs. 295.236 million and power and other installations Rs. 19.438 million has been made upon capitalization of Refused Derived Fuel (RDF), a renewable energy project.

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 – ERP								
2014	24,649	-	24,649	8,059	2,465	10,524	14,125	10
2013	24,649	-	24,649	5,594	2,465	8,059	16,590	10

	Note	2014	2013
		(Rupees in '000)	
5.1 The amortisation for the year has been allocated as follows:			
Cost of sales	24	2,225	2,225
Distribution costs	25	136	136
Administrative expenses	26	104	104
		2,465	2,465
6 LONG-TERM INVESTMENTS			
Investment in related parties			
Interest in a Joint Venture	6.1	-	-
Available-for-sale securities	6.2	131,599	68,236
		131,599	68,236
6.1 Movement of interest in a joint venture – under equity method			
Company's share in net assets as at the beginning of the year		106,705	106,755
Investment made during the year		-	-
Share of loss		-	(50)
Company's share in net assets as at the end of the year		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 (2013: 10,744,997 shares) representing 50% (2013: 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 based on un-audited financial statements is as follows:

	2014	2013
	(Rupees in '000)	
Current assets	76	126
Non-current assets	106,674	106,624
Current liabilities	(45)	(45)
Net assets	106,705	106,705
Administrative expenses	-	(50)

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 was impaired and accordingly provision for impairment loss was made last year.

	Note	2014	2013
		(Rupees in '000)	
6.2 Available-for-sale securities – at fair value			
Ordinary shares of listed company - Cherat Packaging Limited 1,772,380 (2013: 1,772,380) fully paid ordinary shares of Rs. 10/- each.		131,599	68,236

7 LONG-TERM LOANS AND ADVANCES – secured, considered good

	Note	2014	2013
Loans to:			
Executives	7.1 & 7.2	67	77
Employees	7.3	3,772	4,188
		3,839	4,265
Less: Due within one year – current portion of loans	10	(2,640)	(2,860)
		1,199	1,405

7.1 Reconciliation of carrying amount of loans to executives

	Opening balance as at July 01	Disbursement	Repayment	Closing balance as at June 30
	(Rupees in '000)			
2014	77	-	(10)	67
2013	267	-	(190)	77

7.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.770 million (2013: Rs. 0.252 million).

7.3 Represents car and other loans provided as per the Company's employee loan policy. These loans carry mark-up upto 15% per annum (2013: upto 15% per annum) and are repayable within 3 to 6 years. These loans are secured a□ainst the provident fund balances of the respective employees.

8 STORES, SPARE PARTS AND LOOSE TOOLS

	2014	2013
	(Rupees in '000)	
Stores	654,045	479,462
Spare parts	520,464	467,404
Loose tools	588	644
	1,175,097	947,510
Add: Stores and spare parts in transit	6,157	20,407
	1,181,254	967,917

		Note	2014	2013
			(Rupees in '000)	
9	**STOCK-IN-TRADE**			
	Raw and packing material		61,986	50,395
	Work-in-process		245,558	314,350
	Finished goods		62,328	69,023
			369,872	433,768
10	**LOANS AND ADVANCES – considered good**			
	Current portion of loans due from:			
	Executives		125	68
	Employees		2,515	2,792
		7	2,640	2,860
	Advances to suppliers – unsecured		15,388	10,109
			18,028	12,969

11 TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014	2013 (Restated)	2012 (Restated)
		(Rupees in '000)		
Trade deposits		547	547	547
Short-term prepayments		16,735	4,222	6,594
Accrued return on investments		-	-	388
Duty drawback receivable		12,326	10,652	12,990
Staff gratuity fund	11.1	4,108	-	-
Insurance claims receivable		5,597	2,343	4,726
Sales tax adjustable		17,949	-	-
Sales tax and excise duty refundable		8,368	8,368	8,368
Others		8,506	7,502	3,670
		74,136	33,634	37,283

11.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 3.11.1, 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, 2014.

