

# Vortex of Imagination

Annual Report 2018



**Cherat Cement  
Company Limited**

A Ghulam Faruque Group Company

## Vortex of Imagination

To be pulled into a new dimension and into a new way of envisioning a material.

From imagination to design and engineering, what yesterday was impossible or improbable today can be a reality. Cement has finally shed its utilitarian trait, it is now come into its own as a material that is in itself a means, and an end.



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# Tenacity with a Twist

Solid, sturdy, lasting, durable and practical are adjectives commonly associated with cement. However, we at Cherat believe that when used in an imaginative way cement is so much more. It becomes a tool, a material that can be moulded and crafted to meet the mind's eye. It is only limited by the extent of the designer's imagination.





# Austere, yet Out of the Ordinary

Jagged, smooth, two or three dimensional, geometric, structured or organic, indoor or outdoor, light or shadow, floor, wall or roof, industrial or edgy, there is nothing that limits the multitude of applications in which cement can be used.

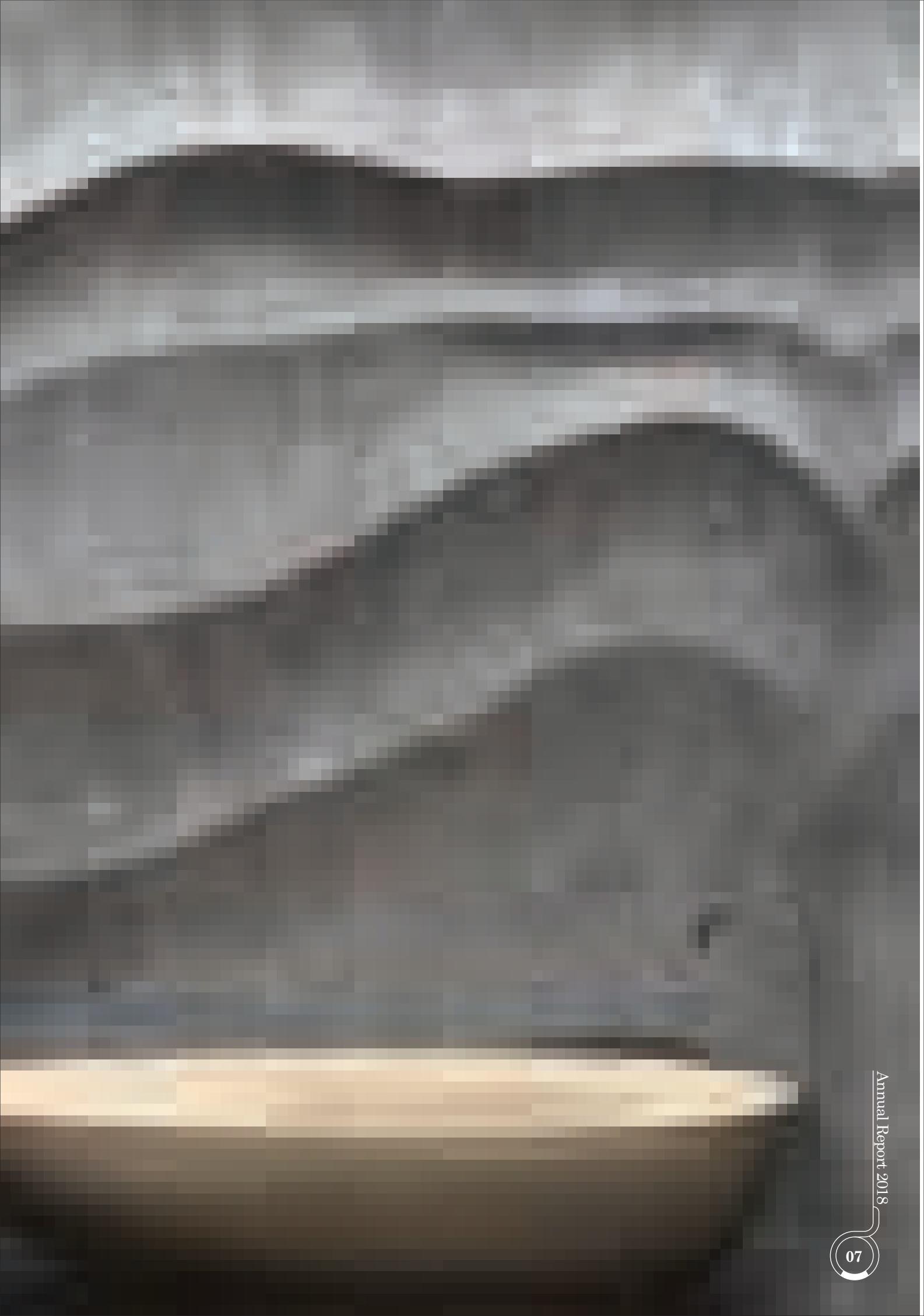




# The Dramatic, the Artistic, the Play of Chiaroscuro

Layers, textures, the play of light and shadow, of changing hues and densities, changing moods and tones. The options are infinite, the opportunities boundless, the results timeless.







# Adoption and Statement of Adherence with the International Integrated Reporting Framework (IR)

Cherat Cement was founded more than 35 years ago. Since then the Company has adapted its structure in response to global changes and development. It is part of our strategies, development and execution of our projects to generate value creation for the organization and its stakeholders. In the extreme complex social and environmental circumstances, integration of financial, social and environmental information, is one of the most effective ways for an organization to report its performance and activities and to demonstrate, to the market and society, the importance of linking sustainability issues to business strategies.

The Company is working with a strategy for generating value creation for the organization and its stakeholders. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is Company's core strengths. For users of this information, it is imperative to ensure, that the material is presented in such a way that it enables the stakeholders to better understand these activities. It also assures that the Company concisely reports material information depicting how well it is performing in non-financial dimensions that affect the quality of the Company's formulated strategy and its execution. The Company has adopted the Integrated Reporting Framework to give an overview of Company's philosophy to explain connection between its financial and non-financial information, which would enhance the user's understanding as to how the Company is working to improve its performance keeping in view the stakeholder's interests. The business strategy information is linked directly to business activities and non-financial information, and provides explanations accordingly.

The framework requires a strong commitment by the Company management which is ultimately responsible for the message the Company is delivering to all of its stakeholders. The Board of Directors has a crucial role to play, since directors are elected by shareholders, and integrated reporting is a mechanism of ensuring long-term value creation and increasing transparency for these shareholders. Therefore, the adoption of integrated reporting requires involvement and support of the board of directors and the CEO. Henceforth, Management of the Company provides guidance to achieve Company objectives by advising, assessing, and monitoring business strategies; ensuring the execution and modification of strategies; and evaluating their own effectiveness in these activities.

The Management has laid the business foundation built on the principles of ethics and corporate professionalism. The same is being developed by devising and disseminating procedural steps and policies thereby highlighting need of good governance and resource allocation in achieving the desired objectives. Its reporting is being monitored and it is ensured that the relevant information is shared in the most suited way for the stakeholders of the Company. Connectivity of the information is another aspect which needs to be addressed properly. Thus, the stakeholders are made aware of the Company's philosophy and attitude towards achieving the enhanced stakeholders' value and customer satisfaction. The stakeholders' value is maximized through returns on investment, which management believes can be achieved through revenue maximization and cost control measures.

Adoption of International Integrated Reporting Framework depends on the individual circumstances of an entity and is still considered to be a practice in its early stages. We will continue to improve the information produced to make it even easier to understand, while taking into account the opinion of stakeholders reading this report. Initially, the Company has included following content elements for the users of this report:

- Organizational overview and external environment
- Strategy and resource allocation
- Risks and opportunities
- Governance
- Stakeholder's relationship and engagement
- Performance and position
- Outlook
- Sustainability and corporate social responsibility
- Excellence in corporate reporting



Omar Faruque  
Chairman

Karachi: August 29, 2018

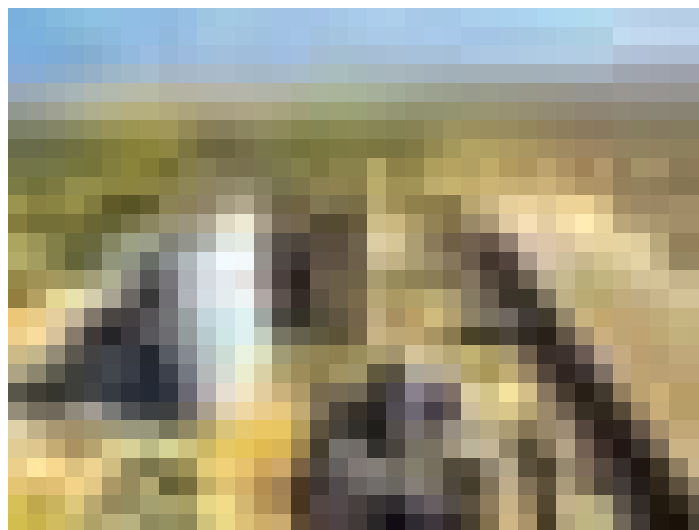
# Organizational Overview and External Environment

# 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.





# 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.

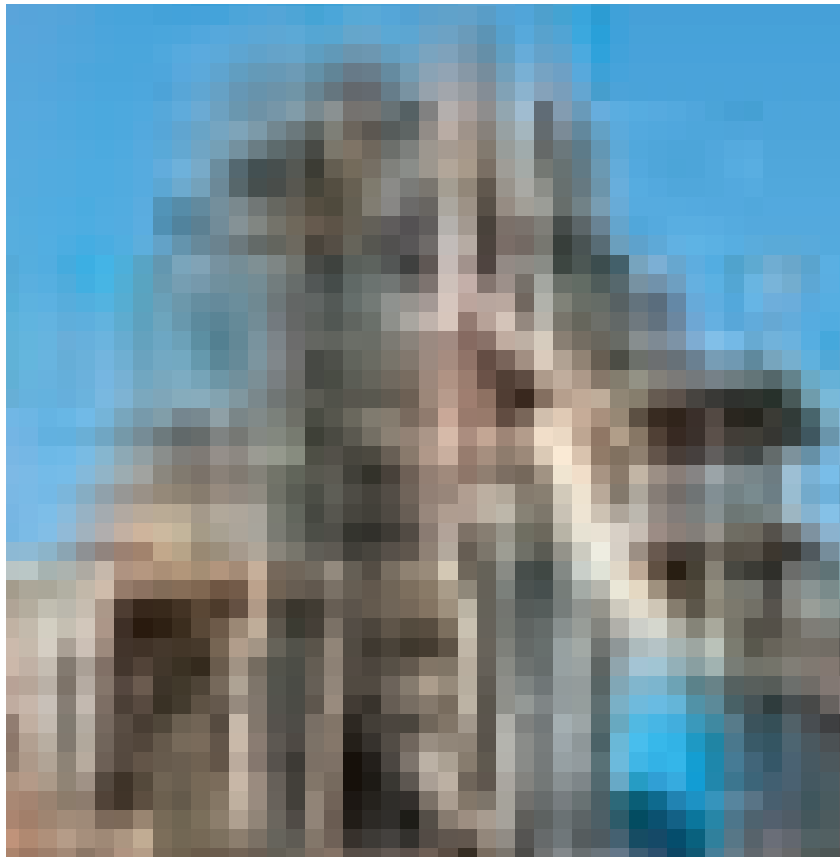






# Culture

Organizational culture in Cherat Cement Company Limited is a manifestation of shared values and beliefs, which we practice every day to move towards a better and more successful organization. These shared values have a strong influence on the respective teams and help them in a win win outcome for both the employees and the organization. Our values provide the foundation of our culture and bind us into a world class team yearning to outperform the competition.



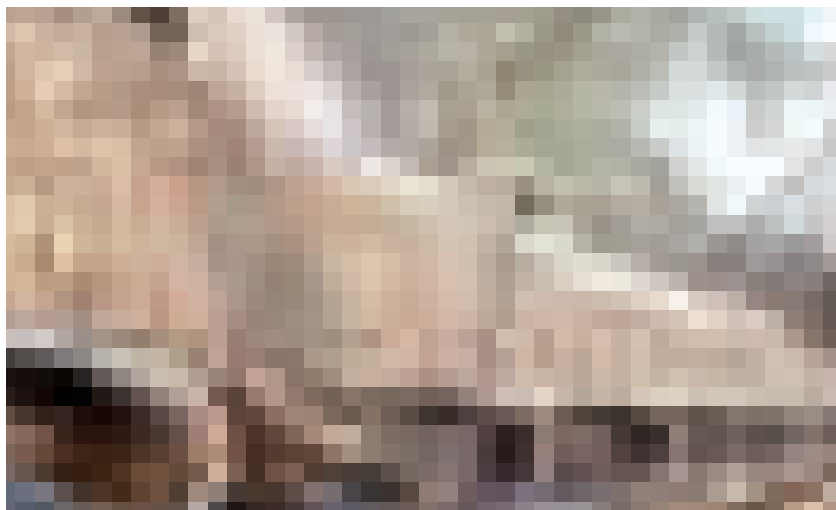


# Ethics

Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and contains the fundamental principles and rules concerning ethical business conduct. Cherat Cement Company Limited (CCCL) is committed to conducting its business with honesty and integrity, and we expect all our employees to maintain high standards in accordance with this Code.

CCCL Code of Conduct forms an integral part of the terms of employment of all employees. The Company insists on full compliance and does not tolerate any misconduct. Unlawful behaviour will not be tolerated under any circumstances. Breach of the CCCL's Code of Conduct can lead to disciplinary action up to and including termination of employment.

It is the obligation of every employee to be responsible, honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices. The employees have a legal, moral and ethical responsibility to report to their Line Managers or Compliance Committee, any known or suspected violations of law, regulations and / or corporate policies.





# Code of Conduct

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

## Scope

The code of conduct policy is applicable to all regular and direct contract staff in the company and its locations.

## Compliance Committee and Reporting of Violations

Cherat Cement has established a Compliance Committee to provide advice concerning compliance with the code of conduct. All employees are encouraged to report any suspected violation of this Code of Conduct to their Line Managers (Functional Heads) or Compliance Committee or their respective Executive Director.

## Compliance with the Law

The observance of the laws and regulations of the legal systems in which we operate is mandatory for all employees in their dealings with customers, suppliers, competitors, other employees, government bodies and officials.

## Competition and Anti-trust Law

Cherat Cement obligates its employees for strict compliance with Competition and Anti-trust Laws wherever it operates.

## Bribery and Corruption

Cherat Cement is committed to conducting its business in an open, honest and ethical manner in all the jurisdictions in which it operates and will not engage in any form of bribery or corruption in order to secure any kind of business advantage.

## Money Laundering

It is Cherat Cement's policy to refrain from conducting business with persons or entities who are involved in criminal or illegal activities. All employees have to adhere to applicable anti-money laundering laws and regulations.

## Product Quality

We discover, develop and manufacture high-quality products that meet all regulatory requirements, and pursue quality beyond compliance in both our products and processes. We focus on regularly updating ourselves with technological advancements to produce under the highest standards and maintain all relevant technical and professional standards.

## Books, Records and Financial Reporting

The accuracy and completeness of our books, records and financial reporting is of critical importance for Cherat Cement. We fulfill all applicable legal obligations with regard to public filings and reporting.

## Confidentiality

It is our policy that no employee entrusted with confidential information about the Company, its suppliers, customers or other business partners may disclose such information to any

third party or use such information for his or her personal benefit while employed with the Company or thereafter, unless prior written approval is obtained from a duly authorized person, or the disclosure of confidential information is required by law, any governmental agency, court or other quasi-judicial or regulatory body.

## Protection and Information Security

Cherat Cement has a policy that sets out rules on data protection and the legal conditions that must be satisfied in relation to the obtaining, handling, processing, storage, transportation and destruction of personal information. We comply with all applicable laws & regulations regarding the collection, processing and use of personal data. Any illegal collection, processing or use of personal data of our employees, suppliers, customers and third parties is strictly prohibited. All personal data must be safeguarded with appropriate care and protected against unauthorized access by third parties at all time.

## Handling and Safeguarding of Cherat Cement's Property

Employees must handle Cherat Cement's property (including both tangible & intangible) with due care and in a responsible manner. Cherat Cement does not tolerate any unauthorized use or misappropriation of its property or services.

## Equal Treatment and Fair Working Conditions

Cherat Cement is committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills and abilities, free from discrimination or harassment, and in which all decisions or promotions are objectively based on merit. We do not tolerate any form of discrimination, harassment or bullying in the workplace.

## Health, Safety and Environmental Protection

We focus on all aspects of occupational health, safety and environmental protection. We identify and manage health, safety and environmental risks in our activities and over the entire value chain of our products and services.

We make efficient use of natural resources and minimize the environmental impact of our activities and products over their life cycle.

## Conflict of Interest

Employees may not engage in any activities, on or off the job, that conflict with the Company's business interest, nor they may use their position with the Company for their personal gains, or for the improper benefit to others.

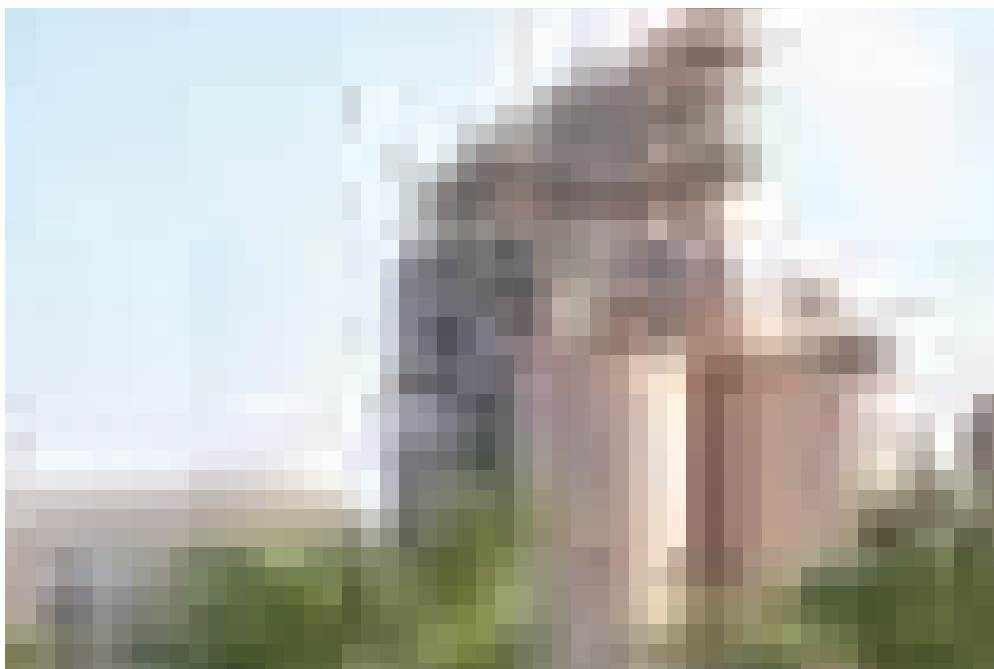
As a policy, conflicts of interest or the mere appearance of such a conflict must be avoided.



# 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 with the brand name of 'Cherat'. 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 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 Pakistan Stock Exchange and is also ISO 9001 and 14001 certified. The Company's 2nd production line of cement became operational in January 2017. The Company's annual installed capacity has now reached around 2.4 million tons of cement. The Company is in the process of installing cement line III at the same location with an installed annual cement capacity of more than 2.1 million tons, which is expected to be commissioned by early 2019.



# Group Structure

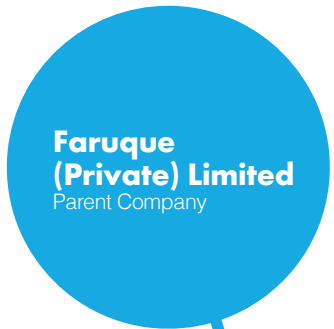
## Introduction

Since its inception, the Ghulam Faruque Group has continuously strengthened and diversified its lines of operation and all group companies are working under common directorship / management. Faruque (Private) Limited is the Parent Company. All companies transact among themselves on an arm length basis. Details and brief profile of other leading group companies / ventures are as follows:

### Faruque (Private) Limited

Parent 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 Pakistan Stock Exchange Limited. The Company has a crushing capacity of 7,500 tons per day and is one of the most efficient sugar mills in Pakistan.

Moreover, it is involved in development of higher yield sugar cane varieties on its 1,700 acre experimental farm.



### Cherat Packaging Ltd

Manufacturer of Kraft Paper, Polypropylene Bags and Flexible Packaging Products.

Established in 1991, it is the largest producer and supplier of paper sack and polypropylene ("PP") bags to the cement industry in Pakistan. CPL also produces and provides bags to other industries such as sugar, rice and chemical etc. CPL is listed on Pakistan Stock Exchange. The Company has a production capacity of 400 million paper bags and 195 million PP bags. The Company has already installed printers and laminator of Flexible Packaging Division (FPD) in June 2018. It will cater to the domestic as well as export markets and is also a recipient of the prestigious Pakistan Stock Exchange "Top Companies" Award and Management Association of Pakistan's Best Company Award several times.

By September 2018, the Company will also bring into operation its remaining Flexible Packaging Division.



### Mirpurkhas Energy Ltd

Wholly owned subsidiary of Mirpurkhas Sugar Mills Ltd

Mirpurkhas Energy Ltd., incorporated in 2016 as a public (unlisted) Company, is a fully owned subsidiary of Mirpurkhas Sugar Mills Limited. It is 26 MW Bagasse based Cogeneration Project. The principal activity of the company is to generate and supply electricity.





**ZENSOFT****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 Faruque (Private) Limited. Greaves has the following divisions namely i) Power Generation, ii) CNG Equipment, iii) Industrial Machinery, iv) Solar Energy, v) LED, vi) Elevator, vii) Earth Moving & Construction Machinery, viii) Air Compressor ix) Fuel Dispenser and x) UPS.

**Greaves Airconditioning (Pvt.) Ltd**

Equipment Suppliers and HVAC Solution Provider

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

**Greaves CNG (Pvt.) Ltd**

Retail Sale of CNG to end consumers

Greaves CNG was established in 2001 with a prime motive to install CNG facilities at the retail outlets of Petroleum Companies. It is a preferred third party investor for all major petroleum companies in Pakistan.

**Greaves Engineering Services (Pvt.) Ltd**

HVAC Contractors

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

**UniEnergy**  
Harnessing Nature**UniEnergy Ltd**

Joint Venture for Renewable Wind Energy

**UNICOL**  
UNICOL LIMITED**Unicol Ltd**

Joint Venture Distillery producing Ethanol and Liquid Carbon Dioxide (CO<sub>2</sub>)

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 and CO<sub>2</sub>. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.

**MADIAN****Madian Hydropower Ltd**

Joint Venture for establishing 148 MW hydropower plant



# Company Information

## Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director
Mr. Shamshad Nabi (NIT)	Director
Mr. Asif Qadir	Director

## Audit Committee

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

## Human Resource & Remuneration Committee

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

## Executive Director & Chief Financial Officer

Mr. Yasir Masood

## Executive Director & Company Secretary

Mr. Abid Vazir

## Head of Internal Audit

Mr. Aamir Saleem

## Auditors

EY Ford Rhodes  
Chartered Accountants

## Legal Advisor

K.M.S. Law Associates

## Bankers

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

## Islamic Bankers

Bank Alfalah Ltd  
Dubai Islamic Bank Pakistan Ltd  
Meezan Bank Ltd

## Share Registrar

Central Depository Company  
of Pakistan Limited (CDC)  
CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahrah-e-Faisal  
Karachi-74400  
Tel: 0800-23275

## Contact Information

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



## Registered Office / Factory

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

## Head Office

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

## Sales Offices

### Peshawar:

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

### Lahore:

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

### Islamabad:

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

# Milestones

Cherat Cement started production with 1,100 t/day capacity	Doubling capacity expansion to 2,300 t/day	IKN System at Cooler capacity increased to 2,500 t/day	Cherat Electric Merger in Cherat Cement Company Ltd	Capacity Expansion to 3,300 t/day
	Installed Roller Press at Raw Mill & Cement Grinding areas		Cooler E.P. Multicyclones converted to Electrostatic Precipitators	
	Caterpillar commissioned 04 CAT power generators (6 MW)			



Optimization capacity expansion to 1,400 t/day	WARTSILA Diesel commissioned 04 Wartsilla Diesel plants (20 MW)	HMI Manual operating panels converted to HMI	Coal Mill Incorporated Coal Grinding Mill which replaced primary fuel Furnace Oil	LVT Cement Press installed
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03 Roto Packers  
Haver &  
Boecker  
commissioned  
with packing  
capacity of 270  
t/hour

Waste Heat  
Recovery for  
Power  
Generation  
commissioned

Refuse Derived Fuel  
Processing Plant  
installed

Commercial  
production of Line-II  
with the capacity of  
4,200 clinker t/day  
started

L/C opened for Line III  
having clinker  
production capacity of  
more than 6,700 t/day



Installed SAP  
(ERP)

Tyre Derived Fuel  
Processing Plant  
installed

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

L/C opened for 3  
dual fuel Wartsila  
generators having  
production  
capacity of 9.7  
MW each

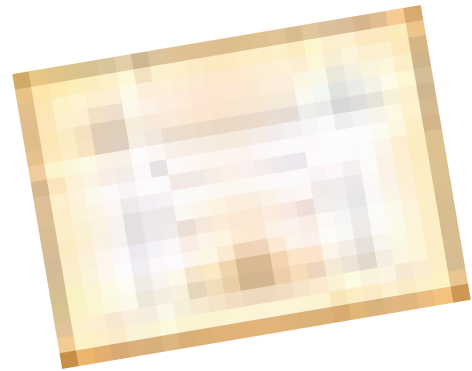
# Awards and Recognition



## Best Corporate and Sustainability Report Award ICAP, ICMAP

On August 25, 2017 the Company was honored with 1st position in Best Corporate and Sustainability Report Award jointly organized by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan in the cement and sugar sector. This is the second consecutive year that Company placed as winner of the competition in 2017 and 2016. Whereas the Company secured 2nd position in 2015 and 2014.

These awards underscore our firm commitment on effectively communicating financial and non-financial information accurately, timely and transparently.



## South Asian Federation of Accountants (SAFA) Award

In recognition of the Cherat Cement's endeavour for transparency in corporate reporting, the annual report of the Company was nominated in the SAARC Anniversary Awards for Corporate Governance Disclosures Award 2014. The event was held in Lahore in February 2016 and the Company was awarded certificate of merit for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures in the Annual Report of June 2014.



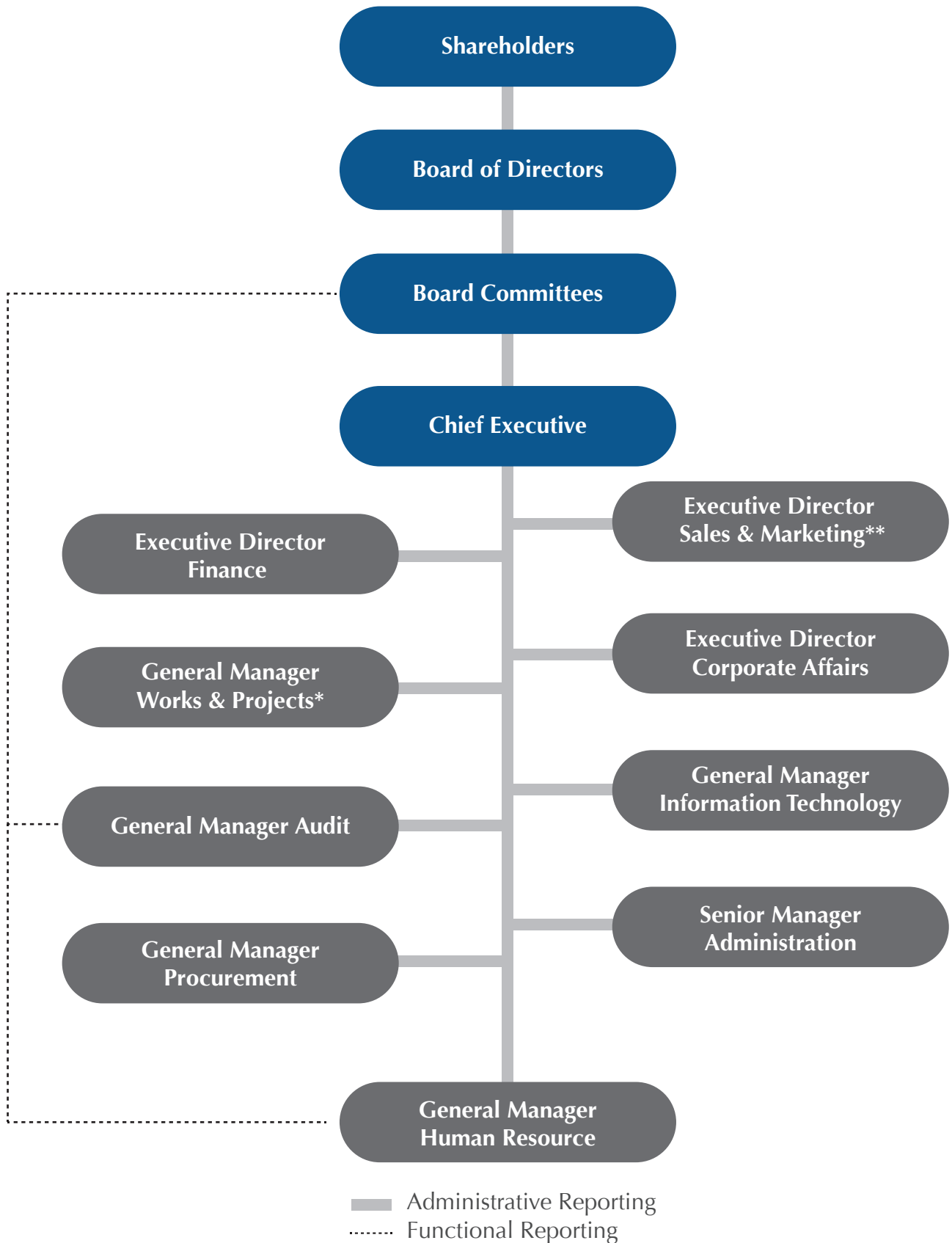
## Pakistan Stock Exchange Top Companies Award

Cherat Cement's outstanding performance was also recognized by the Pakistan Stock Exchange (Formerly Karachi Stock Exchange) and the Company was awarded the Top Companies Award for the year 2014. The ceremony was held in Karachi in September 2016 and the award was presented by former Prime Minister of Pakistan, Mian Muhammad Nawaz Sharif.

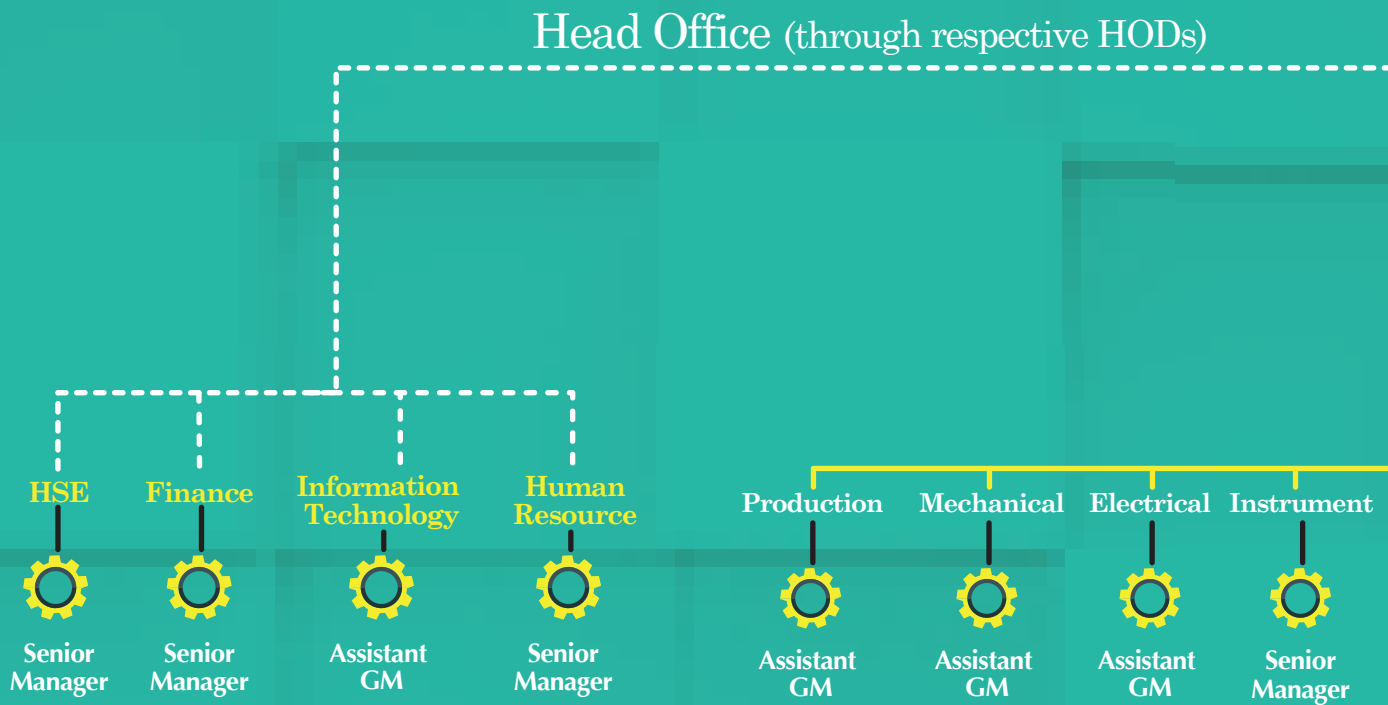
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These achievements show that Cherat Cement is a responsible corporate citizen and believes in transparency in the process of data gathering and timely dissemination of factual information to our valuable stakeholders.

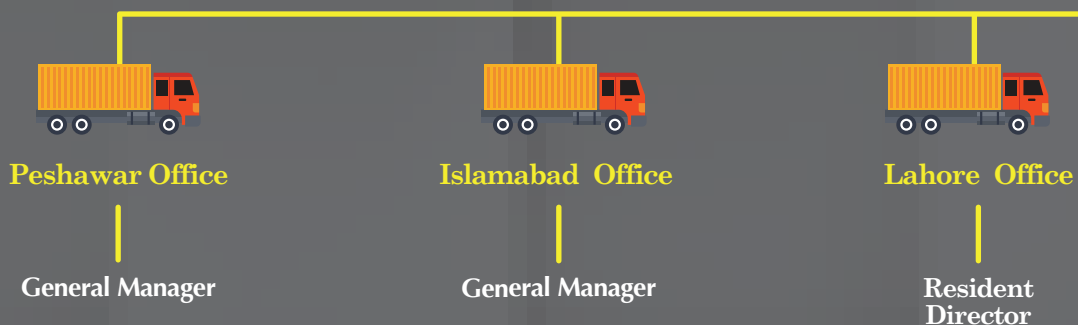
# Organizational Structure



# \* Factory Site Organizational Structure



# \*\*Sales Offices Organizational Structure







Chief Executive Officer

General Manager

Deputy General Manager

Quality Control



Senior Manager

Quarry



Deputy GM

Power Generation



Senior Manager

Procurement



Assistant GM

Administration



Assistant GM

Store



Senior Manager

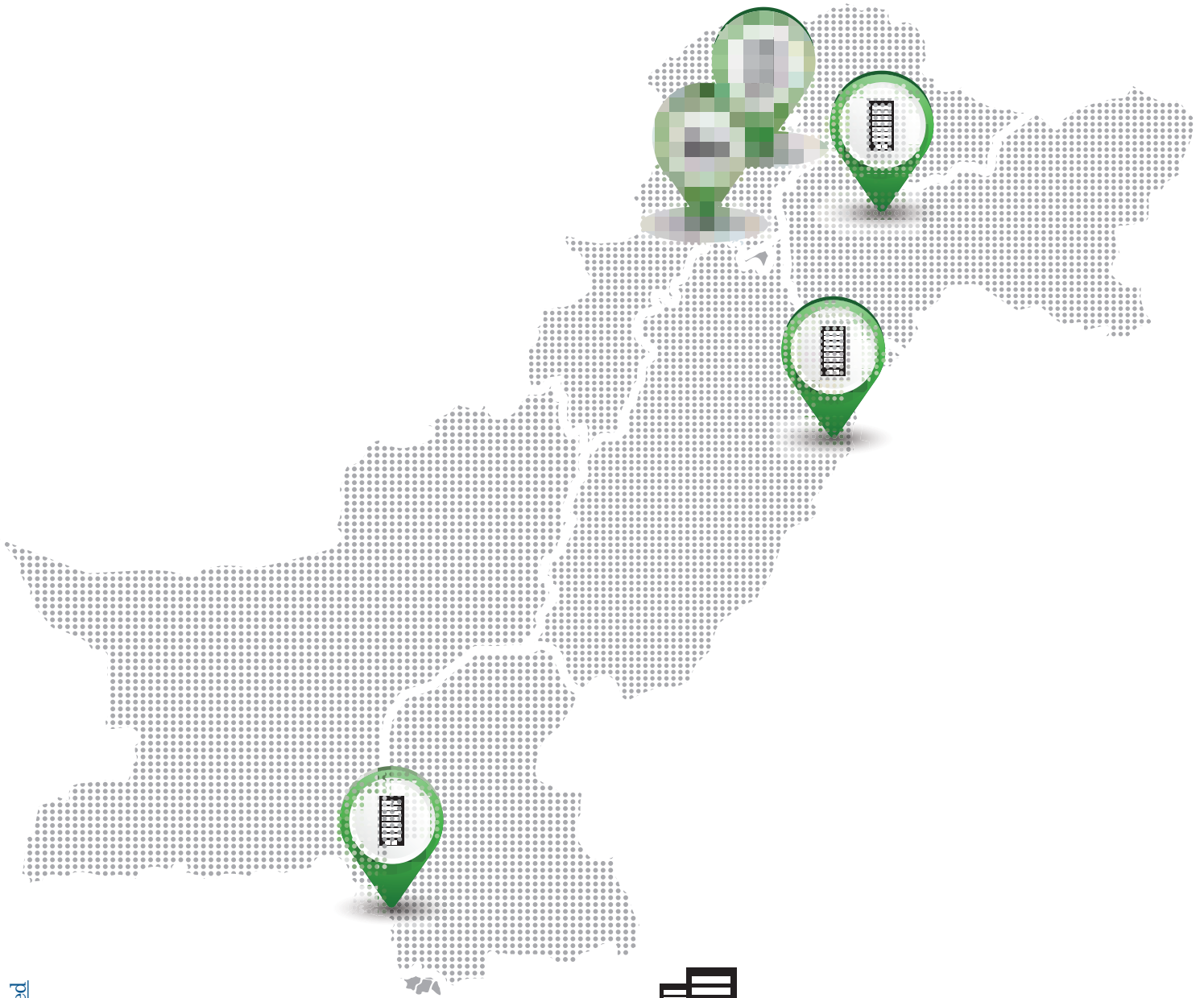


Executive Director Sales & Marketing



Chief Executive Officer

# Geographical Presence



## Offices

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



**Factory**  
Nowshera

# Main Distribution



## Local

- Peshawar
- Nowshera
- Swabi
- Dir
- Malakand
- Attock
- Rawalpindi
- Jhelum
- Sheikhpura
- Gujrat
- Gujranwala
- Sargodha
- Faisalabad
- Karak
- Tank
- Sahiwal
- Multan
- Rahim Yar Khan
- Dera Ghazi Khan
- Sukkur
- Hyderabad
- Shangla
- Hunza
- Rawalakot
- Mirpur
- Bhimber
- Mardan
- Charsadda
- Swat
- Bunair
- FATA
- Islamabad
- Chakwal
- Lahore
- Kasur
- Sialkot
- Okara
- Narowal
- Kohat
- Bannu
- Parachanar
- Karachi
- Bahawalpur
- Khairpur
- Larkana
- Mirpurkhas
- Chitral
- Chilas
- Muzaffarabad
- Bagh
- Kotli