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:

	2014	2013 (Restated)	2012 (Restated)
	(Rupees in '000)		
Staff Gratuity Fund (Asset) / Liability:			
Present value of defined benefit obligation	264,832	225,183	192,274
Fair value of plan assets	(268,940)	(216,451)	(119,496)
(Asset) / liability recognised in the balance sheet	(4,108)	8,732	72,778
Amount charged to profit and loss account:			
Current service cost	13,504	10,743	14,807
Interest cost	25,242	22,636	20,729
Expected return on plan assets	(24,928)	(15,928)	(10,886)
	13,818	17,451	24,650
Total re-measurements chargeable in other comprehensive income:			
Experience adjustment arising on plan liabilities losses	12,286	7,666	21,851
Return on plan assets excluding interest income gains	(26,944)	(65,163)	(35,061)
	(14,658)	(57,497)	(13,210)
Movement in net (asset) / liability recognised in the balance sheet:			
Balance as at July 01	8,732	72,778	11,692
Net charge for the year	13,818	17,451	24,650
Re-measurements chargeable in other comprehensive income	(14,658)	(57,497)	60,436
Contribution to the fund	(12,000)	(24,000)	(24,000)
Balance as at June 30	(4,108)	8,732	72,778

	2014	2013 (Restated)	2012 (Restated)
	(Rupees in '000)		
Movement in the present value of defined benefit obligation:			
Balance as at July 01	225,183	192,274	156,403
Current service cost	13,504	10,743	9,973
Interest cost	25,242	22,636	20,729
Benefits paid during the year	(11,383)	(8,136)	(16,682)
Actuarial loss	12,286	7,666	21,851
Balance as at June 30	264,832	225,183	192,274
Movement in the fair value of plan assets:			
Balance as at July 01	216,451	119,496	66,231
Expected return	24,928	15,928	10,886
Contributions	12,000	24,000	24,000
Benefits paid during the year	(11,383)	(8,136)	(16,682)
Actuarial gain	26,944	65,163	35,061
Balance as at June 30	268,940	216,451	119,496
Principal actuarial assumptions used are as follows:	(Percentage)		
Expected rate of increase in salary level	11.5	9.5	10.5
Valuation discount rate	13.5	11.5	12.5
Rate of return on plan assets	13.5	12.5	12.5

	2014	2013	2012	2011	2010
Comparisons for past years:	(Rupees in '000)				
As at June 30					
Present value of defined benefit obligation	264,832	225,183	192,274	156,403	185,144
Fair value of plan assets	(268,940)	(216,451)	(119,496)	(66,231)	(88,501)
(Surplus) / Deficit	(4,108)	8,732	72,778	90,172	96,643
Experience adjustment on plan liabilities	(12,286)	(7,666)	(21,851)	(7,253)	(1,655)
Experience adjustment on plan assets	26,944	65,163	35,061	(5,605)	(9,522)
	14,658	57,497	13,210	(12,858)	(11,177)

	2014	2013	2012
	(Rupees in '000)		
Composition of plan assets is as follows:			
Defence Savings Certificates	7,040	6,966	5,842
Special Savings Certificates	-	1,010	3,046
Mutual funds / Shares / COIs / PIB	255,604	200,330	109,523
Amount in banks	6,296	8,145	1,085
	268,940	216,451	119,496

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 2014 amounts to Rs. 51.872 million (2013: Rs. 81.091 million).

12 SHORT-TERM INVESTEMENTS

Designated through profit or loss
- Mutual Fund Units

2014	2013		2014	2013
Units			(Rupees in '000)	
20,860,702	-	ABL Cash Fund	209,122	-
3,055,048	-	Meezan Sovereign Fund	154,219	-
302,515	-	Atlas Money Market Fund	152,026	-
1,534,745	-	HBL Money Market Fund	153,968	-
3,146,252	-	Pakistan Cash Management Fund	157,313	-
1,017,618	-	MetroBank Pakistan Sovereign Fund	50,922	-
15,751,082	-	NAFA Money Market Fund	157,719	-
4,957,673	-	NIT Government Bond Fund	50,092	-
1,563,186	-	UBL Liquidity Plus Fund	156,890	-
52,188,821	-		1,242,271	-

12.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2014 as quoted by the respective Asset Management Company.

13 CASH AND BANK BALANCES

	Note	2014	2013
		(Rupees in '000)	
With banks in:			
Current accounts		9,535	12,238
Saving accounts	13.1	5,965	11,803
		15,500	24,041
Cash in hand			
Foreign currency		14	628
Local currency		1,602	879
		1,616	1,507
		17,116	25,548

13.1 Effective profit rate in respect of saving accounts is 6.5% per annum (2013: 6% per annum).

14 SHARE CAPITAL

14.1 Authorised capital

2014	2013		2014	2013
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

2014	2013		2014	2013
Number of shares			(Rupees in '000)	
		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	70,678,008	- Issued as fully paid bonus shares	802,360	706,781
100,078,008	90,520,008		1,000,780	905,201
5,060,000	5,060,000	- Issued for consideration other than cash on amalgamation	50,600	50,600
105,138,008	95,580,008		1,051,380	955,801

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

	2014	2013
	(Number of Shares)	
Faruque (Private) Limited	19,194,187	16,811,761
Cherat Packaging Limited	243,362	221,239
Mirpurkhus Sugar Mills Limited	3,770,252	3,427,502
Greaves Pakistan (Private) Limited	2,199,093	1,999,176

15 RESERVES

15.1 Capital reserve

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

15.2 Fair value gain / (loss) on available-for-sale securities

This reserve records the fair value changes on available-for-sale financial assets as required under the relevant accountin□ standard.

16 LONG-TERM FINANCING – secured

	Note	2014	2013
		(Rupees in '000)	
Refused Derived Fuel (RDF) project loan	16.1	203,852	203,852
Less: Current maturity		40,770	-
		163,082	203,852

16.1 This represents a long-term financing obtained from a commercial Islamic bank under the Diminishing Musharika Scheme for Refused Derived Fuel project, 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	2014	2013
		(Rupees in '000)	
ealers	17.1	10,999	10,849
Suppliers and contractors	17.2	4,531	4,056
		15,530	14,905

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

	2014	2013
	(Rupees in '000)	
eferre d tax liability on taxable temporary difference:		
Accelerated tax depreciation on operating property, plant and equipment	506,947	392,978
Deferred tax asset on deductible temporary differences:		
Minimum tax	-	(38,076)
	506,947	354,902

19 TRADE AND OTHER PAYABLES

	Note	2014	2013 (Restated)	2012 (Restated)
		(Rupees in '000)		
Creditors		3,524	3,109	2,766
Bills payable		191,984	133,616	154,646
Accrued liabilities		174,452	143,568	83,412
Advances from customers		68,344	41,842	4,301
Retention money		1,580	1,046	246
Payable to staff gratuity fund	11.1	-	8,732	72,778
Payable to staff provident fund	19.1	-	2,964	-
Workers' Profits Participation Fund	19.2	90,641	84,946	30,085
Workers' Welfare Fund	19.3	66,724	32,280	-
Sales tax payable		31,051	4,801	4,816
Royalty and excise duty payable		41,675	43,726	43,948
Others		6,946	2,616	3,343
		676,921	503,246	400,341

19.1 Provident Fund

	2014 (Un-Audited)	2013 (Un-Audited)
	(Rupees in '000)	
Size of the trust	549,266	473,842
Cost of investments made	458,577	392,812
Fair value of investments	538,661	466,026
	(Percentage)	
Percentage of investment made	98.07	98.35

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

	2014	2013
	(Rupees in '000)	
Banks	43,728	3,831
Government securities	261,998	184,746
Others	232,935	277,449
	538,661	466,026