## Afghanistan

### Main Distribution

- Kabul
- Jalalabad
- Khost
- Mazar-i-Sharif
- Kunduz
- Kandhar

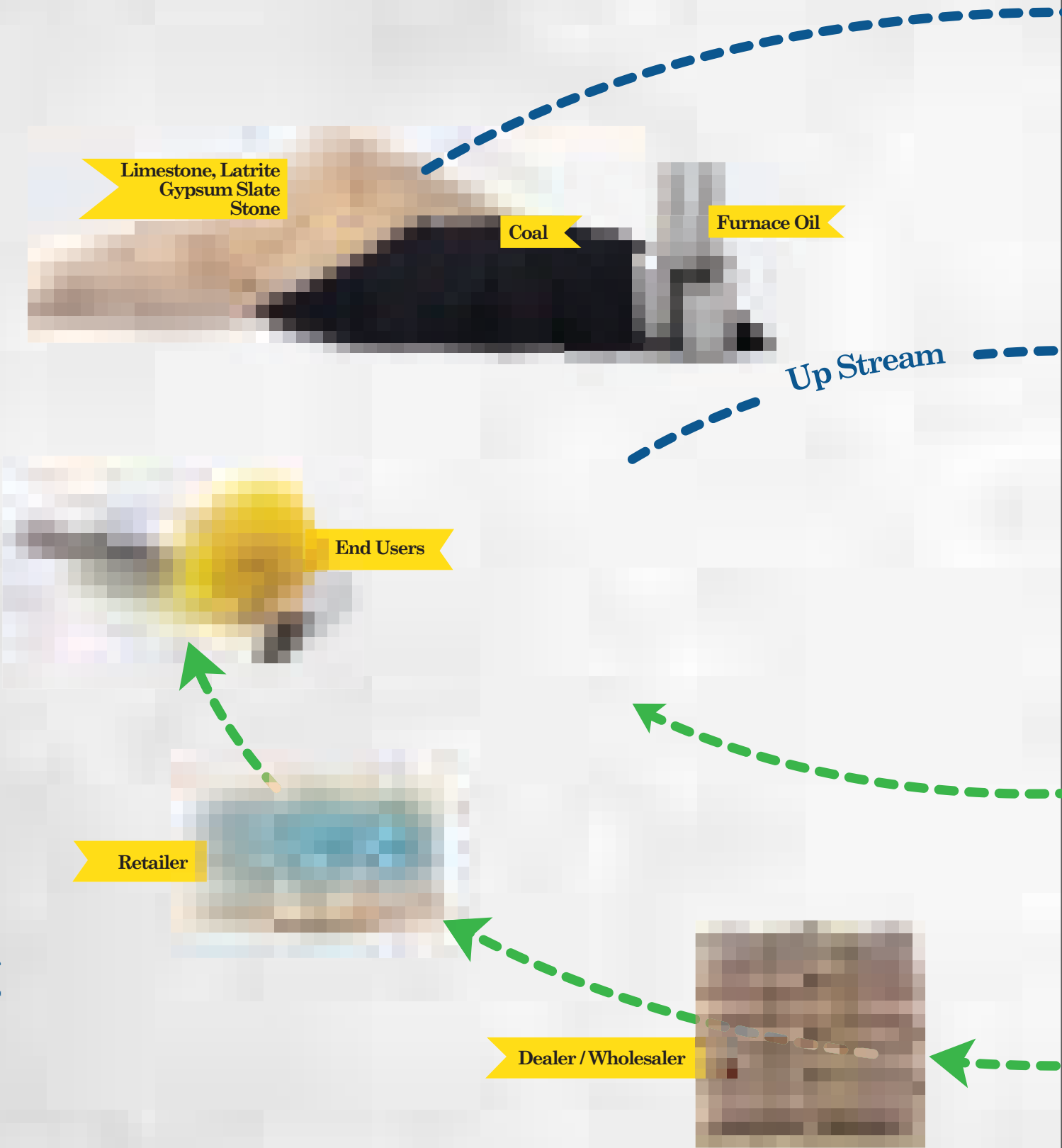


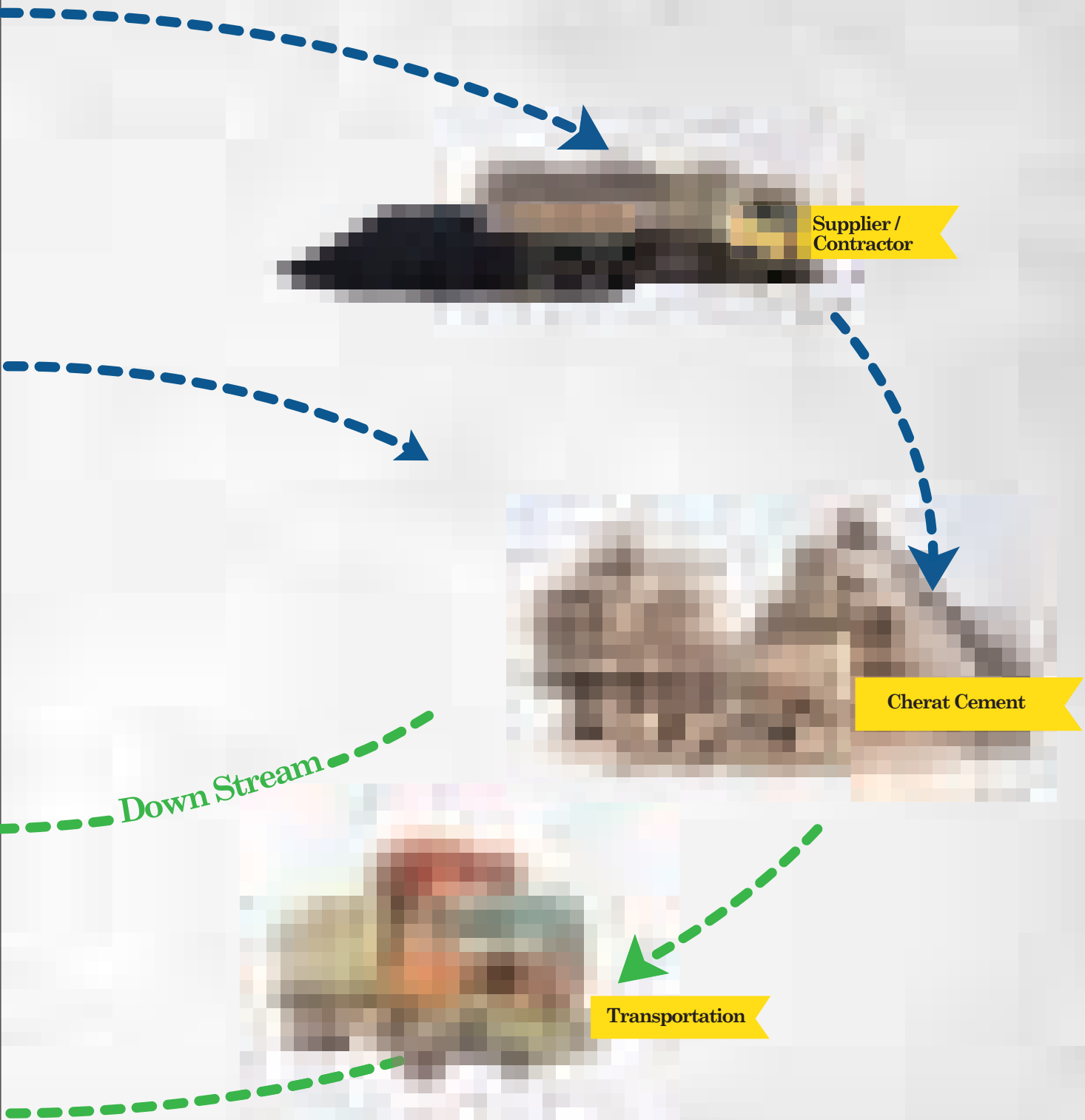
## India

### Main Distribution

- Indian Punjab Region

# Position within the Value Chain





# Factors Affecting the External Environment and the Organization's Response

FACTORS	P	E	S
DESCRIPTION	Political	Economic	Social
ORGANIZATIONAL RESPONSE	<ul style="list-style-type: none"> <li>• Political turmoil generally impacts organizations negatively</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing labour cost</li> <li>• High interest costs</li> <li>• High inflation</li> <li>• low economic growth impacts Organization</li> <li>• Exchange rates</li> </ul> <p>Strong domestic demand and availability of enhanced production capacity has increased revenue. However, devaluation of currency, inflation factor and increase variable costs made their impact on the profitability of the Company. Company keeps on applying cost effective measures to manage inflatory pressure.</p>	<ul style="list-style-type: none"> <li>• CSR responsibilities factors.</li> <li>• Increasing attention in health care</li> <li>• Charity and donation</li> <li>• Providing education facility</li> <li>• Safe and healthy environment</li> </ul> <p>Company donates generously to various social and charitable causes including towards health, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social Responsibility.</p>

# T

## Technological

- Risk of technical obsolescence
- Introduction of new technology by competitors

Keeping in view the technological advancements, the Company has always given priority to latest developments. The Company has hi-tech machinery at its production site. Further, the Company is running world renowned SAP (ERP system).

# L

## Legal

- Companies Act 2017
- Income Tax Ordinance
- Sales Tax Act
- Pakistan Stock Exchange listing regulations
- SECP Acts

The Company strongly abides all acts, listing, rules and regulations applicable on it. In this connection consistent efforts are put by the management to fulfill every legal aspect.

# E

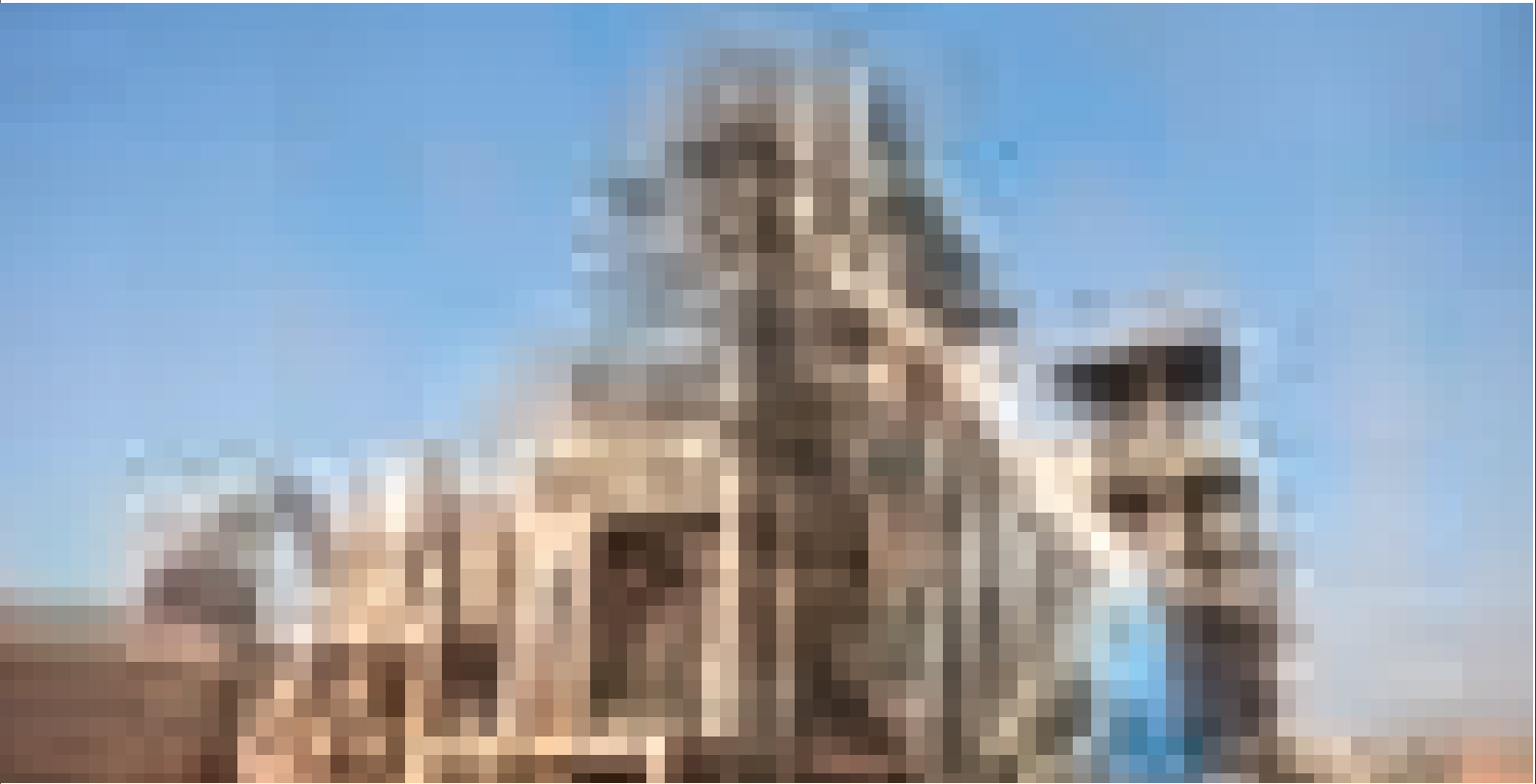
## Environmental

- Adverse weather condition
- Growing attention to environmental protection
- Climate changes
- Natural Disasters

The Company complies with ISO 14001 and NEQ standards. The installation of WHR plant has also helped improve the environment. The plant is equipped with Electrostatic Precipitators and bag filter which controls dust and gas emissions. Further, to improve the environment, natural tree plantation on large scale has been done.

**Seasonality of Business:** Cement demand is normally on the higher side during summer. However, it is adversely affected during the winter.

# Significant Development and Changes



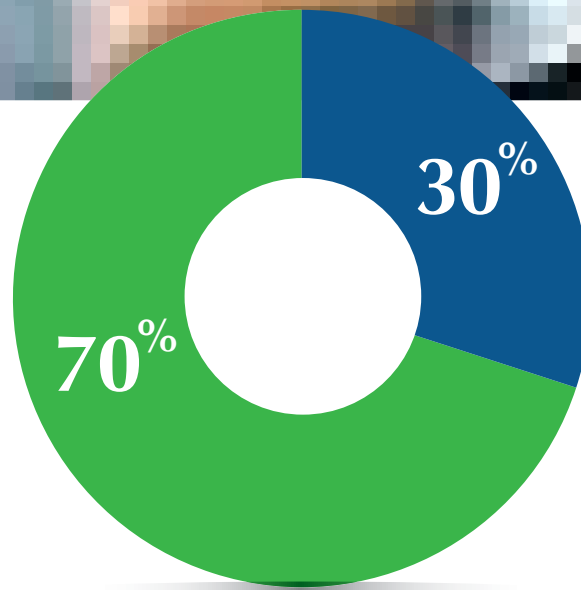
The following significant developments took place during the year:

- Production and Sales of the Company have increased drastically because of operation of Line II for the entire financial year i.e. 2017-18.
- Company has enhanced its market share by increasing product reach to multiple new cities within Pakistan.
- Number of employees has also increased as compared to previous year due to upcoming requirement of Line III.
- Heavy capital expenditures have been made during the year for installation of Line III, Waste Heat Recovery (WHR) and Captive power plants. The leverage has also increased accordingly.



# Composition of Imported Material vs Local Raw Material Mix

For the year ended June 30, 2018



■ Local Raw Material ■ Imported Material

Imported material and local raw material represent 37.53% and 16.72% of Cost of Sales respectively.

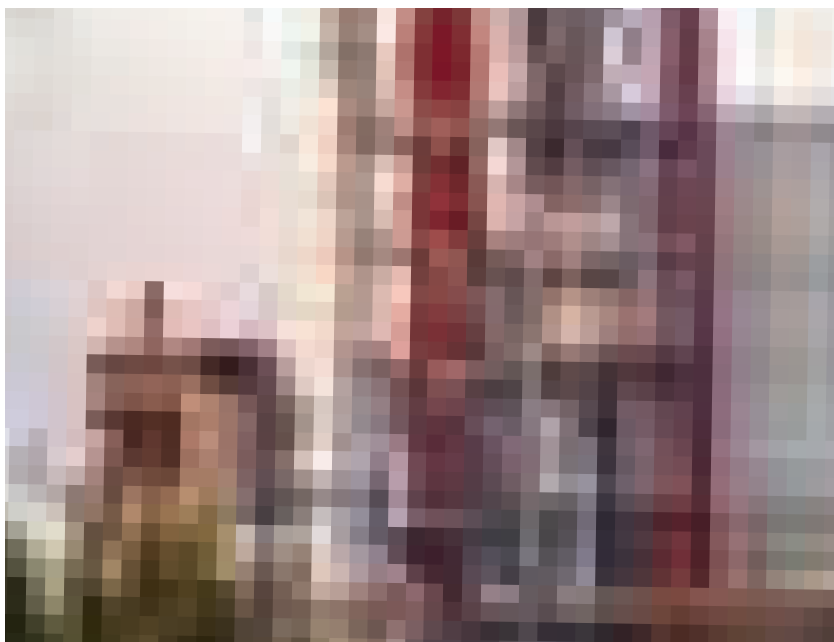
Cost of sales of the company will increase/decrease by 3.75% and 7.51% in case of foreign currency fluctuation by 10% and 20% respectively, hence such fluctuation is highly sensitive as it covers the major portion of cost of sales.

# Strategy and Resource Allocation

# Strategic Objectives

We strive to improve the efficiency of our operations through continuous innovation in the short term. We intend to grow through expansion of our core business in medium term and through opportunities for diversification in long term. 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.



# Management Strategies and Resource Allocation Plans

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 production line III will reap positive results and help in maximizing returns for all stakeholders in the same manner as previous expansions.

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. The management is working for growth of the Company. Line II started operations during the financial year 2017 as per plan while work on line III is in progress and expected to be commissioned much earlier than our targeted timeline.

Cost is effectively controlled by following energy conservation measures through use of Waste Heat Recovery plant, alternate fuels, like Refuse Derived Fuel, Tyre Derived Fuel and LED lights. Moreover, the Company is installing 3 dual-fuel Wartsila Generators of 9.7 MW each which can run on gas, diesel and furnace oil. Furthermore, the Company has obtained approval for gas connections from Sui Northern Gas Pipelines Limited which will drastically reduce power generation cost. In addition, the Company uses combination of both imported and local coal in order to keep the fuel costs low.

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

Cherat Cement maintains cordial relationship with all the reputable banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available at the Company's disposal. Moreover, the Company has also obtained a syndicated term-finance facility of Rs. 13 billion to finance cement Line III project. Above all, the profits earned in recent years have significantly improved the liquidity position of the Company.

Cherat Cement gives key consideration to Human Resource Management. A full fledged HR department is established which is supervised by HR & RC 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. Moreover, the Company has effective succession planning system in place. These processes help 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 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.

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 has benefit of lease of limestone mountain chains near plant location which has enough reserves for an extensive number of years.

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 obtained certification of Total Quality Management (TQM) system ISO 9001: 2015 and Environment Management System ISO 14001: 2015.

Being a responsible corporate citizen, the Company is committed to continuous improvements in safety, health and environment protection measures. Cherat Cement has earned great respect and appreciation through continuous and generous donations to social and charitable causes including towards health, education and social sectors.

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

## Changes from prior years

There is no material change in Company's objectives and strategies from the prior years.

# Key Performance Indicators

Sales  
**14,388**  
(Rs. in Million)

Increased by 49.17 %

Gross Profit  
**3,139**  
(Rs. in Million)

Decreased by 2.30%

Dividend Per Share  
**5.00**  
(Rs.)

Increased by 11.11 %

Profit after Tax  
**2,132**  
(Rs. in Million)

Increased by 8.97 %

Earnings Per Share  
**12.07**  
(Rs.)

Increased by 8.94%

Fixed Cost Per Ton  
**941**  
(Rs.)

Decreased by 10.89%

Breakup Value  
Per Share  
**63.26**  
(Rs.)

Increased by 6.81%

Total Assets  
**30,520**  
(Rs. in Million)

Increased by 62.28

Wealth Distributed  
**20,471**  
(Rs. in Million)

Increased by 56.93 %

Cash Generated  
from Operating  
Activities  
**2,660**  
(Rs. in Million)

Increased by 1200.89%

Market Share  
**5.32**  
%

Increased by 45.75%

Financial  
Leverage  
**1.44**  
(Times)

Increased by 136%

## Methods and Assumptions in Compiling Indicators

A Key Performance Indicator (KPI) should immediately inform the reader how the business is performing which in turn should suggest what actions need to be taken. KPIs provide understanding of a company's performance in key areas and gauge to analyse current standing of the company and likely path the company would follow. Comparability over time is a key principle of good corporate reporting. It is recognized that KPIs may evolve over time as strategies change or more information becomes available. Cherat Cement Company Limited has identified and updated following KPIs that are critical to its business. While identifying KPIs, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance.

# Liquidity and Financial Capital Structure

The Company manages its capital structure and makes adjustment to it, in light with 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. Long-term debts are only utilized to finance the capital expenditures. For working capital requirements short-term financings are availed to adequately maintain the debt and equity ratio throughout the year. Enhanced sales have considerably supported the liquidity position of the Company. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio of 1.72 which reflects its strong liquidity position.

## Liquidity Strategy

The Company has prudent strategies in place to manage its liquidity. In conformity to this strategy, the Company finances all of its capital expenditures through long-term financing facilities. During the year, the Company made a drawdown of Rs. 10 billion from its total facility of Rs. 13 billion to finance cement line III. In addition, the Company made a drawdown of Rs. 1.1 billion to finance fuel and cost efficient Dual-Fuel Generators from Wartsila. Moreover, the company vigilantly monitors its liquidity and whenever excess liquidity is available, the company uses this liquidity to settle its long-term loans to keep its capital structure at optimum level. In line with this strategy, the company made early repayments of two long-term loans of Rs. 900 Million, completely settling the Waste Heat Recovery Loan – Line II and Fixed Asset Refinance Loan – Line II. Besides the strong liquidity position, the Company also has arrangements with commercial banks in form short-term financing facilities of Rs. 3.8 billion to meet its working capital requirements. Management has a practice of continuous monitoring of cash flows on daily basis and has planned to gradually enhance its short-term financing facilities to cater its future working capital requirements.