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	2014	2013
19.2	**Workers' Profits Participation Fund**		(Rupees in '000)	
	Opening balance as at July, 01		84,946	30,085
	Interest thereon	29	916	604
			85,862	30,689
	Less: Payment made during the year		(85,862)	(30,689)
			-	-
	Charge for the year	27	90,641	84,946
	Closing balance as at June, 30		90,641	84,946

19.3 As per Workers' Welfare Fund (WWF) Ordinance, 1971, WWF was chargeable @ 2% of the taxable income. The Government through Finance Acts 2006 & 2008 amended the WWF Ordinance, 1971 whereby the term 'total income' shall be considered as a 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 Honorable Peshawar High Court. During the year, the Honorable Peshawar High Court declared the impugned levy of contribution introduced in the WWF Ordinance, 1971 through the Finance Acts of 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.

In view of the fact that the Honorable Sindh High Court has decided the matter against the tax payers and ultimate decision may come from the Honorable Supreme Court of Pakistan, although the management is confident of a favorable outcome, as a matter of prudence, full amount has been provided in these financial statements which can be reversed in case of an ultimate favorable outcome. The amount which can be reversed for current and prior years is Rs. 51.354 million.

		Note	2014	2013
20	**ACCRUED MARK-UP**		(Rupees in '000)	
	Long-term financing		34,680	14,505
	Short-term running finance		2,486	5,640
			37,166	20,145
21	**SHORT-TERM BORROWINGS – secured**			
	Short-term running finance	21.1	99,376	99,948
	Export refinance		-	137,000
			99,376	236,948

21.1 These facilities are obtained from various commercial banks and amounting to Rs. 1,865 million (2013: Rs. 1,615 million) out of which Rs. 1,765.624 million (2013: Rs. 1,378.052 million) remains unutilized as at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.75% per annum to 3 months KIBOR + 1.75% 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. 2,336 million and hypothecation charge of Rs. 134 million over plant and machinery. Further, the Company has obtained credit facilities from various commercial Islamic banks amounting to Rs. 350 million (2013: Rs. 350 million) out of which Rs. 350 million (2013: Rs. 350 million) remains unutilized at the year end.

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, 2013: 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 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 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). The 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 decision in this regard is still pending.

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 (2013: 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 requires 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 last year, the Company has won a petition in the Honorable Sindh High Court against Special Excise Duty (SED) levied by the Federal Board of Revenue (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 Honorable 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 reco□nised in these financial statements.

	2014	2013
	(Rupees in '000)	
22.2 Commitments		
Letters of credit issued by commercial banks	53,667	186,993
23 TURNOVER – net		
Local sales	5,756,793	4,955,512
Less: Sales tax	937,683	693,513
Federal excise duty	260,157	253,528
	1,197,840	947,041
	4,558,953	4,008,471
Export sales	1,892,377	2,285,905
	6,451,330	6,294,376

	Note	2014	2013 (Restated)
24 COST OF SALES		(Rupees in '000)	
Raw and packing material consumed			
Opening stock		50,395	86,859
Purchases		765,142	665,022
		815,537	751,881
Closing stock	9	(61,986)	(50,395)
		753,551	701,486
Duty drawback on exports		(10,890)	(6,276)
		742,661	695,210
Manufacturing overheads			
Salaries, wages and benefits	24.1	470,637	413,546
Stores and spare parts consumed		209,134	213,101
Fuel and power		2,401,509	2,531,822
Rent, rates and taxes		54,350	50,330
Insurance		53,828	43,892
Vehicle running expenses		36,054	34,018
Traveling and conveyance		10,483	8,070
Printing and stationery		1,334	810
Legal and professional charges		1,506	1,129
Laboratory expenses		1,972	37
Depreciation	4.1.3	245,600	237,542
Amortisation	5.1	2,225	2,225
Repairs and maintenance		23,395	14,281
Communication		3,460	2,844
Stores written-off		6,626	1,164
Miscellaneous		8,419	6,001
		4,273,193	4,256,022
Work-in-process			
Opening		314,350	172,334
Closing	9	(245,558)	(314,350)
Cost of goods manufactured		4,341,985	4,114,006
Finished goods			
Opening		69,023	59,310
Closing	9	(62,328)	(69,023)
		4,348,680	4,104,293

24.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 10.953 million and Rs. 7.803 million, respectively (2013: Rs. 9.763 million and Rs. 8.728 million, respectively).