## Financing Arrangements

Due to strong financing standing of the Company, it enjoys good business relationship with all reputable banks and financial institutions of the Country. Ample unutilized short-term financing facilities are available at the Company's disposal. During the year, the Company has negotiated long-term financing of Rs. 1.1 billion to finance dual-fuel generators and Rs. 1.2 billion to finance its Waste Heat Recovery Plant for Cement Line III at very lucrative rates.

# Significant Plans and Decisions

Cherat Cement is continuously expanding the business. The Company successfully commissioned its second cement line along with Waste Heat Recovery Plant during the year 2017. With this expansion, the cement production capacity of the Company has increased to around 2.4 million tons per annum. In view of encouraging growth in the domestic demand for cement, the Company has decided to install third cement line having a capacity of more than 2.1 million tons per annum of cement which is expected to be commissioned few months earlier than the initial scheduled time of May 2019.

Work on related Waste Heat Recovery (WHR) project for Line - III is also progressing as per schedule and is expected to be commissioned coherently with Line-III. This will result in substantial energy costs saving along with reduction of environmental impact.

Installation work for three Wartsila Dual-Fuel Generators of 9.7 MW each is also in finalization stage and is expected to be completed by September 2018. These generators can run on gas, diesel and furnace oil. Moreover, gas pipeline is being laid and gas will be available soon. This will significantly reduce the power cost of the Company.

# Risks and Opportunities

# Risks and Opportunities

The Board of Cherat Cement Company Limited (CCCL) principally assumes the responsibility to mitigate all possible risks and to identify and utilize potential events that may affect the Company. This principle keeps the Company within its risk appetite and helps to achieve its corporate objectives.

## RISKS

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

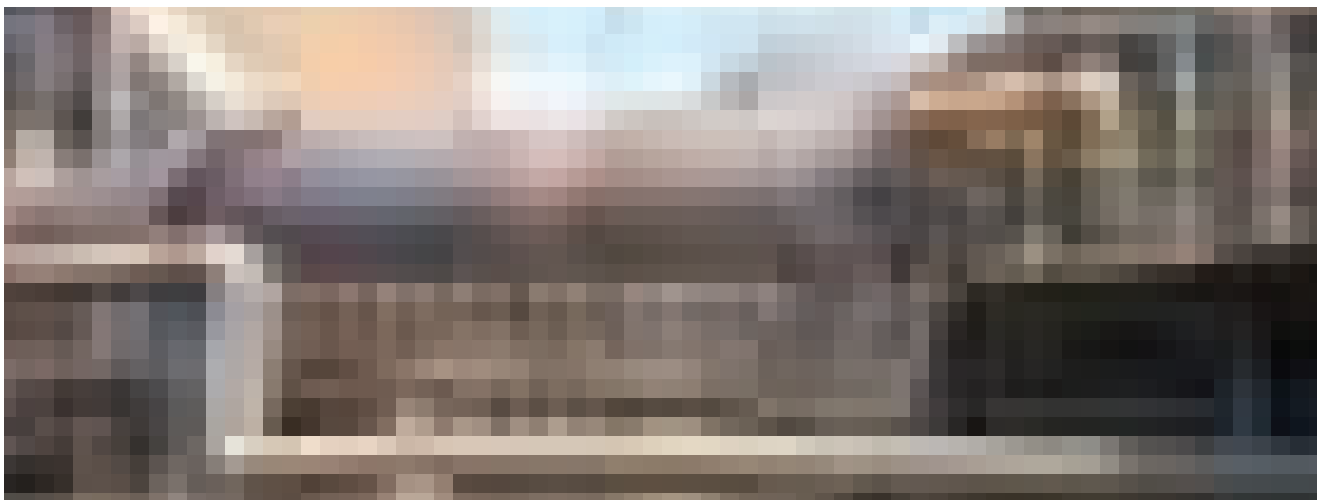
The Board of Directors of the Company establishes corporate strategy and business objectives. Moreover, the Board's Audit Committee is responsible for Internal Control in the Company. The Internal and External Auditors' reports are submitted to the Audit Committee for its review, which after detailed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

Risk level	Risk	Area of impact	Key source of Risk	Mitigating strategy
High	Rising Cost of Fuel & Power	Financial capital	Fuel and Power cost component is a substantial part of the overall cost of production of the Company. Suppliers increase the cost of products supplied in view of international economic conditions including rising costs of international fuel prices.	The Company analyses Coal prices of various suppliers on a regular basis to compare and control its purchasing cost. Moreover, it has strategic relationships with key suppliers which benefit the company in price negotiation and prompt material delivery.
High	Exchange Rate Fluctuation	Financial capital	It becomes challenging for the Company to compete in the market due to frequent fluctuation of PKR parity against USD.	The Company regularly scrutinizes the parity fluctuations and whenever needed, enters into hedging arrangements.
Moderate	Availability of Raw Material	Manufactured capital, relationship capital	Any shortage of the material may hamper the production and sales activity of the Company. To keep competitive edge and to gain more market share.	Effective inventory management accounts for forthcoming production plan to determine safety stock level and reordering of raw materials.
Moderate	Credit Risk	Financial capital	The Company extends credit to its customers. There lies a risk factor that the customers may fail to discharge their obligations and cause a financial loss to the Company.	The Company regularly analyses the credit position and credit worthiness of its Customers and extends credits based on minimum risk of financial loss.



Risk level	Risk	Area of impact	Key source of Risk	Mitigating strategy
Moderate	High leverage	Financial capital	There is pressure on leverage due to expansion.	The Company tries to manage its leverage on a regular basis. Leverage has increased due to expansion but the loans are at very attractive rates. The Company repays the loans also. The leverage will further improve after line III.
Low	Employee turnover	Human capital	Key employees and workers leave the company causing lack of competent workforce.	The Company values its employees as essential capital, therefore, it provides congenial environment and growth opportunities. Further Company has robust succession plan in place.
Low	Natural Catastrophe	Manufactured Capital	Destruction of production facility due to natural disaster.	The Company has comprehensive insurance cover in case of any catastrophic event. Further, the Company has taken into every possible aspect of safety measures during construction and erection of building and plant. Further, the Company has well-established disaster recovery plan and data backup to cope-up any unwarranted event.

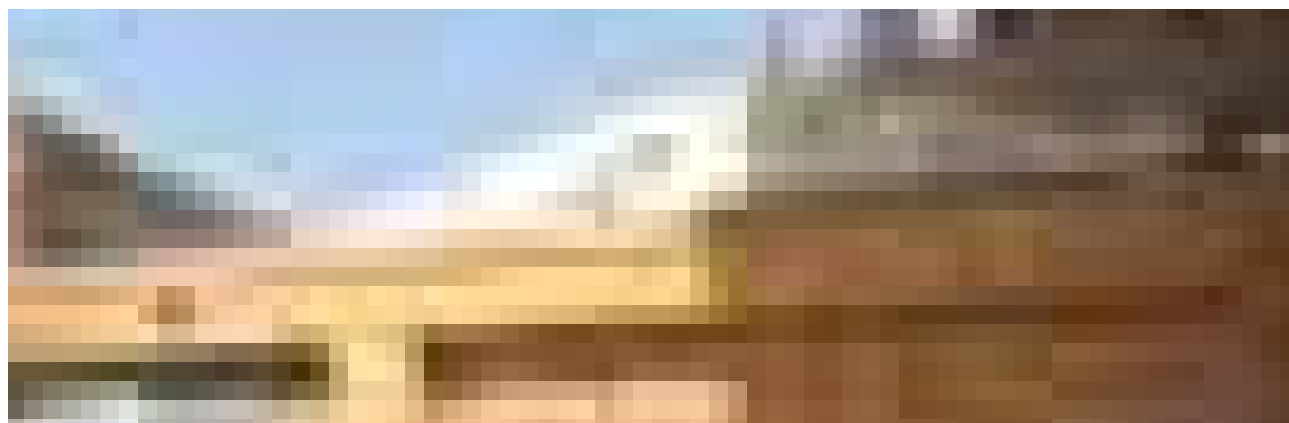


# Risks and Opportunities

## OPPORTUNITIES

Opportunity	Impact area	Key source opportunity	Strategy to materialize
Production Capacity	Financial capital	Higher capacity utilisation.	The Company actively pursues local and international markets to fully utilize its potential capacity and earn higher return for its shareholders.
Modern Equipment	Manufactured capital	Most modern and state-of-the-art machinery including WHR and dual-fuel generators.	Efficient machinery enables the company to operate with the minimum cost of production, thereby offering its customers high quality portland cement. This in turn results not only in customer retention but also attracts new customers.
Efficient and congenial work environment	Human capital	Provide congenial work environment where employee feels motivated for work.	Provide effective environment without excessive work pressure. Continuous training and development of employees. Benefit aligned with efficient and effective work and team management.
Growth of Cement industry	Relationship capital, Manufactured capital	Expected growth in Cement industry owing to CPEC and other developmental projects.	Installation of Cement Line III and WHR III is progressing to materialize potential growth.

Note: In connection with risk and opportunities pertaining to Cherat Cement Company Limited, Board's efforts for determining level of risk, Board's statement regarding robust assessment of risks , information about default in payment of any debt and inadequacy in capital structure have been covered in the Directors' Report.



# Governance

# Notice of Annual General Meeting

Notice is hereby given that the 37th Annual General Meeting of the Company will be held on Tuesday, October 16, 2018 at 12:00 noon at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa to transact the following businesses:

## ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2018 with the Directors' and the Auditors' Reports thereon.
2. To consider and approve the payment of final cash dividend @ 40% (Rs. 4.00 per share) in addition to interim cash dividend @10% (Re. 1.00 per share) already paid to the shareholders

for the financial year ended June 30, 2018 as recommended by the Board of Directors.

3. To elect eight (8) Directors of the Company as fixed by the Board of Directors u/s 159(1) of the Companies Act, 2017. The names of retiring Directors are (1) Mr. Omar Faruque (2) Mr. Azam Faruque (3) Mr. Akbarali Pesnani (4) Mr. Shehryar Faruque (5) Mr. Arif Faruque (6) Mr. Saquib H. Shirazi (7) Mr. Shamshad Nabi (8) Mr. Asif Qadir.
4. To appoint Auditors for the year 2018/19 and to fix their remuneration.
5. To transact any other business with the permission of the chair.

By Order of  
the Board of Directors



Abid Vazir  
Executive Director &  
Company Secretary

Karachi: August 29, 2018

## Notes:

1. The register of members of the Company will be closed from Wednesday October 10, 2018 to Tuesday, October 16, 2018 (both days inclusive) and no transfers will be registered during that time. Shares received in order at the Office of the share 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 Tuesday, October 9, 2018 will be treated in time for the entitlement of final cash dividend.
2. A member of the Company eligible to attend, speak and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company's Head Office 48 hours before the Meeting.
3. 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 the Share Registrar of the Company.
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.
6. Section 242 of the Companies Act, 2017 provides that in case of a listed company, any cash dividend declared by the company must be paid electronically directly into the bank accounts of the shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in E-Dividend Mandate Form available on the Company's website i.e. [www.gfg.com.pk](http://www.gfg.com.pk) and send it duly signed along with a copy of CNIC to 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 in case of physical shares. In case shares are held in CDC, then E-Dividend Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services. In-case of non-submission of IBAN, the Company will withhold the payment of dividends under the Companies (Distribution of Dividends) Regulations, 2017. Further, informed that the next Cash Dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore shareholders should register themselves to CDC's eServices Portal at <https://eservices.cdccess.com.pk>

7. All Shareholders are advised to check their status on Active Taxpayers List (ATL) available on FBR Website and if required take necessary actions for inclusion of their name in ATL to avail the lower rate of tax deduction.
8. In case of joint account, please intimate proportion of shareholding as each account holder is to be treated individually as either filer or non-filer and tax will be deducted on the basis of shareholding provided by the shareholder, otherwise equally.
9. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to Central Depository Company of Pakistan Limited - Share Registrar Department by first day of Book Closure.
10. In compliance of Section 244 of the Companies Act 2017, once the Company has completed stipulated formalities, any unclaimed dividend and /or shares that have remained outstanding for a period of three years from the date of becoming due and payable or more shall be credited to the Federal Government (in case of dividend) or delivered to the SECP (in case of physical shares). Shareholders who could not collect their dividend/physical shares are advised to contact our Share Registrar (CDC) to collect/inquire about their unclaimed dividend or shares, if any.
11. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders

have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven [7] days of receipt of such request.

12. Members can also avail video conference facility, in this regard, please fill the following and submit to Head Office of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Cherat Cement Company Limited, holder of \_\_\_\_\_ ordinary shares(s) as per Registered Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_".

13. Any person who intends to contest the election for the office of the Directors or otherwise, shall file with the Company at its Head Office not later than fourteen (14) days before the date of the Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director in terms of Section 159(3) of the Companies Act, 2017 along with (a) consent to act as director in Form 28, duly completed and signed by the candidate; (b) a detailed profile along with office address for placement on the Company's website seven days prior to the date of the AGM, in terms of SRO 634(1) of 10 July 2014; and (c) declarations in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the eligibility criteria as set out in the Companies Act, 2017.

### Statement Under Section 166 (3) of Companies Act 2017 in respect of Election of Directors

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166(2) of the Act.

### STATUS OF INVESTMENT IN UNIENERGY LIMITED

The Company in its Annual General Meeting held on October 16, 2015 had obtained the approval of its shareholders for investment of up to Rs. 250 million in the equity of UniEnergy Limited. Keeping in view the status of the project and its financial requirements, the Company has so far invested Rs. 7.69 million only. The remaining amount will be invested by Cherat Cement Company Limited as and when required by UniEnergy Limited.

# Directors' Profile

## **Mr. Omar Faruque, Chairman**

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

## **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, Member of the National Commission of Science and Technology and also a Member of the National Committee of the Aga Khan Foundation. Mr. Azam Faruque has served on the Board of the Privatization Commission of the Government of Pakistan, Cherat Packaging Ltd, Atlas Asset Management Ltd and was Chairman KPK Oil & Gas Development Company Ltd. At present, he is a member of the Board of Directors of Faruque (Pvt.) Ltd, Greaves Pakistan (Pvt.) Ltd, Madian Hydro Power Ltd, International Industries Ltd, Indus Motor Company Ltd and Atlas Battery Ltd. He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

## **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 senior levels for over 43 years. Presently he is the Chairman of Cherat Packaging Ltd, Aga Khan Cultural Service Pakistan and a Director on the Board of Jubilee General Insurance Co. Ltd. His association with the Ghulam Faruque Group dates back almost 37 years.

## **Mr. Shehryar Faruque, Director**

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

## **Mr. Arif Faruque, Director**

Mr. Arif Faruque is a Swiss - qualified Attorney-at-Law and also holds Masters degrees in both Law and Business Administration from the USA. He is the Chief Executive of Faruque (Pvt.) Ltd as well as Madian Hydro Power Ltd. He is on the Board of Directors of Mirpurkhas Sugar Mills Ltd, Cherat Packaging Ltd and UniEnergy Ltd. Besides the above, he is also a member of the Board of Governors of Lahore University of Management Sciences (LUMS).

**Mr. Saquib H. Shirazi, Director**

Mr. Saquib H. Shirazi has been the Chief Executive Officer of Atlas Honda Limited for the last seventeen years. He graduated from the Wharton School of Finance, before completing his Masters from the Harvard Business School.

He has previously worked with the Bank of Tokyo and is also the former CEO of Atlas BOT Investment Bank Ltd. At present, he is serving as a member on the Boards of Pakistan Cables Ltd, Atlas Hitec (Private) Ltd, Atlas Power Ltd, Shirazi Trading Company (Pvt.) Ltd, Shirazi Investments (Pvt.) Ltd, Atlas Engineering (Pvt.) Ltd, Atlas Autos (Pvt.) Ltd, Atlas Die Casting (Pvt.) Ltd. and Cherat Cement Company Limited in Pakistan. Previously, he has served on the Boards of Pakistan Petroleum Ltd, National Refinery Ltd, Sui Southern Gas Company Ltd, Cherat Papersack Ltd and the Privatization Commission of Pakistan. He has also served on Harvard Business School's Global Alumni Board and was its President for the years 2006-2008. He is currently a member of Harvard Business School's Advisory Board.

**Mr. Shamshad Nabi, Director (NIT)**

Mr. Shamshad Nabi is a Chartered Accountant - a Fellow of the Institute of Chartered Accountants in England & Wales. He has also completed his MBA from the University of Wales. He has 53 years professional experience in the UK, Pakistan and Saudi Arabia mostly in asset management and development banking. He had also worked for 4 years for The Citizens Foundation (TCF) as a whole time volunteer as TCFs Financial Adviser. He has had long

experience with the mutual fund industry in Pakistan having served NIT from 1966 to 1980 with the last four years as the NITs Deputy Managing Director. He worked for 22 years for the Islamic Development Bank in Jeddah until January, 2002. He was the first Chief Executive Officer of the Mutual Funds Association of Pakistan - the Trade Body for the mutual fund industry in Pakistan until July, 2012. While in the service of NIT he served on the Boards of Directors of a large number of listed companies in Pakistan and was on the Board of Directors of the Karachi Stock Exchange for four years until January, 1980. He was also on the Board of Directors of companies in member countries of IDB.

**Mr. Asif Qadir, Director**

Mr. Asif Qadir holds a degree in Chemical Engineering from Columbia University, New York. He joined Exxon Chemical Pakistan Ltd. in 1978 as a Process Engineer and held various assignments in manufacturing and marketing of fertilizers.

Mr. Qadir has served as President and Chief Executive Officer of Engro Polymer & Chemicals Ltd. He has also served on the Board of Engro Corporation Ltd, Engro Fertilizer Ltd, Engro Polymer & Chemical Ltd, Engro Powergen Ltd, Sindh Engro Coal Mining Company Ltd, Karachi Stock Exchange, Pakistan Poverty Alleviation Fund and Inbox Business Technologies (Pvt.)Ltd.

He is currently serving as Director in Unicol Ltd and is also on the Boards of Tripack Films Ltd, Thal Ltd, Descon Oxychem Ltd. and Liaquat National Hospital and Medical College.





# Chairman's Review

The year 2017/18 has been one of the most challenging both for domestic and international markets. The last few months of the year witnessed a major devaluation of the Pakistani Rupee and consequently an increase in input costs and overall cost of production. Despite significant increase in costs, your company sustained its profitability due to higher sales volume and posted an after tax profit of Rs. 2,132 million.

During the year 2017/18, the cement industry witnessed a growth of 13.8%. A 15.4% increase in domestic sales and a 1.8% increase in exports contributed to the sales of the industry as a whole and of Cherat Cement particularly. In its first full year after the commissioning of Cement Line II, the local dispatches of the company increased by 65%, whereas its aggregate dispatches increased by 63% over last year, which cumulatively set off the increase in cost of sales.

As informed earlier, the company is in the process of setting up its third production line. Erection works on the plant are progressing at a good pace and we are confident that Line III will be fully operational ahead of its schedule. With this expansion, the production capacity of the company will increase to approximately 4.5 million tons. We are confident of completing the expansion within the estimated project costs. The expansion will allow the company to meet additional demand for cement in the country and explore new markets for its product. Furthermore, it will further improve the efficiency of the company and will allow it to further enhance its market share.

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



Omar Faruque  
Chairman

Karachi: August 29, 2018



# Directors' Report to the Members

For the Year Ended June 30, 2018

The Board of Directors presents to you the annual report of the Company along with the audited financial statements for the year ended June 30, 2018.

## OVERVIEW

In the midst of political uncertainty, Pakistan's economy maintained its upward trajectory for the year 2017/18. The combination of robust economic activity and low inflation boosted investors' confidence in the economy and led to increased consumption. However, towards the latter half of the year, major deterioration in external account balances and fiscal deficit was witnessed. With CPEC projects starting to mature and extensive infrastructural development undertaken both by the government and the private sector, the cement industry witnessed an enhanced demand. During the year 2017/18, the cement industry grew by 13.8%, which has been its highest growth for last few years. There was a record 15.4% growth in local dispatches and 1.8% increase in exports from last year. The increase in exports is mostly attributable to Afghanistan. The private sector has also played a significant role in local cement consumption as the trend towards constructing housing, commercial and residential complexes has been rising gradually and is having a positive impact on the cement industry.