25 DISTRIBUTION COSTS

	Note	2014	2013
		(Rupees in '000)	
Salaries, wages and benefits	25.1	135,233	110,531
Export expenses		1,554	2,020
Traveling and conveyance		1,268	2,700
Staff training expenses		277	172
Vehicle running expenses		10,837	9,608
Communication		4,511	4,495
Printing and stationery		1,393	1,327
Rent, rates and taxes		5,015	4,060
Utilities		8,499	8,083
Repairs and maintenance		4,937	3,594
Insurance		2,039	1,905
Advertisement		4,509	3,454
Entertainment		1,094	568
Depreciation	4.1.3	4,963	4,868
Amortisation	5.1	136	136
License and subscription		532	618
Miscellaneous		1,598	1,484
		188,395	159,623

25.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.989 million and Rs. 3.111 million, respectively (2013: Rs. 3.529 million and Rs. 4.559 million, respectively).

26 ADMINISTRATIVE EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Salaries, wages and benefits	26.1	90,149	77,723
Traveling and conveyance		5,686	3,244
Staff training expenses		118	140
Vehicle running expenses		6,045	4,650
Communication		3,709	3,616
Printing and stationery		2,316	2,217
Rent, rates and taxes		2,309	1,407
Utilities		1,502	1,566
Repairs and maintenance		2,036	2,791
Legal and professional charges		9,724	8,886
Insurance		2,665	2,440
License and subscription		4,126	2,797
Advertisement		641	644
Depreciation	4.1.3	8,046	6,495
Amortisation	5.1	104	104
Entertainment		1,320	746
Miscellaneous		948	1,137
		141,444	120,603

26.1 This includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 3.518 million and Rs. 2.904 million, respectively (2013: Rs. 3.251 million and Rs. 4.164 million, respectively).

27 OTHER EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Workers' Profits Participation Fund	19.2	90,641	84,946
Workers' Welfare Fund		34,444	32,280
Auditors' remuneration	27.1	1,888	1,624
Share of loss in a joint venture		-	50
Donations	27.2	3,542	2,378
Provision for impairment of investment in a joint venture	6.1.3	-	106,705
Exchange loss		2,405	2,455
		132,920	230,438

27.1 Auditors' Remuneration

	2014	2013
Audit fee	880	800
Half yearly review and CCG certification	345	290
Tax and other corporate services	533	412
Out of pocket expenses	130	122
	1,888	1,624

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

28 OTHER INCOME

	Note	2014	2013
		(Rupees in '000)	
Income from financial assets			
Profit on saving accounts with banks		1,341	1,809
Unrealized gain on revaluation of short-term investments		42,271	-
Dividend income from a related party		5,317	1,662
		48,929	3,471
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.4	4,904	2,338
Others			
Scrap sales		22,598	8,782
Miscellaneous income		162	112
		22,760	8,894
		76,593	14,703

29 FINANCE COSTS

	Note	2014	2013
Mark-up on long-term financing		10,727	66,618
Mark-up on short-term borrowings		11,703	37,952
Bank charges and commission expense		5,399	3,814
Interest on Workers' Profits Participation Fund	19.2	916	604
		28,745	108,988

30 TAXATION

The assessments of the Company for and upto the tax year 2013 have been completed or deemed to be assessed.