## BUSINESS REVIEW

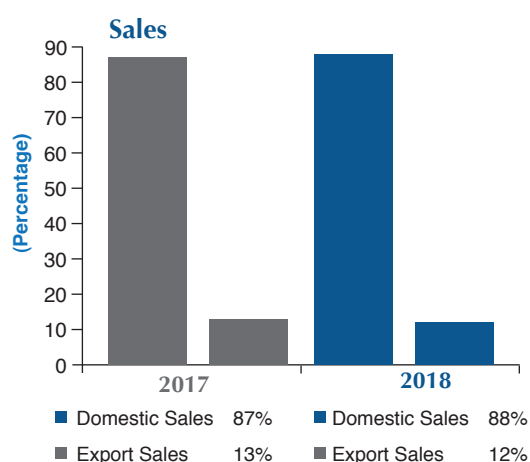
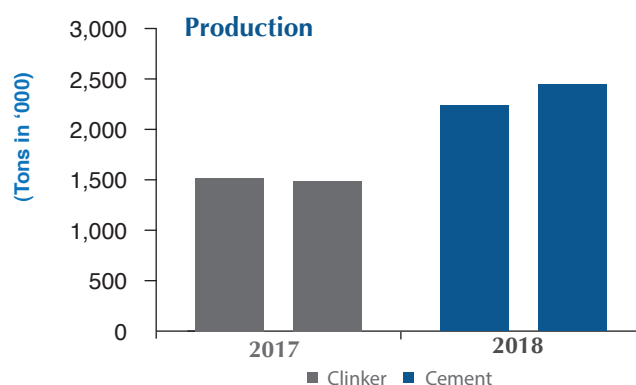
The year 2017/18 proved to be an outstanding year for the Company in all aspects of business. Whether internal growth in the form of expansion or external growth in the form of reaching new markets, the Company performed in line with its reputation to deliver. Even though the external market factors created a challenging environment for the businesses to perform, the company's graph for growth maintained a stable upward climb. Detailed review of the business activities and performance during the year are presented ahead.

## PRODUCTION & SEGMENT WISE SALES REVIEW

Comparative production and sales figures are provided under:

	2018	2017
	(in tons)	
• Clinker production	2,234,491	1,518,520
• Cement production	2,442,567	1,489,489

	2018	2017
	(in tons)	
Domestic sales (cement and clinker)	2,208,000	1,340,226
Export sales	311,128	204,226
Total sales	2,519,128	1,544,452



Strong domestic demand and availability of enhanced production capacity for the entire year following the commissioning of Cement Line II last year resulted in approximately 65% increase in domestic cement sales of the company over last year. Similarly, enhanced capacity also allowed the company to increase its exports to Afghanistan, which rose by 52% from the corresponding period last year. During the year, aggregate cement dispatches of the Company increased by an impressive 63% from last year. The company also sold 77,886 tons of clinker during the year.

## FINANCIAL PERFORMANCE

During the year 2017/18, the Company benefited from economies of scale and increased efficiency as the production capacity from Cement Line II was fully realized for the entire year. On the back of rise in

cement dispatches, there was 49% i.e. Rs. 4.7 billion increase in the sales turnover of the company from the corresponding period last year. However, a combination of increased variable costs especially rise in coal prices as well as higher depreciation and finance costs reduced margins. After taking tax adjustment on account of Cement Line II, the company posted a historical after tax profit of Rs. 2,132 million for the year ended June 30, 2018.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2018	2017
	(Rs. in million)	
Net sales	14,388.35	9,645.40
Cost of sales	11,249.15	6,432.28
Gross Profit	3,139.20	3,213.12
Expenses & taxes	1,007.08	1,256.56
Net Profit	<u>2,132.12</u>	<u>1,956.56</u>

### EXPANSION PROJECT - CEMENT LINE III

Work on the installation of Cement Line III is progressing on schedule. Furthermore, work on installation of WHR plant for Cement Line III is also progressing, which will help in reducing the energy costs of the plant. The company is also installing Wartsila dual fuel engines, which will be beneficial as a gas pipeline is being laid and gas will be available soon. Given the progress of the project so far, the management is confident of completing the expansion project before the scheduled time.

### DIVIDEND

The Board of Directors at its meeting held on August 29, 2018 has proposed an annual cash dividend @ 40% for the year ended June 30, 2018. This is in addition to interim cash dividend @ 10% declared earlier in the year. The approval of members for the dividend will be obtained at the Annual General Meeting to be held on October 16, 2018.

### CORPORATE SOCIAL RESPONSIBILITY

Your Company has always been very aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the wellbeing of all. In line with its corporate social responsibility policies, the Company has endeavored to improve the overall conditions of the people living around the manufacturing plants and the surrounding areas. Infrastructural development and continuous plantation has gone hand in hand to ensure that both the people and the climate of the area benefit. Your

Company has worked with and contributed to the Aga Khan University and The Citizens Foundation over the years and will continue to do so as it envisions a better environment, a better economy and a better Pakistan.

### SAFETY, HEALTH AND ENVIRONMENT

Your Company has a firm policy on the health and safety of its people because it understands that people are the most important asset it has. Keeping the safety of the workers as top priority, the production plants have been set up and run as completely compliant and up to date with the prevailing standards of safety in the industry. The installation of WHR plants has also helped improve the environment in the areas surrounding the factory. The Company has an ISO 14001 certification. Further detail of corporate social responsibility will be in the annual report.



### CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 6.50 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, 2018.

<b>Provident Fund</b>	<b>Rs. 853 million</b>
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<b>Gratuity Fund</b>	<b>Rs. 545 million</b>
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## BOARD OF DIRECTORS

Total number of Directors on the board is 8 and its composition is as follows:

Name of Directors	Meetings Attended
• Male Directors	8
• Female Directors	-
a. Independent Directors	2
i. Mr. Asif Qadir	
ii. Mr. Shamshad Nabi	
b. Non-Executive Directors	5
i. Mr. Omar Faruque	
ii. Mr. Akbarali Pesnani	
iii. Mr. Shehryar Faruque	
iv. Mr. Arif Faruque	
v. Mr. Saquib H. Shirazi	
c. Executive Director	1
i. Mr. Azam Faruque	

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

Name of Directors	Meetings Attended
Mr. Omar Faruque	5
Mr. Azam Faruque	5

Mr. Akbarali Pesnani	5
Mr. Shehryar Faruque	5
Mr. Arif Faruque	4
Mr. Saquib H. Shirazi	3
Mr. Shamshad Nabi	5
Mr. Asif Qadir	4

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

Name of Directors	Meetings Attended
Mr. Akbarali Pesnani	4
Mr. Asif Qadir	3
Mr. Arif Faruque	4

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

Name of Directors	Meetings Attended
Mr. Saquib H. Shirazi	1
Mr. Shehryar Faruque	2
Mr. Azam Faruque	2
Mr. Shamshad Nabi*	1

\*Following the implementation of the CCG Regulations 2017, the Board of Directors inducted Mr. Shamshad Nabi as Member of the HR&R Committee and appointed him as its Chairman.

Pattern of shareholding is annexed with the report. No trading in the shares of the Company was made by the Chief Executive, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year except for purchase of shares by Mr. Omar Faruque.

Earnings per share (EPS) during the year were Rs. 12.07 as against Rs. 11.08 last year.

## DIRECTORS' REMUNERATION

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. In this regard, the Board of Directors has developed a Remuneration policy for Non-executive and Independent Directors of the company.

## UNIENERGY LIMITED

UniEnergy – a joint venture wind power project, has been granted Letter of Intent and formally allotted land

for setting up the project at Jhimpir, district Thatta. The JV partners have made initial equity investment in the Company to meet the ongoing financial requirements for the project. In this regard, Cherat Cement has made an equity investment of Rs. 7.69 million following the approval of the shareholders. The government has, so far, not notified the tariff for the project.

## RISK AND OPPORTUNITIES

### • Risk Management

As part of its responsibilities, the members of the Board of Directors have always kept a close watch on the socio-economic environment and consequential internal and external risks that might impact the safe and smooth operations and performance of the Company. As caretakers of the interest of all the stakeholders, the Directors remained vigilant in identifying and mitigating risks through the year. The Board of Directors identified potential risks, assessed their impact on the Company and formulated strategies to mitigate any and all foreseeable risks to the business. These strategies were enforced throughout the hierarchy of the company through the Audit Committee to ensure that no gaps remained in risk mitigation.

### • Risk Assessment

Businesses face numerous uncertainties that might pose threats to its objectives and if not addressed may cause preventable losses. The Board of Directors of the company has carried out vigilant and thorough assessment of both internal and external risks that the company might face.

Energy costs makes up around 60% of the overall cost of production. Any variation in prices of coal and/or electricity tariffs poses a constant risk to the company. To mitigate this risk, the Company uses a mix of both South African and Afghan coal. In the long term, if prices increase excessively, the company has potential alternatives for coal, such as Refused Derived Fuel and Tyre Derived Fuel. Moreover, the company has installed Waste Heat Recovery plant to reduce its cost of power. Another economic risk facing the company is the decline in exports to its main export market Afghanistan due to the political uncertainties and availability of low cost Iranian cement. However, the strategic placement of its factory in Nowshera, which is close to the Afghanistan border and the brand value of Cherat within Afghanistan has helped us retain our position as top exporters of cement to Afghanistan.

### • Debt Repayment

The Company regularly and efficiently paid of all its due debts as was budgeted and planned during the year 2017-2018. Not only were regular payments made, the company also successfully made early repayments of loans worth Rs. 900 million. This lowered risks of default and improved the financial position of the company.

### • Capital Structure

The Company's current debt to equity ratio is about 3:2 and this is mainly due to the ongoing expansion work on Cement line III. The Board of Directors and the management are confident that as soon as Cement Line III realizes its full production capacity by 2019, the capital structure of the company will improve considerably and a more balanced debt to equity ratio will be maintainable.

## FUTURE PROSPECTS

Despite facing many challenges, the cement industry has prospered and grown extensively. Domestic demand for cement has grown significantly due to greater outlay of PSDP by the government, investment in CPEC projects and related infrastructural development. Additionally, private sector has also invested in a major way by constructing large malls and apartment complexes. With overall outlook for the cement industry remaining positive, it is expected that demand for cement will continue to increase in the coming years. The management is firm in its belief that the addition of a third cement line at existing location by the Company will not only enhance its domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs.

Following the successful conduct of the national elections, we are confident that macroeconomic indicators will start to improve in the country, which will benefit the company and the industry as a whole. Notwithstanding the above, unstable economic situation and significant devaluation of Pakistani Rupee, which has an adverse impact on input costs remains a cause of concern and an area of business risk for the company.

## APPOINTMENT OF AUDITORS

The present auditors M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

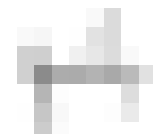
## ACKNOWLEDGMENT

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



**Azam Faruque**  
Chief Executive

Karachi: August 29, 2018

## Board Meetings Held Outside Pakistan

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

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## Annual Evaluation of Board Performance

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

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

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

### **Board Composition**

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

### **Leadership and Planning**

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

### **Board Effectiveness**

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

### **Board Accountability**

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

### **Strategy and Performance**

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

### **Board Committees**

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

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





## 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 appraise the directors of their authorities and responsibilities. Two Directors of the Company namely Mr. Azam Faruque and Mr. Omar Faruque are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

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## Policy on Non-executive & Independent Directors' Remuneration

### **PREAMBLE**

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this Policy upon the implementation of Section 170 of the Companies Act 2017 read with Regulation No. 17 of the Code of Corporate Governance.

Amendments, from time to time, to the Policy, if any, shall be considered by the Board in lights of changes in applicable laws and/or such external circumstances that directly apply to the scope of this Policy.

### **SCOPE AND APPLICABILITY**

The Policy shall apply to all Non-Executive and Independent Directors who attend Board meetings, Audit Committee meetings, Human Resource and Remuneration Committee meetings and any other meetings called by the Board.

### **TERMS OF THE POLICY**

Through the Articles of the Company, the Board is authorized to fix remuneration of Non-Executive and Independent Directors from time to time. The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company shall be as determined by the Board of Directors from time to time.

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## Matters Delegated to the Management

Management is primarily responsible for implementing the strategies as approved by the Board of Directors. It is the responsibility of management to conduct the routine business operations of the Company in an effective and ethical manner in accordance with the strategies and goals as approved by the Board and to identify and administer the key risks and opportunities which could impact the Company in the ordinary course of execution of its business. Management is also concerned in keeping the Board members updated regarding any changes in the operating environment. It is also the responsibility of management, with the oversight of the Board and its Audit Committee, to prepare financial statements that fairly present the financial position of the Company in accordance with applicable accounting standards and legal requirements.

## Governance Practices Exceeding Legal Requirements

Cherat Cement has always believed in going the extra mile and staying ahead of the game. In line with this strategy, not only have we complied with all mandatory legal compliances under the Code of Corporate Governance, the Companies Act 2017 and other applicable rules, regulations and standards, we have also carried out the following activities in addition to the legal requirements;

- a. **Other Information:** The management reports various other essential information in this annual report which is not required by law.
- b. **Implementations of HSE:** the Company has developed and implemented aggressive HSE strategies at its Plants to ensure proper safety of its people and equipment.
- c. **Dispersal of information:** the Company has always ensured that all material information is communicated to the PSX, the SECP and the Company's shareholders as soon as it becomes available. At all times we have ensured that such information is sent out much before the deadlines set out in the laws.

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## Female Director

The requirement for a female director on the board of a listed company has been recently mandated by the new Company laws. Cherat Cement shall induct a female director on its board in the next election of directors to be held on October 16, 2018 .

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## Independent Director

Cherat Cement has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements. The new law requires one - third of the Board to be independent and Cherat Cement will comply with this requirement after the upcoming elections.

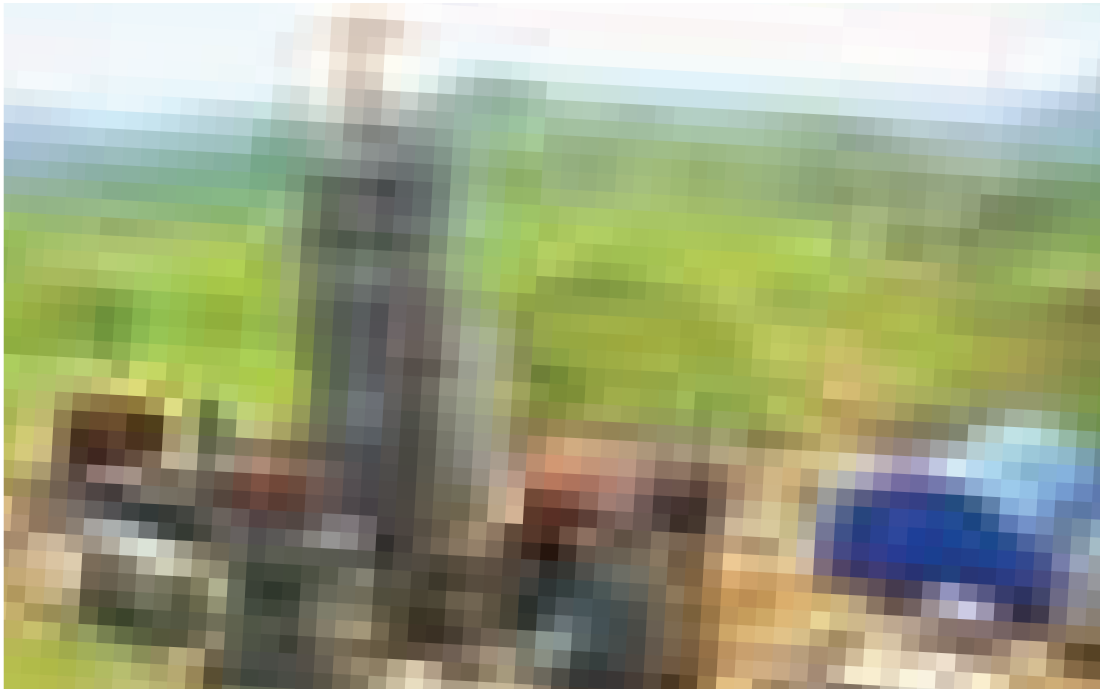
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## Investors' Grievance Policy

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

## Related Parties

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 36 to the financial statements presented afterwards in this annual report. Such disclosure is in line with the requirements of the 4th Schedule to the Companies Act, 2017 and applicable International Financial Reporting Standards.



## Approved Policy for Related Party Transactions

The Board of Directors has approved a policy for Related Party Transactions, which require that the company shall carry out transactions with its related parties on an arm's length basis in the normal course of business. The term 'arm's length' requires conducting business on the same terms and conditions as the business between two unrelated / unconcerned persons. The policy specifies that all transactions entered into with related parties shall require Board's approval.

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## Statement of Managements Responsibility Towards the Preparation and Presentation of Financial Statements and Directors Compliance Statements

The Company, its Board of Directors and the management have always been keen to follow the standards set down by governing institutions. In lights of the same strict compliance of all standards set out by ICAP, the Companies Act, the international Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.



# Social and Environmental Responsibility Policy

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

**The policy is prepared in accordance with SECP's CSR voluntary guidelines 2013.**

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

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

1. Ensure our product and operations comply with relevant environmental legislation and regulations.
2. Maintain and continually improve our environmental management systems to conform to the ISO-14001 Standard or more stringent requirements as dictated by specific markets or local regulations.
3. Operate in a manner that is committed to continuous improvement in environmental sustainability through recycling, conservation of resources, prevention of pollution, product development, and promotion of environmental responsibility amongst our employees.
4. There is no emission of hazardous materials 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.



# 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 confidentiality 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 the conflict of interest and, if necessary, from the Board meeting, or applicable part thereof.





# Insider Trading Policy

Cherat Cement has taken definitive steps in ensuring that all employees, officers, members of the Board and all such relevant persons follow strict guidelines while trading in the shares of the Company. The Insider Trading Policy codifies the Company's standards on trading and enabling the trading of securities of the Company or other publicly-traded companies while in possession of material non-public information.

The general guidelines within the policy state that:

- i. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the Code of Corporate Governance, within the Closed Periods announced by the Company.
- ii. No insider may purchase or sell any Company's security while in possession of material non-public information about the Company, its customers, suppliers, consultants or other companies with which the Company has contractual relationships or may be negotiating transactions.
- iii. No insider who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.
- iv. In addition, no insider may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company in the way of conducting official business. No insider who knows of any such material non-public information may communicate that information to any other person, including family and friends.

## **The Company's Responsibility to Disclose Inside Information**

The Company's responsibility, in case of inside information made known to a third party, shall be to ensure that in such case the knowledge is given full public disclosure or if such information still needs to be kept non-public then the Company must ensure that the third party, is placed under legal obligation to maintain confidentiality.



# 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.



# 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 blowing 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 blowing 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.

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# 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.

# 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. A management trainee program is also in place to meet the future requirements. A large number of recruitment has been done in view of expansion in a systematic way.

## 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

Our Succession Planning policy is aimed at building a

pipeline for future leadership and creating backups for critical roles.

The salient features of this policy are detailed as under:

Talent Assessment is conducted based on achievements, Competencies and Group Values.

Gap Analysis is done to determine time period and tools needed to groom/ develop them as possible successors.

Put through an outbound Leadership Course to determine areas of development viz a viz leadership.

On-going coaching/ rotation/ training and developmental plans are in place to bring out best in class talent for succession.

To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

## Other Policies

The Company has a complete set of other HR policies for recruitment, selection, training, tirdeness, overtime and compensation. An employee Hand Book is also available.

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# Diversity Policy

Cherat Cement Company Limited is committed to fostering, cultivating and preserving a culture of diversity and inclusion. Our human capital is the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and Company's achievement as well.

We embrace and encourage our employees' differences in age, color, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, Physical and mental ability, political affiliation, race, religion, socio-economic status, veteran status, and other characteristics that make our employees unique. Cherat Cement Company Limited's 'diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of a work

environment built on the premise of gender and diversity equity that encourages and enforces:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity.

All employees of Cherat Cement Company Limited have a responsibility to treat others with dignity and respect at all times. All employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events. Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.



# Statement of Compliance

## with Listed Companies (Code of Corporate Governance) Regulations, 2017

The company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are 8 (eight) as per the following:

a. Male:	8
b. Female:	None

- The Composition of board is as follows:

a) Independent Directors	2
b) Other Non-executive Directors	5
c) Executive Director	1

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

- 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.

- 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.

- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

- 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

- The directors are well aware of their duties and

responsibilities under the Code. The directors of the company meet the criteria of exemption under regulation 20(2) of the Regulations. Further the board has arranged Directors' Training program for the following:

### Name of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive

### Name of Executive & Designation

Mr. Yasir Masood	Executive Director & Chief Financial Officer
Mr. Abid Vazir	Executive Director & Company Secretary

- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

- CFO and CEO duly endorsed the financial statements before approval of the board.

- The board has formed committees comprising of members given below:

### a) Audit Committee

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

### b) HR and Remuneration Committee

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

- The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

- The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee.	- Quarterly
b) HR and Remuneration Committee.	- Half Yearly

15. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act,

these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board of Directors



**Omar Faruque**  
Chairman



**Azam Faruque**  
Chief Executive

Karachi: August 29, 2018

## Statement of Compliance

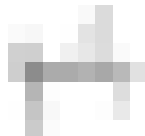
### With the Best Practices of Transfer Pricing

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



**Azam Faruque**  
Chief Executive

Karachi: August 29, 2018

# Independent Auditors' Review Report

## on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017



**Building a better  
working world**

EY Ford Rhodes  
Chartered Accountants  
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We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Cherat Cement Company Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Directors' statement on internal control 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.



**Chartered Accountants**

Date: 03 September 2018

Place: Karachi

# Role of Chairman and Chief Executive Officer

## OFFICES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Pursuant to the provisions of Section 192(2) of the Companies Act 2017, the Board of Directors of Cherat Cement Company Limited has outlined the roles and responsibilities of the Chairman as well as the Chief Executive Officer (CEO) of the Company, which are detailed here in below;

### CHAIRMAN

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board. The Chairman acts as the communicator for Board decisions where appropriate.

More specifically, the duties and responsibilities of the Chairman are as follows:

- acting as a liaison between management and the Board, through the CEO;
- keeping abreast generally of the activities of the Company and its management;
- ensuring that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements and make informed decisions;
- preparing the review report (to be included with the annual financial statements) on the overall performance of the Board of Directors and effectiveness of the role played by the Board of Directors in achieving the Company's objectives.
- developing and setting the agendas for meetings of the Board;
- acting as Chair at meetings of the Board;
- ensuring that the minutes of Board meetings are appropriately recorded and reviewing and signing minutes of Board meetings;
- presiding over the Board meetings and ensuring that all relevant information has been made available to the Board;
- confirming the quorum of the meeting;
- ensuring that the agenda, notice of meeting alongwith all relevant material were circulated within stipulated time;
- ensuring that the minutes of the Board meetings are kept in accordance with applicable laws;
- ensuring that the appropriate recording and circulation of the minutes of the Board meeting to the Directors and officers entitled to attend the Board meetings;
- safeguarding shareholders' interest in the Company;
- issuing the letter to the directors at the commencement of each three year term of the Directors setting out their role, obligations, powers and responsibilities;

- ensuring that the Board is playing an effective role in fulfilling its responsibilities;
- determining the date, time and location of the annual or extraordinary general meetings of shareholders and to develop the agenda for the meeting;
- presiding as chairman at every General Meeting of the Company;
- recommending to the Board, after consultation with the Directors and management, the appointment of members of the Committees of the Board;
- assessing and making recommendations to the Board annually regarding the effectiveness of the Board.

### **CHIEF EXECUTIVE OFFICER**

The CEO is, subject to control and directions of the Board, entrusted with the powers of management of affairs of the Company. In such capacity the CEO's role and responsibilities include:

- planning, formulating and implementing strategic policies;  
ensuring the achievement of productivity and profitability targets and efficient Company operations;
- ensuring that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- maintaining an ongoing dialogue with the Directors in regard to changes in and implementation of Company's policies and the performance and development of the Company's business;
- ensuring that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied with in a timely manner;
- maintaining a close liaison with the Government, customers, suppliers and sales offices;
- chalking out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- ensuring that proper succession planning for all levels of hierarchy exist in the Company and the same is constantly updated;
- ensuring proper functioning of the Management Committees of the Company of which he is the chairman;
- preparing and presenting personally to the Board of Directors following reports/details:
- annual business plan, cash flow projections and long term plans.
- budgets including capital, manpower and overhead budgets along with variance analysis.
- quarterly operating results of the Company in terms of its operating divisions and segments.
- promulgation or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
- reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.
- ensuring that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.

# Salient Features of Terms of Reference of The Audit Committee and the Human Resource & Remuneration Committee

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

The Audit Committee comprises of three Non-Executive Directors one of whom is Independent. The Chairman of the Committee is an Independent Director.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2017-18, 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 Head of 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 Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Audit Committee via Regulation No 28.(3).

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its Audit Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

### The Committee shall;

- a) determine appropriate measures to safeguard the company's assets;
- b) review annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
  - (i) major judgmental areas;
  - (ii) significant adjustments resulting from the audit;
  - (iii) going concern assumption;
  - (iv) any changes in accounting policies and practices;
  - (v) compliance with applicable accounting standards;
  - (vi) compliance with these regulations and other statutory and regulatory requirements; and
  - (vii) all related party transactions.
- c) review preliminary announcements of results prior to external communication and publication;
- d) facilitate 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 management letter issued by external auditors and management's response thereto;
- f) ensure coordination between the internal and external auditors of the company;
- g) review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensure that the internal audit function has adequate resources and is appropriately placed within the company;
- h) consider major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- i) ascertain that the internal control systems 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 the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;

- k) institute 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 consider remittance of any matter to the external auditors or to any other external body;
  - l) determine compliance with relevant statutory requirements;
  - m) monitor compliance with these regulations and identify significant violations thereof;
  - n) review arrangement for staff and management to report to audit committee in c o n f i d e n c e , concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
  - o) recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof.
  - p) consider any other issue or matter as may be assigned by the board of directors.
- ii. undertake annually a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging external independent consultants and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
  - iii. recommend human resource management policies to the Board;
  - iv. recommend to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
  - v. carry out consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer;
  - vi. where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company; and
  - vii. carry out all actions in addition to those stated above, in order to ensure that the Company's risks are mitigated and growth in the right direction is taking place.

#### **HUMAN RESOURCE & REMUNERATION COMMITTEE**

The Code of Corporate Governance 2017 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee via Regulation No 29.(3).i.

In light of the mandate the Board of Directors of Cherat Cement Company Limited has drafted and approved the following terms of Reference for its HR&R Committee. This is a non-exhaustive list and only outlines the most important guidelines for the Committee. Amendments to these shall be made from time to time in line with change in laws, and internal and external relevant factors.

The Committee shall;

- i. recommend to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the chief executive officer level;

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).

#### **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 appraise the directors of their authorities and responsibilities. Two Directors of the Company namely Mr. Azam Faruque and Mr. Omar Faruque are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

#### **Strategy and Performance**

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

# Report of the Audit Committee

## AUDIT COMMITTEE

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

The Audit Committee of the Company comprises of two Non-Executive Directors and one Independent Non-Executive Director who is the Chairman of the Committee. The Head of Internal Audit attends Audit Committee meetings. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation. The Audit Committee also separately meets the external auditors at least once in 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 2017-2018. Based on reviews and discussions in these meetings, the Audit Committee reports that:

1. 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.
2. 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. Further, the financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017, and applicable International Accounting Standards and International Financial Reporting Standards notified by SECP.
3. The Annual Report of the Company is fair, balanced and understandable. Because of meeting the aforesaid aspects, the Company was able to secure the 1st position in the category 'Cement and Sugar' for its Annual Report for the year ended June 30, 2017 in the Best Corporate & Sustainability Report Awards 2017 jointly conducted by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan.
4. The Audit Committee has reviewed and approved all related party transactions.
5. The Audit Committee takes into account any feedback from the Board of Directors and incorporates for improvement.

## INTERNAL AUDIT AND RISK MANAGEMENT

1. 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 and performance of the Internal Audit department to ensure

that they were adequate for the planned scope of the Internal Audit function. Head of Internal Audit Department has direct access to the Audit Committee.

2. An Internal Audit Risk Assessment document is submitted to the Audit Committee and based on that an Audit Plan is prepared to mitigate the risks involved in the Company's operations. Further, on the basis of this plan, audits are conducted and reports are submitted. The Committee on the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. Minutes of Audit Committee meetings are timely circulated to the Board of Directors.
3. For continuous improvement of internal controls, the Committee also discussed the internal controls and the management letter with the external auditors.

## EXTERNAL AUDIT

1. The external auditors M/s. EY Ford Rhodes, 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.
2. The Audit Committee has reviewed and discussed with the external auditors and management, all the Key Audit Matters and other issues identified during the external audit along with the methods used to address the same.
3. Being eligible for reappointment as Auditors of the Company, the Audit Committee has recommended the appointment of M/s. EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2019 as it is one of the Big Four audit firm and has thorough knowledge of the Company's business and industry due to long association with the Company.
4. The Company also obtains taxation related services from M/s. EY Ford Rhodes, Chartered Accountants as it is one of the reputed firm in provision of said services and has sound professional policies and procedure to ensure compliance of independence.

By order of the  
Audit Committee



Asif Qadir  
Chairman,  
August 27, 2018



# Stakeholders' Relationship and Engagement

# Corporate Governance - Stakeholders' Engagement

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

## SHAREHOLDERS

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

### Minority Shareholders

The management of the Company firmly believes in encouraging and ensuring the equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the Annual General Meeting and appoint another member as his / her proxy in his / her instead.

## DEALERS, CUSTOMERS AND TRANSPORTERS

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

## SUPPLIERS AND VENDORS

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

Our supply chain management team is in continuous contact with suppliers and vendors through meetings

and correspondence to resolve all queries for on time deliveries. Cooperation of our suppliers gives us an extra edge over our competitors.

## BANKS AND OTHER LENDERS

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

## REGULATORS

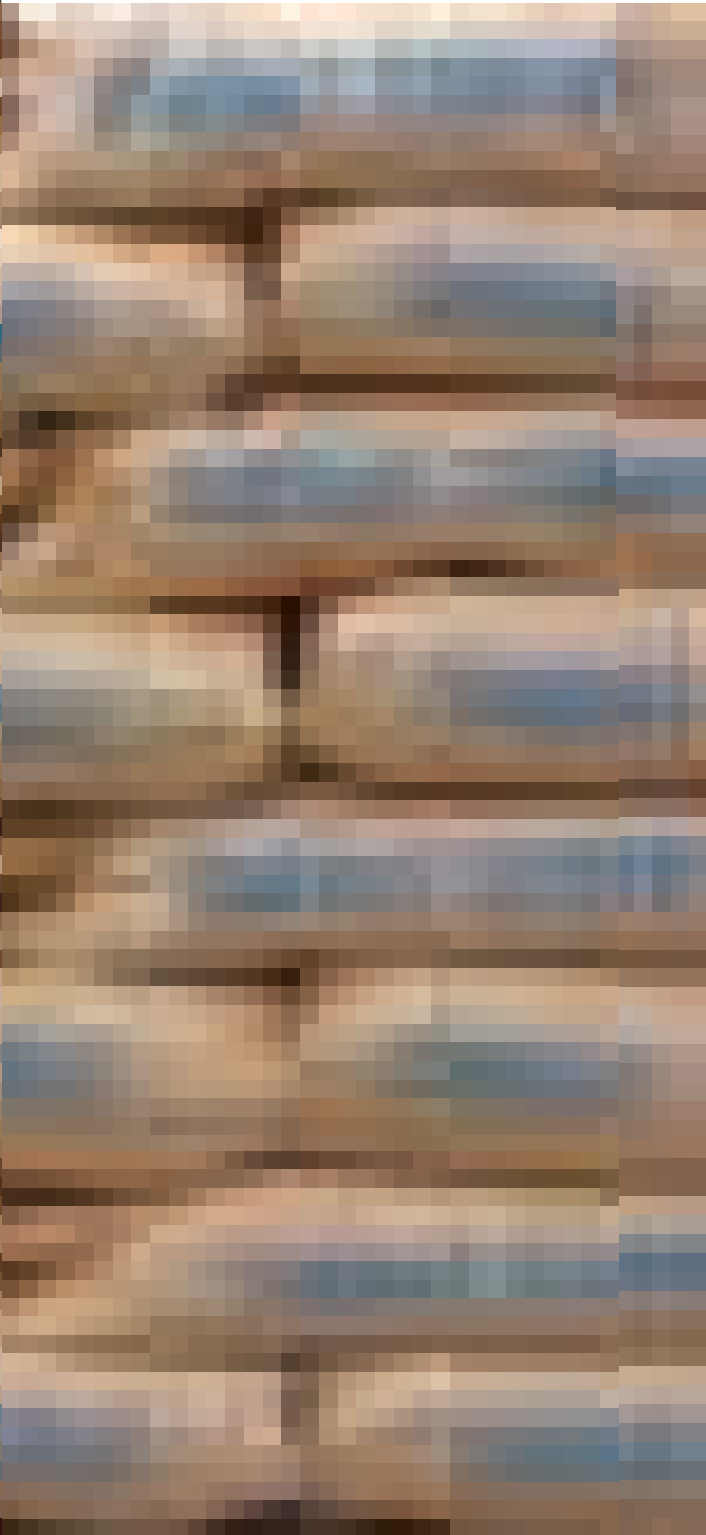
Our commitment to compliance with laws and regulations is evident from our Corporate and Legal team's continued efforts for efficient and effective legal and regulatory obedience. The engagement includes submission of periodic reports, responding to enquiries and meetings as and when required. Active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

## EMPLOYEES

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

## INSTITUTIONAL INVESTORS AND ANALYSTS BRIEFING

Institutional investors regularly obtain general business briefings and financial reports from management. Formal meetings are also arranged whenever needed. Without compromising the confidentiality, business analysts are provided with information and briefings as and when they require. The strong connection with institutional investors and analysts facilitates in avoiding any misconception /



rumors in the market. Apart from regular meetings with institutional investors and analysts, the Company has also participated in analyst briefings to foreign institutional investors held at Avari Tower regarding the cement sector performance and growth. In addition to this, the Company has also participated in the briefing to local institutional investors regarding the performance of the Company and the cement sector.

#### **MEDIA**

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

#### **INVESTORS SECTION**

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

#### **AGM PROCEEDINGS**

The last AGM was conducted at Cherat Cement Site on Monday, October 16, 2017 at 11:30 a.m. The meeting was properly organized and well attended by the Shareholders. The Shareholders appreciated the management for making tireless efforts to achieve another noteworthy year in terms of production, sales and profitability. Shareholders asked different questions regarding Company's increase in market share and exploring new markets and avenues to sustain. Shareholders also raised questions on the Company's cost saving strategy. The shareholders were informed about our dealers' network and how the Company has optimized the mix of South African and Afghan coal and efficiently use of power mix.

Shareholders inquired about the progress work on expansion projects for which they were given a detailed briefing that all work is going as per schedule. Shareholders approved the Financial Statements and also gave approval for appointment of M/s. EY Ford Rhodes, Chartered Accountants as external auditors and distribution of cash dividend, and approval of investments were also taken.

# Statement of Value Addition and Distribution of Wealth

## Wealth Generated

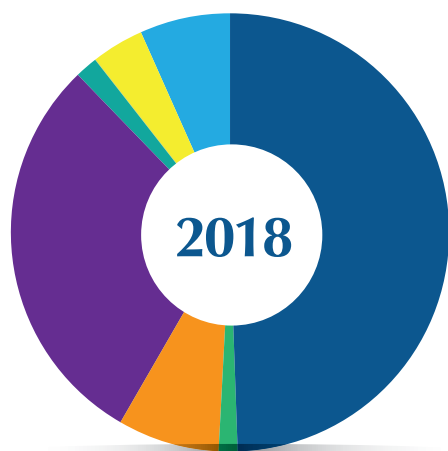
Turnover (including taxes)  
Other operating income

2018		2017	
(Rupees in '000)	%	(Rupees in '000)	%
20,390,313	99.60	12,911,225	98.98
81,112	0.40	133,384	1.02
<b>20,471,425</b>	<b>100.00</b>	<b>13,044,609</b>	<b>100.00</b>

## Distribution of Wealth

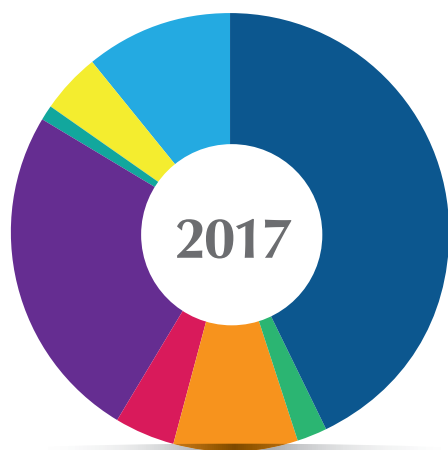
Cost of sales (excluding employees' remuneration)  
Marketing, selling and administrative expenses  
To employees as remuneration  
To government as direct taxes  
To government as indirect taxes  
To providers of finance as financial charges  
To society as donations  
To Shareholders as dividend  
Retained within the business

10,144,305	49.55	5,593,044	42.87
300,905	1.47	291,782	2.24
1,512,996	7.40	1,187,273	9.10
15,248	0.07	553,229	4.24
6,001,964	29.32	3,265,826	25.04
356,585	1.74	188,215	1.44
7,303	0.04	8,678	0.07
794,843	3.88	574,054	4.40
1,337,276	6.53	1,382,508	10.60
<b>20,471,425</b>	<b>100.00</b>	<b>13,044,609</b>	<b>100.00</b>



### Distribution of Wealth 2018

■	Cost of Sales (Excluding Employees' Remuneration)	49.55 %
■	Marketing, Selling and Administrative Expenses	1.47 %
■	To Employees as Remuneration	7.40 %
■	To Government as Direct Taxes	0.07 %
■	To Government as Indirect Taxes	29.32 %
■	To Providers of Finances as Financial Charges	1.74 %
■	To Society as Donations	0.04 %
■	To Shareholders as Dividend	3.88 %
■	Retained within the Business	6.53 %



### Distribution of Wealth 2017

■	Cost of Sales (Excluding Employees' Remuneration)	42.88 %
■	Marketing, Selling and Administrative Expenses	2.24 %
■	To Employees as Remuneration	9.10 %
■	To Government as Direct Taxes	4.24 %
■	To Government as Indirect Taxes	25.04 %
■	To Providers of Finances as Financial Charges	1.44 %
■	To Society as Donations	0.07 %
■	To Shareholders as Dividend	4.40 %
■	Retained within the Business	10.60 %

# Performance and Position

# Analysis of the Financial and Non-Financial Performance

## Financial Indicators:

### Actual Results:

The year 2017/18 proved to be an exceptional period for the Company in all aspects of business. Whether internal growth in the form of expansion or external growth in the form of reaching new markets, the Company performed in line with its reputation to deliver. Even though the external market factors created a challenging environment for the businesses to perform. During the year 2017/18, the Company benefited from economies of scale and increased efficiency as the production capacity from Cement Line II was fully realized for the entire year. On the back of rise in cement dispatches, there was 49% i.e. Rs. 4.7 billion increase in the sales turnover of the company from the corresponding period last year. However, a combination of increased variable costs especially rise in coal prices as well as higher depreciation and finance costs reduced margins. After taking tax adjustment on account of Cement Line II, the company posted a historical after tax profit of Rs. 2,132 million for the year ended June 30, 2018.

Summarized operating performance of the Company for the current year as compared to last year is as follows:

	2018	2017
	(Rs. in million)	
Net sales	14,388.35	9,645.40
Cost of sales	11,249.15	6,432.28
Gross Profit	3,139.20	3,213.12
Expenses & taxes	1,007.08	1,256.56
Net Profit	2,132.12	1,956.56

Strong domestic demand and availability of enhanced production capacity for the entire year following the commissioning of Cement Line II last year resulted in approximately 65% increase in domestic cement sales of the company over last year. Similarly, enhanced capacity also allowed the company to increase its exports to Afghanistan, which rose by 52% from the corresponding period last year. During the year, aggregate cement dispatches of the Company increased by an impressive 63% from last year. The company also sold 77,886 tons of clinker during the year.