	2014	2013 (Restated)
30.1 Reconciliation between tax expense and accounting profit	(Rupees in '000)	
Accounting profit for the year before taxation	1,687,739	1,585,134
Tax at applicable rate of 34% (2013 : Rate 35%)	573,831	554,797
Tax effects of:		
- expenses that are inadmissible in determining taxable income – net	49,207	45,650
- unabsorbed tax losses	-	(318,834)
- allocation of ratio of revenue chargeable under FTR and Non – FTR	(307,085)	(192,429)
BMR rebate - current	(34,773)	(6,463)
- prior	-	(23,368)
Tax effect of prior years' charge	(23,578)	-
Tax effect of deductible temporary differences - net	152,045	334,417
Tax credits	(38,076)	(36,284)
	371,571	357,486

31 EARNINGS PER SHARE

	2014	2013 (Restated)
Profit after taxation (Rupees in `000)	1,316,168	1,227,648
Weighted average number of ordinary shares in issue	105,138,008	105,138,008
Earnings per share - basic	Rs. 12.52	Rs. 11.68

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.

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 reviews and agrees 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.

Financial instruments affected by market risk include long-term investment (available-for-sale), derivative financial assets, long-term financing and short-term borrowings.

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.

To manage this risk, the Company may enter into interest rate swap arrangements in which the Company agrees to exchange, at specified intervals, the difference between the fixed and floating rate interest amount calculated by reference to an agreed-upon notional principal amount. The company has the option to obtain the Export refinance facility at a fixed rate of 9.3% per annum (2013 : 9.2%) however, at June 30, 2014 the company has not obtained any financing facility at fixed rate (2013 : 31%), due to improved liquidity position.

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)
2014		
KIBOR	+200	(6,065)
KIBOR	-200	6,065
2013		
KIBOR	+200	(6,076)
KIBOR	-200	6,076

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. 131.599 million. A decrease of 10% in the share price of the listed security would have an impact of approximately Rs. 13.160 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:

	2014	2013
	(Rupees in '000)	
Long-term investments		
Counter parties without credit rating	131,599	68,236
Cash at bank and short-term deposits		
Current accounts – A1+	9,535	12,238
Saving accounts – A1+	5,965	11,803
	15,500	24,041

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. 2,115.624 million (2013: Rs. 1,728.052 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.

	2014					2013				
	INTEREST / MARKUP PROFIT BEARING			NON INTEREST BEARING	Total	INTEREST / MARKUP PROFIT BEARING			NON INTEREST BEARING (Restated)	Total (Restated)
	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	163,082	203,852	-	203,852	-	203,852	203,852	-	203,852
Long-term deposits	-	-	-	15,530	15,530	-	-	-	14,905	14,905
Trade and other payables	-	-	-	446,831	446,831	-	-	-	337,493	337,493
Accrued mark-up	-	-	-	37,166	37,166	-	-	-	20,145	20,145
Short-term borrowings	99,376	-	99,376	-	99,376	236,948	-	236,948	-	236,948
Unclaimed dividend	-	-	-	26,908	26,908	-	-	-	21,474	21,474
	140,146	163,082	303,228	526,435	829,663	236,948	203,852	440,800	394,017	834,817

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, 2014.

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, 2014 and 2013 were as follows:

	2014	2013
	(Rupees in '000)	
Long-term financing including current portion	203,852	203,852
Accrued mark-up	37,166	20,145
Short-term borrowings	99,376	236,948
Total debt	340,394	460,945
Cash and cash equivalents	(17,116)	(25,548)
Net debt	323,278	435,397
Share capital	1,051,380	955,801
Reserves	3,812,888	2,753,228
Total capital	4,864,268	3,709,029
Capital and net debt	5,187,546	4,144,426
Gearing ratio	6.23%	10.51%

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, 2014, 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.

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014		2013	
	Chief Executive	Executives / Key Employees	Chief Executive	Executives / Key Employees
	(Rupees in '000)			
Managerial remuneration	21,630	191,389	20,525	153,509
Housing allowance	1,452	60,986	1,452	48,759
Retirement benefits	2,641	19,002	2,370	16,090
Utilities	758	13,215	804	10,565
Leave fare assistance	1,321	11,526	1,185	7,607
	27,802	296,118	26,336	236,530
	1	108	1	92

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. 0.675 million (2013: 7 directors - Rs. 0.825 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 and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, purchase of vehicles, return on loans, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of transactions	2014	2013
		(Rupees in '000)	
Group companies	Purchase of packing material	473,800	409,432
	Purchase of raw material	118,743	113,783
	Sale of goods	229	7,204
	Purchase of vehicle	8,800	-
	Dividend received	5,317	1,662
	Software consultancy charges	8,604	7,568
	Investment made	-	13,293
	Dividend paid	56,149	67,335
Other related parties	Insurance premium	41,807	35,415

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 520 (2013: 508) and average number of employees during the year were 514 (2013: 507).

36 CAPACITY – clinker

	2014	2013
	(Tons)	
Annual installed capacity as of June 30	1,000,000	1,000,000
Actual production	846,525	958,135

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 August 15, 2014 by the Board of Directors of the Company.

38 DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2014, the Board of Directors has proposed the following in its meeting held on August 15, 2014 for approval of the members at the Annual General Meeting:

	2014	2013
	(Rupees in '000)	
Proposed final cash dividend @ Rs. 2/- per share (2013: Rs. 1.50 per share)	210,276	143,370
In addition to the above, following interim dividend was approved by the Board of Directors during the year:		
Interim cash dividend for the year ended June 30, 2014 @ Re. 1/- per share (2013: Re. 1/- per share)	95,580	95,580
Issuance of bonus shares – 1 share for every 10 ordinary shares held (2013: Nil)	95,579	-

39 CORRESPONDING FIGURES

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

40 GENERAL

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Pattern of Shareholding

as at June 30, 2014

No. of Shareholders	Shareholding From	Shareholding To	Shares Held
637	1	100	23,837
1232	101	500	442,198
644	501	1000	534,983
1443	1001	5000	3,901,254
423	5001	10000	3,240,783
190	10001	15000	2,314,889
95	15001	20000	1,708,633
94	20001	25000	2,194,368
46	25001	30000	1,272,843
24	30001	35000	779,165
18	35001	40000	678,950
17	40001	45000	736,947
34	45001	50000	1,642,735
12	50001	55000	643,264
5	55001	60000	289,453
6	60001	65000	378,106
7	65001	70000	475,512
4	70001	75000	287,803
6	80001	85000	499,500
1	85001	90000	85,400
2	90001	95000	186,023
8	95001	100000	781,402
8	100001	105000	825,642
3	105001	110000	329,500
6	110001	115000	673,085
1	115001	120000	116,000
2	125001	130000	257,600
1	135001	140000	137,500
1	140001	145000	143,828
2	145001	150000	296,264
2	160001	165000	328,065
1	165001	170000	168,000
1	175001	180000	179,000
1	180001	185000	182,515
1	190001	195000	191,950
2	195001	200000	400,000
2	200001	205000	406,488
1	230001	235000	230,655
1	235001	240000	239,727
1	240001	245000	243,362
1	245001	250000	247,500
1	265001	270000	269,500
1	270001	275000	271,500
2	275001	280000	552,068
1	355001	360000	358,000
2	365001	370000	734,000
1	405001	410000	409,500
1	410001	415000	411,950
2	470001	475000	946,328
1	480001	485000	483,900
1	510001	515000	513,503
1	540001	545000	540,703
1	545001	550000	550,000
1	570001	575000	572,553
1	580001	585000	580,312
1	595001	600000	596,597
1	665001	670000	667,411
1	680001	685000	681,000
1	715001	720000	719,199
1	725001	730000	725,784
1	750001	755000	752,000
1	770001	775000	772,000
1	805001	810000	805,343
1	810001	815000	815,000
1	840001	845000	841,655
1	950001	955000	954,900
1	1015001	1020000	1,016,089
1	1020001	1025000	1,024,964
1	1095001	1100000	1,100,000
1	1280001	1285000	1,282,802
1	1335001	1340000	1,338,400
1	1615001	1620000	1,615,734
1	1720001	1725000	1,723,417
3	1760001	1765000	5,290,736
2	1910001	1915000	3,824,616
1	2195001	2200000	2,199,093
1	3600001	3605000	3,600,160
1	3610001	3615000	3,614,100
1	3770001	3775000	3,770,252
1	10320001	10325000	10,324,023
1	19190001	19195000	19,194,187
5,032			105,138,008