- Domestic sales (cement and clinker)
- Export sales
- Total sales

	2018	2017
	(in tons)	
Domestic sales (cement and clinker)	2,208,000	1,340,226
Export sales	311,128	204,226
Total sales	2,519,128	1,544,452

### Budgeted Results:

After incorporating all factors i.e. update budget assumptions, review bottlenecks, available funding, step costing points, obtain department budgets, obtain capital budget requests, manufacturing capacities etc. the budget of 2017-18 has been made, which is quite challenging as line II coming full-fledged in coming year. In this year company has set following sales volumes:

	2018	2018
	Actual	Budget
	(in tons)	
Total sales volume	2,519,128	2,300,000

Actual vs budget figure under respective head is as follows:

	2018	2018
	(Rs. in million)	
Net sales	14,388.35	14,317.50
Cost of sales	11,249.15	10,256.76
Gross Profit	3,139.20	4,060.74
Expenses & taxes	1,007.08	1,607.67
Net Profit	2,132.12	2,453.07

## Non-Financial Indicators:

Capital forms	Objective	KPIs monitored	Future relevance
Manufactured Capital	Product development	Produce high quality and low cost Ordinary Portland cement (OPC).	The KPIs shall remain relevant in the future.
	Business optimization	Analyse various prospects of investments in cement industry and invest in the most promising venture.	
	Maintain industry leadership and expand sales	Market share, price management and identification of new markets.	
	Enhance operational efficiency and efficient inventory management	Production efficiency ratios and Activity ratios	
	Economize on costs – eliminating redundancies	Optimization of available resources and better allocation of fixed costs.	
	Sustainability	Current Ratio, Gearing and Interest Cover	
Human Capital	Health & safety of workers	Provision congenial and clean environment along with safety supplies for smooth work.	
	Training and education	Continuous training of employees and workers. Monitor training need analysis with special focus on health and safety at work.	
Relationship Capital	Shareholder value	EPS, ROE, Asset Turnover and DPS	
	Stock value	Analyse market price as a measure of relationship capital	
	Suppliers and Customer relationships	Assess the payment stream and ensure timely payment.  Provide customer with maximum support beyond customer-supplier relationship	

# Change in Indicators and Performance Measures

Cherat Cement Company has established key indicators which pertain to its key performing area. Such indicators are subject to change with the Internal and external environment associated with the organization.

Cherat Cement Company Limited has identified KPIs that are critical to its business. While identifying KPIs, the Company analysed various indicators, their interpretations and accordingly their extent to which they may correctly and clearly communicate the Company's performance. Some important indicators are as under:

## **Market Share:**

Market share is said to be a key indicator of market competitiveness, that is, how well a Company is doing against its competitors. 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 in excess of 5% because of our superior quality, Cherat is the first choice of customers in most of the markets. Our market share is expected to increase further after the commissioning of line III.

## **Financial Leverage:**

Too much debt can be dangerous for a company and its investors. However, if a company's operations can generate a higher rate of return than the interest rate on its loan than the debt is helping to fuel growth in profits. Nonetheless, uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions. A reluctance or inability to borrow may be a sign that operating margins are simply too tight.

The management of the Company keeps a strong watch on its leverage and consistent efforts have been made for its curtailment. Due to ongoing company's expansion of line III, leverage has increased but the loans are acquired at very attractive markup rates.

## **Fixed Cost per unit:**

Higher production capacities of an entity help in bringing down the cost per unit of the item manufactured. In our company fixed cost per unit went down after commencement of production activities of line II. Production units inversely proportion to the fixed cost per unit, higher production means low per unit cost or vice versa. The Company is keen to bring its fixed cost per unit down in order to enhance its profitability.

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## Segment Results

The activities of the Company are organized into one operating segment based on its manufacturing, marketing and sale of cement. However, the Company has been maintaining its reporting results line wise. Analysis of local and export sales is given in Director's Report and analysis of line wise results have been referred in note 33 to the financial statements.





# Ratio Analysis

For the year ended June 30, 2018

	2018	2017	2016	2015	2014	2013 (Restated)
<b>Profitability Ratios:</b>						
Gross Profit Ratio (percentage)	21.82	33.31	37.21	30.21	32.59	34.79
Net Profit Before Tax to Sales (percentage)	14.92	26.02	28.98	25.45	26.16	25.18
Net Profit After Tax to Sales (percentage)	14.82	20.28	19.85	19.62	20.40	19.50
EBITDA Margin to Sales (percentage)	24.98	35.16	33.55	30.23	30.65	30.91
Operating Leverage Ratio	(0.15)	0.79	2.89	(0.25)	0.53	5.97
Return on Equity (average in percentage)	19.71	19.96	16.37	19.99	30.70	38.38
Return on Capital Employed (percentage)	8.12	12.74	10.68	15.73	25.97	31.37
<b>Liquidity Ratios:</b>						
Current Ratio	1.72	1.78	1.11	2.74	3.30	1.96
Quick / Acid Test Ratio	1.46	1.40	0.94	2.18	2.88	1.41
Cash to Current Liabilities	0.01	0.02	0.01	0.02	0.02	0.03
Cash flow from Operations to Sales	0.18	0.02	0.33	0.25	0.27	0.31
<b>Investment / Market Ratios:</b>						
Earnings per Share (Before Tax)	12.16	14.21	11.61	10.40	12.31	15.08
Earnings per Share (After Tax)	12.07	11.08	7.96	8.01	9.60	11.68
Price Earnings Ratio	8.05	16.14	15.03	10.86	6.82	4.99
Price to Book Ratio	1.54	3.02	2.31	1.92	1.41	1.50
Dividend Yield Ratio	0.05	0.03	0.03	0.03	0.05	0.04
Dividend Payout Ratio	0.41	0.41	0.41	0.37	0.31	0.21
Dividend Cover Ratio	2.41	2.46	2.45	2.67	3.20	4.67
Cash Dividend per Share	5.00	4.50	3.25	3.00	3.00	2.50
Stock Dividend per Share	-	-	-	-	0.10	-
Market Value per Share						
Closing	97.23	178.78	119.57	87.03	65.46	58.19
High	174.53	212.00	125.22	89.81	84.47	62.94
Low	88.50	118.31	80.30	50.22	44.82	29.81
Break-up Value per Share	63.26	59.23	51.75	45.44	46.27	38.80
Break-up Value per Share including the effect of all Investments	65.51	62.43	55.77	50.73	59.33	35.93
Break-up Value per Share including Investment in Related Party at Market Value	65.51	62.43	55.77	47.33	47.52	35.93
<b>Capital Structure Ratios:</b>						
Financial Leverage Ratio	1.44	0.61	0.46	0.03	0.06	0.12
Weighted Average Cost of Debt	0.06	0.07	0.06	0.10	0.09	0.12
Debts to Equity Ratio	56.81	31.63	30.35	1.99	3.54	5.57
Interest Cover Ratio (Times)	7.02	14.33	47.93	45.15	59.71	15.54
<b>Activity / Turnover Ratios:</b>						
Total Assets Turnover Ratio	0.47	0.51	0.46	0.69	1.00	1.24
Fixed Asset Turnover Ratio	0.60	0.71	0.56	0.96	1.91	1.83
Inventory Turnover (Days)	26	33	30	33	34	33
Inventory Turnover (Times)	14	11	12	11	11	11
Debtor Turnover (Days)	31	17	-	-	-	-
Debtor Turnover (Times)	12	21	-	-	-	-
Creditor Turnover (Days)	12	18	18	19	19	17
Creditor Turnover (Times)	29	21	21	19	19	22
Operating Cycle (Days)	44	32	14	14	15	16

# Comments on Ratios

## **Profitability Ratios:**

Profitability ratios of the Company have declined due to decrease in retention, increase in fuel power cost and finance cost. However, the Company has managed to increase its sales in quantitative terms. Cost of sales also increased due to increase in fuel and power cost because of increase in international coal prices and foreign currency fluctuations, and depreciation expense.

Fixed cost per ton has reduced due to higher quantity produced during the year. In line with this, the Company has managed to sustain its profitability and return of equity during the year 2018.

## **Liquidity Ratios:**

The liquidity of the Company has shown a steady trend due to healthy profits and better management of working capital. Since the Company is in continuous expansion, the liquidity position has been consistent to back up the needs of the Company.

## **Investment / Market Ratios:**

Unforeseen political issues of the country have affected the share price during the year, however, the investor confidence has been maintained due to stable and improved growth in the financial position of the Company.

Earnings per share (after tax) has improved as compared to last year due to tax benefits availed by the Company from expansion of Line II.

## **Capital Structure Ratios:**

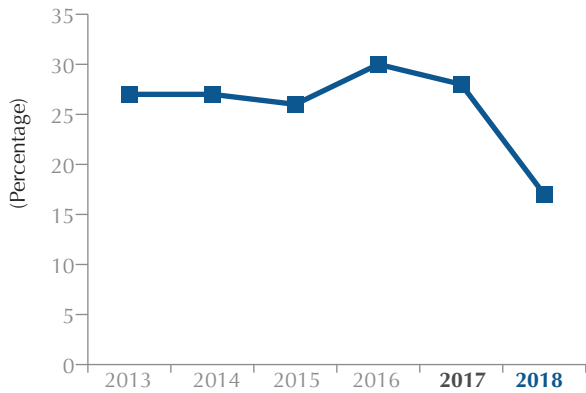
During the year, the Company increased its debt to cater the financing needs for expansion projects. Early repayments have also been made owing to the healthy cash flows during the year. The Company also managed its financing at competitive rates to finance expansion projects, hence managed its gearing at desirable level.

## **Activity / Turnover Ratios:**

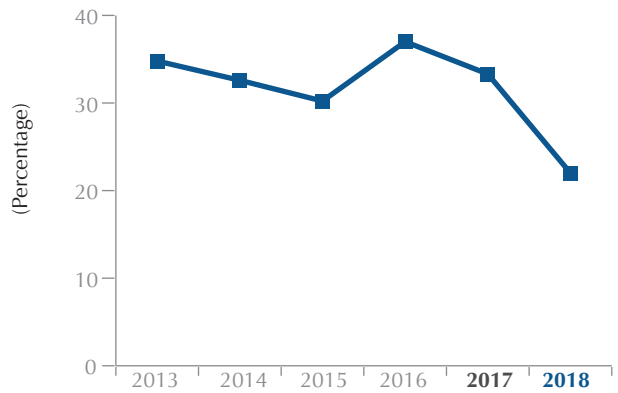
The Company managed to substantiate its financial position by enhanced inventory management and increased operating cycle due to increase in sales.

# Graphical Presentation of Analysis of Financial Statements

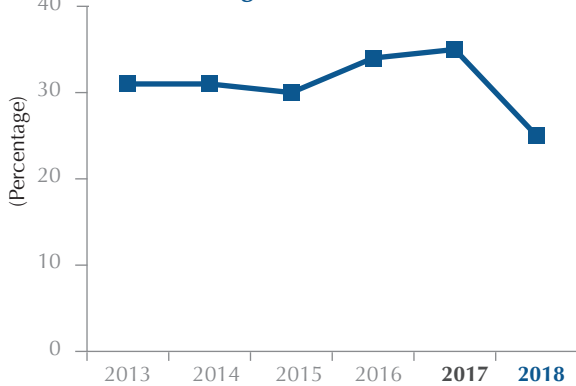
**Operating Profit**



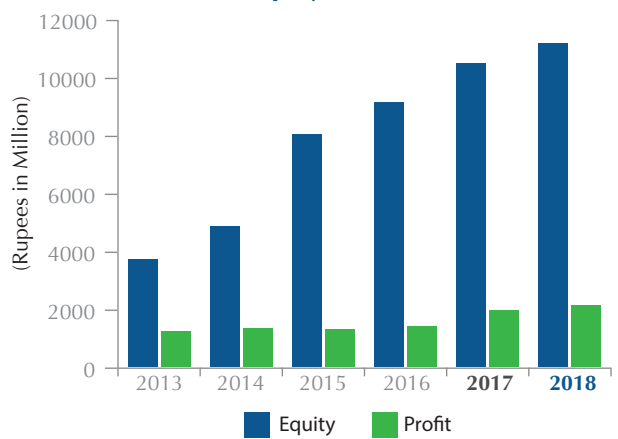
**Gross Profit Margin**



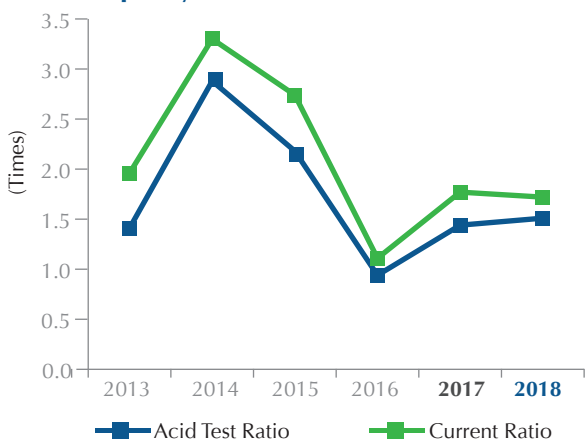
**EBITDA Margin to Sales**



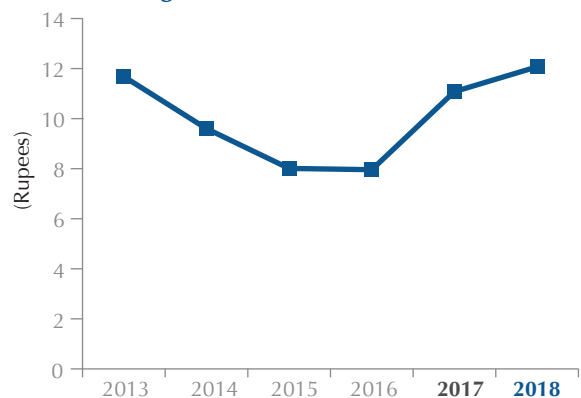
**Return on Equity**

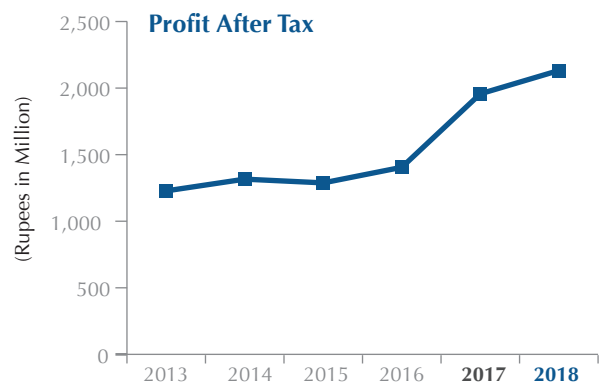
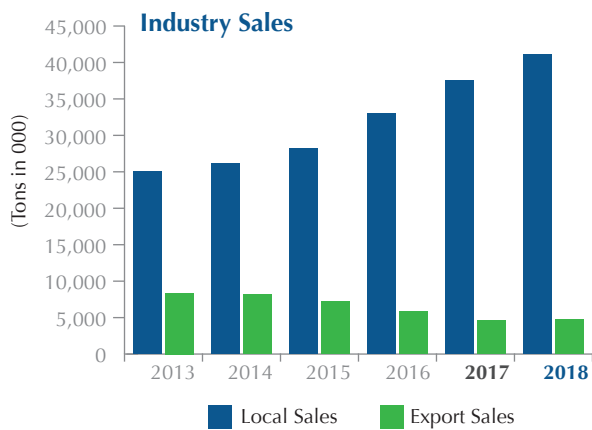
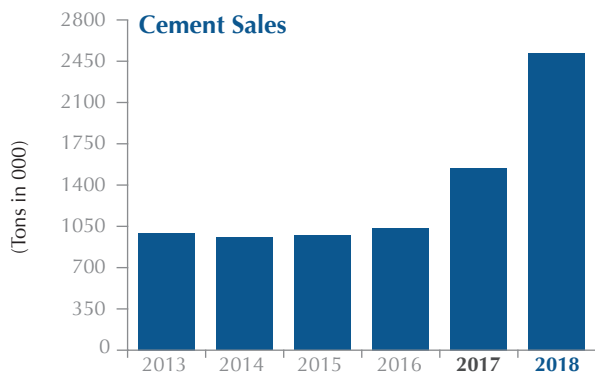
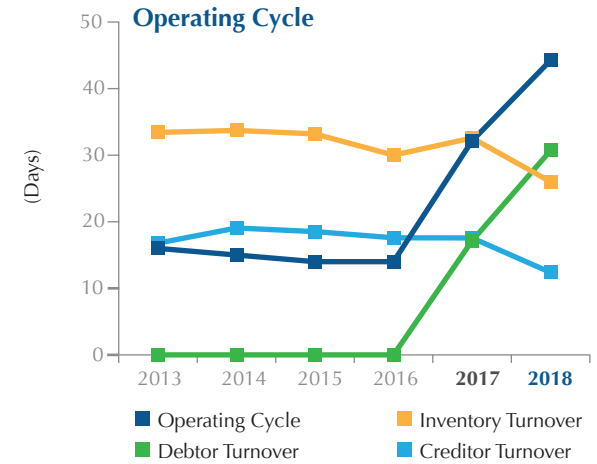
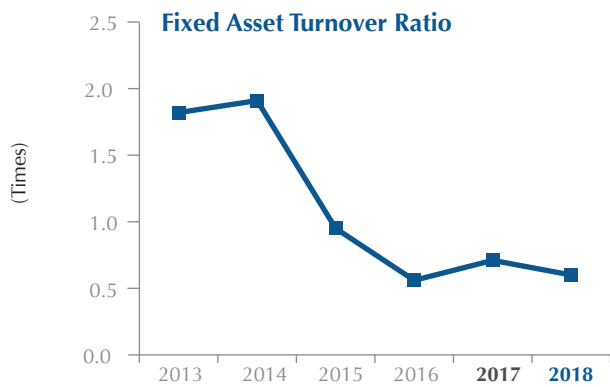
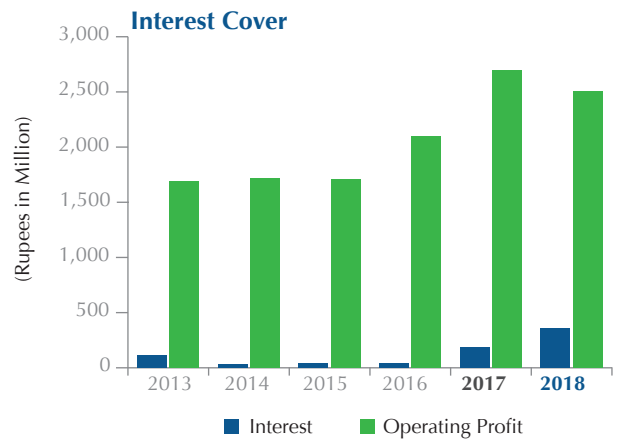
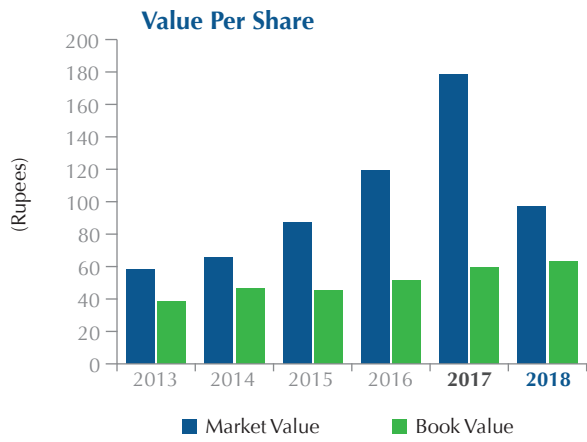