Categories of Shareholders
as at June 30, 2014

Shareholders' Category	No. of Shareholders	Shares Held
Directors, their Spouse(s) and Minor Children		
Mr. Omar Faruque	1	540,703
Mr. Azam Faruque	1	596,597
Mrs. Samia Faruque W/o Mr. Azam Faruque	1	31,375
Mr. Akbarali Pesnani	1	49,413
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	1	48,151
Mr. Shehryar Faruque	1	483,900
Mr. Tariq Faruque	1	841,655
Mr. Javaid Anwar	1	500
Mr. Saquib H. Shirazi	1	1
Associated Companies, Undertakings and Related Parties		
Faruque (Private) Limited	1	19,194,187
Cherat Packaging Limited	1	243,362
Mirpurkhas Sugar Mills Limited	1	3,770,252
Greaves Pakistan (Private) Limited	1	2,199,093
Executives	1	572,553
Public Sector Companies And Corporations	8	576,771
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas And Pension Funds	31	6,232,422
Mutual Funds		
CDC - Trustee Pakistan Stock Market Fund	1	472,311
CDC - Trustee Pakistan Capital Market Fund	1	67,100
CDC - Trustee Pak Strategic Alloc. Fund	1	93,830
CDC - Trustee AKD Index Tracker Fund	1	15,950
CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	1	47,300
CDC - Trustee Al Meezan Mutual Fund	1	358,000
CDC - Trustee Meezan Islamic Fund	1	1,338,400
CDC - Trustee UBL Stock Advantage Fund	1	181
CDC - Trustee NAFA Stock Fund	1	168
CDC - Trustee NAFA Multi Asset Fund	1	61
CDC - Trustee KASB Asset Allocation Fund	1	104,700
First Prudential Modaraba	1	15,000
CDC - Trustee NIT-Equity Market Opportunity Fund	1	411,950
CDC - Trustee First Habib Stock Fund	1	130,000
CDC - Trustee Crosby Dragon Fund	1	85,400
CDC - Trustee NAFA Savings Plus Fund	1	43,000
CDC - Trustee PICIC Income Fund	1	84,500
CDC - Trustee PICIC Stock Fund	1	5,800
CDC - Trustee KSE Meezan Index Fund	1	100,540
CDC -Trustee First Habib Islamic Balanced Fund	1	97,150
CDC - Trustee Faysal Savings Growth Fund	1	500
CDC - Trustee Faysal Income & Growth Fund	1	19,000
CDC - Trustee National Investment (Unit) Trust	1	10,324,023
Prudential Stock Fund Limited	1	196
General Public	4,851	47,136,776
Others	104	8,805,737
Total	5,032	105,138,008

Shareholders' Holding 5% Or More	Shares Held	Percentage
Faruque (Private) Limited	19,194,187	18.26%
CDC - Trustee National Investment (Unit) Trust	10,324,023	9.82%

Proxy Form

33rd Annual General Meeting 2014

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 33rd Annual General meeting of the Company to be held on Tuesday, 30th September, 2014 at 12:00 noon 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.

Sd.
(M. JAVED PANNI)
Chief (Coordination)

GHULAM FARUQUE
GROUP

Cherat Cement
Company Limited

□ead Office
□odern □otors □ouse □eaumont Road
□arachi □□□30 □a□istan
□A□□ (□221) 111□000□00□
□ax□(□221) 3□□□342□
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