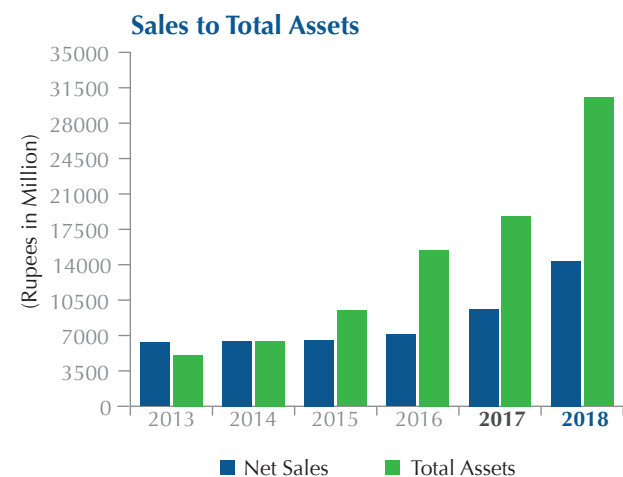
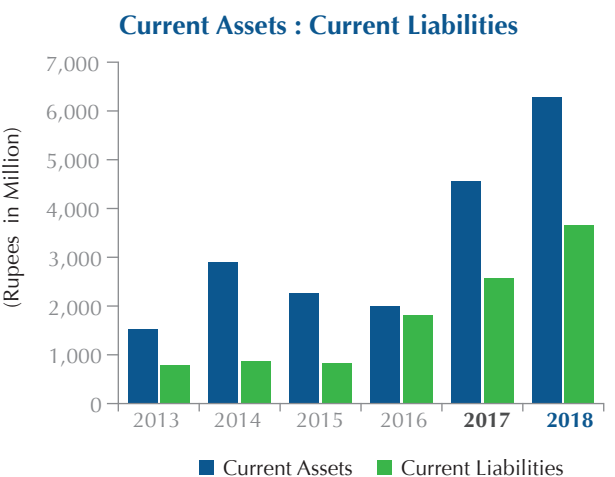
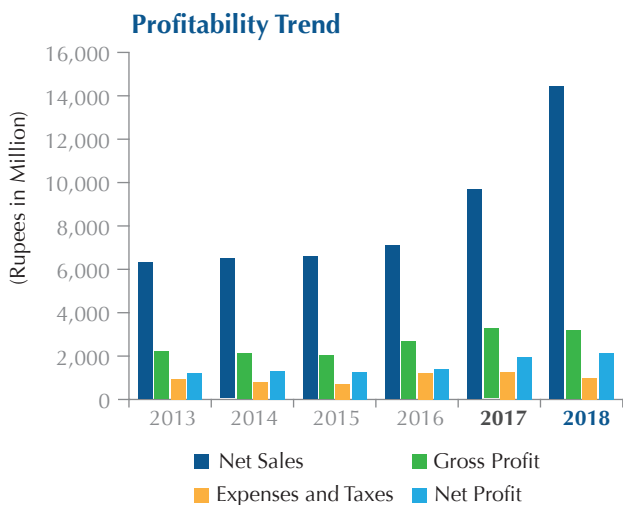
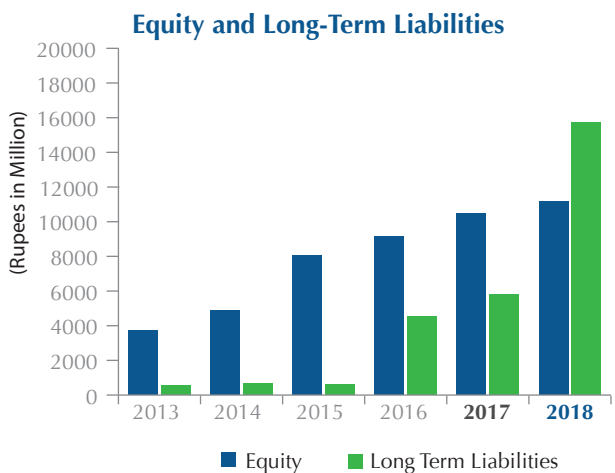
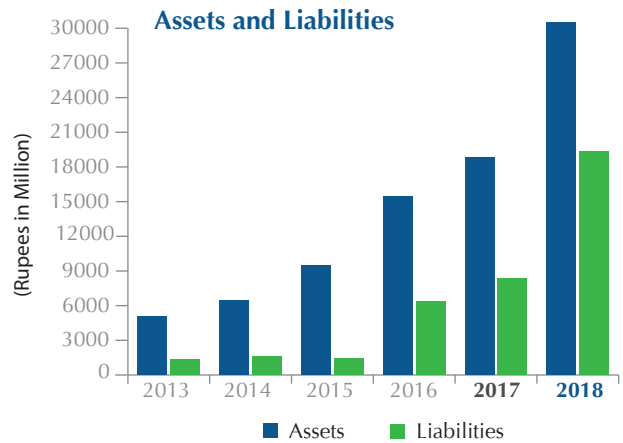
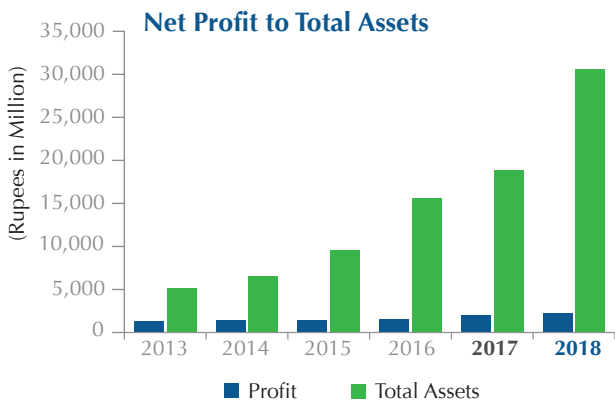
**Liquidity Ratios**



**Earnings Per Share**







# DuPont Analysis

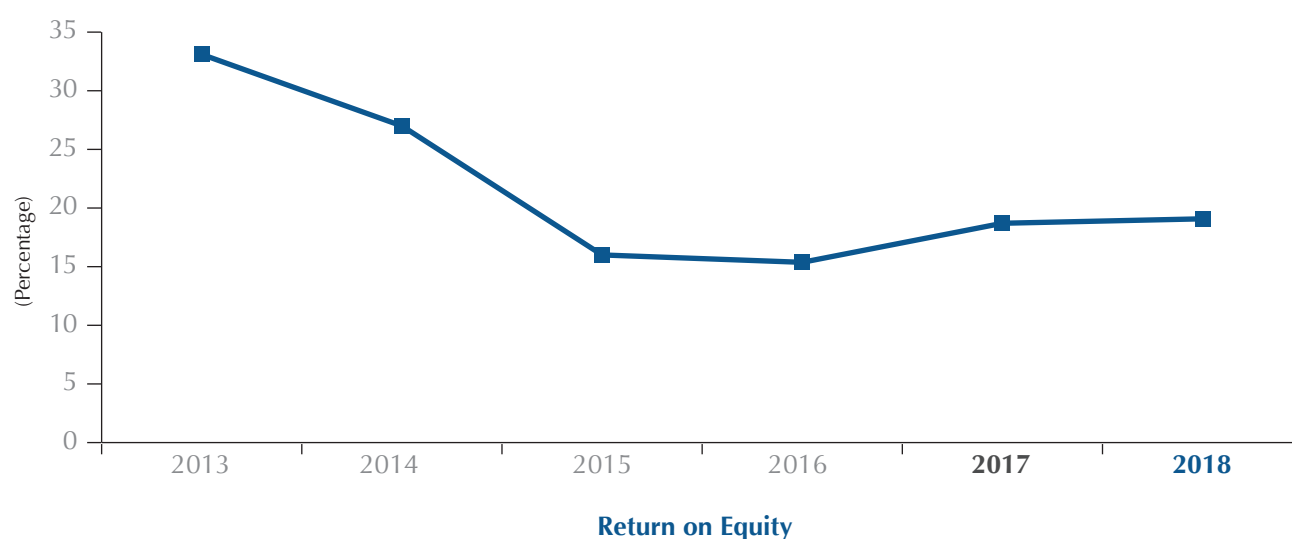
	2018	2017	2016	2015	2014	2013
Operating margin	17.40%	27.97%	29.59%	26.03%	26.61%	26.91%
Asset turnover	0.47	0.51	0.46	0.69	1.00	1.24
Interest burden / efficiency	85.76%	93.02%	97.91%	97.79%	98.33%	93.57%
Tax burden / efficiency	99.29%	77.96%	68.50%	77.08%	77.98%	77.45%
Leverage	2.73%	1.80%	1.69%	1.18%	1.32%	1.37%
Return on Equity	19.01%	18.70%	15.37%	16.00%	27.00%	33.10%

## Comments on DuPont Analysis

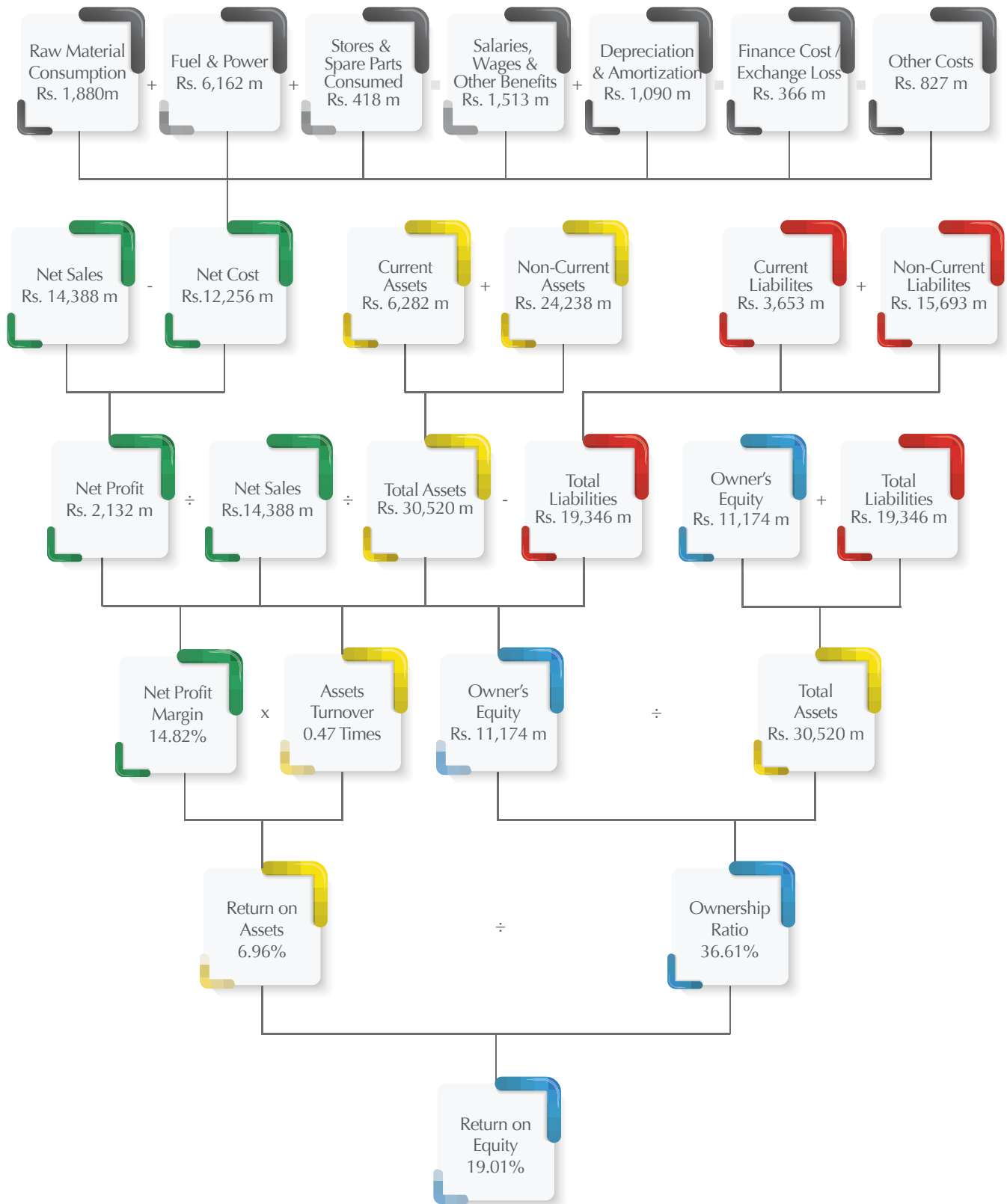
The operating margins of the Company have declined due to decrease in cement retention price of cement and increased cost of production as compared to previous years. One of the cost elements is financial cost affecting the interest burden ratio, which is due to increased financing to cater to the requirements of expansion projects. Leverage ratios have increased due to increase in long-term financing resulting from the expansion.

Tax efficiency has been availed by the Company due to capitalization of Line II in the previous financial year. The overall impact has resulted in increase in Return on Equity.

## Graphical Presentation of DuPont Analysis



# DuPont Chart





# Free Cash Flows

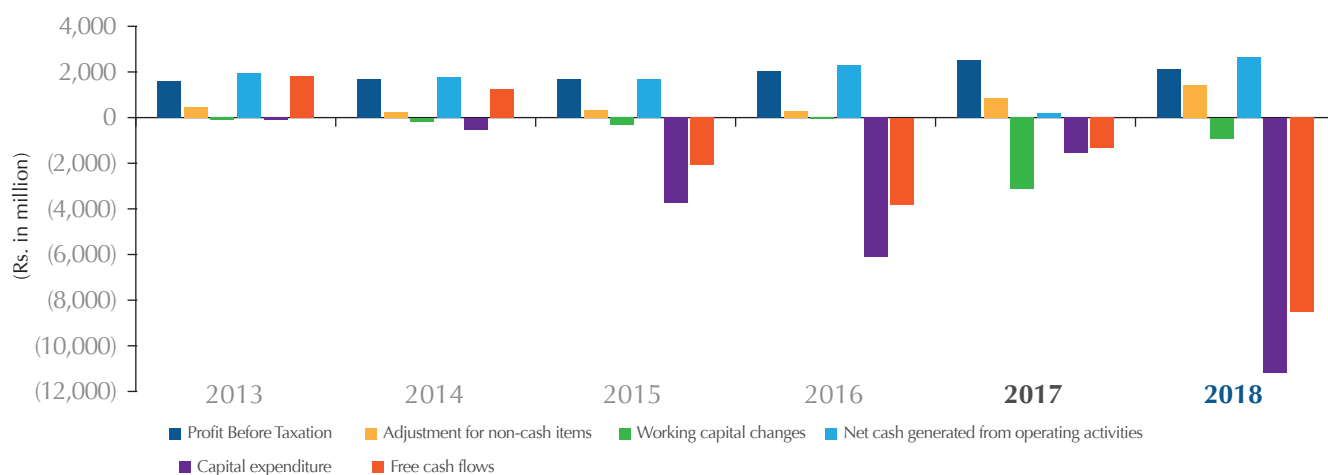
	2018	2017	2016	2015	2014	2013
	(Rupees in 000)					
Profit before taxation	2,147,367	2,509,791	2,051,397	1,671,188	1,687,739	1,585,134
<b>Adjustment for non-cash items</b>						
Depreciation	1,086,046	689,913	277,202	273,217	258,609	248,905
Amortisation	3,804	2,987	2,711	2,610	2,465	2,465
Provision for impairment in Joint venture	-	-	-	-	-	106,705
Gain on redemption of short-term investments	-	(2,186)	(10,986)	7,597	(42,271)	-
Gain on disposal of operating property, plant and equipment	(4,977)	(19,101)	(815)	(1,648)	(4,904)	(2,338)
Finance costs	356,585	188,215	43,708	37,855	28,745	108,988
Exchange loss	9,890	1,540	1,054	322	2,405	2,455
Share of loss from joint venture	37	-	-	-	-	50
Dividend income	(20,160)	(21,973)	(14,578)	(7,090)	(5,317)	(1,662)
	1,431,225	839,395	298,296	312,863	239,732	465,568
Working capital changes	(918,379)	(3,144,694)	(43,582)	(313,104)	(170,441)	(120,126)
<b>Net cash generated from operating activities</b>	2,660,213	204,492	2,306,111	1,670,947	1,757,030	1,936,576
Capital expenditure	(11,171,332)	(1,547,620)	(6,112,136)	(3,747,516)	(524,022)	(108,808)
<b>Free cash flows</b>	<b>(8,511,119)</b>	<b>(1,343,128)</b>	<b>(3,806,025)</b>	<b>(2,076,569)</b>	<b>1,233,008</b>	<b>1,821,768</b>

## Comments on Free Cash Flows

The Company has improved its operating cash flows during the year reflecting its healthy operation.

However, as the Company is in the process of expansion and investing huge amounts in terms of capital expenditure i.e. finance through long term debt, resulting in negative free cash flows.

## Graphical Presentation of Free Cash Flows



# Economic Value Added

	2018	2017
	(Rs. in '000)	
Net Operating Profit After Tax	2,488,704	2,144,777
Cost of Capital	(3,261,660)	(2,441,783)
<b>Economic Value Added</b>	<b>(772,956)</b>	<b>(297,006)</b>
<b>Cost of Capital</b>		
Total Assets	30,519,561	18,806,750
Current Liabilities	(3,652,506)	(2,571,488)
Invested Capital	26,867,055	16,235,262
Weighted Average Cost of Capital	12.14%	15.04%
<b>Cost of Capital</b>	<b>3,261,660</b>	<b>2,441,783</b>

## Comments on Economic Value Added

During the year, the Company have had higher cost of equity due to higher dividend payout ratio resulting in increased weighted average cost of equity. Expansion projects have also been undertaken during the year through debt financing in a very attractive rate resulting lower cost of debt and weighted average cost of capital. The cumulative effect has resulted in increased negative economic value addition.

## Graphical Presentation of Economic Value Added



# Key Financial Information - Last Six Years

	2018	2017	2016	2015	2014	2013 (Restated)
	(Tons in '000)					
Clinker Production	2,234	1,519	897	937	847	958
Cement Production	2,443	1,489	1,042	971	945	994
Cement Dispatched	2,519	1,544	1,037	972	949	990

## Summary of Statement of Financial Position

### Assets

	(Rupees in Million)					
Non-Current Assets	24,238	14,238	13,457	7,197	3,526	3,531
Current Assets	6,282	4,569	2,005	2,267	2,905	1,534

### Total Assets

	30,520	18,807	15,462	9,464	6,431	5,065
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### Equity & Liabilities

Shareholders' Equity	11,174	10,462	9,140	8,026	4,864	3,709
Non-Current Liabilities	15,693	5,774	4,511	611	686	574
Current Liabilities	3,653	2,571	1,811	827	881	782

### Equity & Liabilities

	30,520	18,807	15,462	9,464	6,431	5,065
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## Summary of Statement of Profit or Loss

### Turnover & Profit

Turnover - net	14,388	9,645	7,079	6,565	6,451	6,294
Gross Profit	3,139	3,213	2,634	1,984	2,103	2,190
Operating Profit	2,504	2,698	2,095	1,709	1,716	1,694
Profit Before Taxation	2,147	2,510	2,051	1,671	1,688	1,585
Profit After Taxation	2,132	1,957	1,405	1,288	1,316	1,228
Earnings Per Share (Rs.)	12.07	11.08	7.96	8.01	9.60	11.68

# Horizontal Analysis - Last Six Years

	2018		2017	
	(Rupees in Million)	18 Vs. 17 %	(Rupees in Million)	17 Vs. 16 %
<b>Statement of Financial Position</b>				
<b>Assets</b>				
Non Current Assets	24,238	70	14,238	6
Current Assets	6,282	37	4,569	128
<b>Total Assets</b>	<b>30,520</b>	<b>62</b>	<b>18,807</b>	<b>22</b>
<b>Equity &amp; Liabilities</b>				
Shareholders' equity	11,174	7	10,462	14
Non-Current Liabilities	15,693	172	5,774	28
Current Liabilities	3,653	42	2,571	42
<b>Equity &amp; Liabilities</b>	<b>30,520</b>	<b>62</b>	<b>18,807</b>	<b>22</b>

## Statement of Profit or Loss

Turnover - net	14,388	49	9,645	36
Gross Profit	3,139	(2)	3,213	22
Operating Profit	2,504	(7)	2,698	29
Profit Before Taxation	2,147	(14)	2,510	22
Profit After Taxation	2,132	9	1,957	39

## Comments on Horizontal Analysis

### Statement of Financial Position

Non-current assets increased as compared to year 2017 due to increase in CWIP mainly pertaining to Line-III amounting to Rs.9.4 billion. Increase in non-current liabilities is associated with long-term loans pertaining to Line-III and Captive Power Plant.

2016		2015		2014		2013 (Restated)	
(Rupees in Million)	16 Vs. 15 %	(Rupees in Million)	15 Vs. 14 %	(Rupees in Million)	14 Vs. 13 %	(Rupees in Million)	13 Vs. 12 %
13,457	87	7,197	104	3,526	-	3,531	3
2,005	(12)	2,267	(22)	2,905	89	1,534	19
<u>15,462</u>	<u>63</u>	<u>9,464</u>	<u>47</u>	<u>6,431</u>	<u>27</u>	<u>5,065</u>	<u>8</u>
9,140	14	8,026	65	4,864	31	3,709	35
4,511	638	611	(11)	686	20	574	(38)
1,811	119	827	(6)	881	13	782	(25)
<u>15,462</u>	<u>63</u>	<u>9,464</u>	<u>47</u>	<u>6,431</u>	<u>27</u>	<u>5,065</u>	<u>8</u>
7,079	8	6,565	2	6,451	2	6,294	15
2,634	33	1,984	(6)	2,103	(4)	2,190	90
2,095	23	1,709	-	1,716	1	1,694	92
2,051	23	1,671	(1)	1,688	7	1,585	177
1,405	9	1,288	(2)	1,316	7	1,228	180

### Statement of Profit or Loss

Current year turnover significantly increased as Line-II remain operational for whole year as against the six (6) months last year. Gross profit increased from year 2013 till 2017 mainly due to increased turnover and despatches. Current year gross profit decreased due to increase in coal prices and decreased retention. Operating profit showing increasing trend from year 2013 to 2017 due to increase in profit margins and other income. Current year operating profit decreased due to increase in operating and fixed costs mainly due to Line-II.

# Vertical Analysis - Last Six Years

2018		2017	
(Rupees in Million)	%	(Rupees in Million)	%

## Statement of Financial Position

### Assets

Non Current Assets	24,238	79	14,238	76
Current Assets	6,282	21	4,569	24
<b>Total Assets</b>	<b>30,520</b>	<b>100</b>	<b>18,807</b>	<b>100</b>

### Equity & Liabilities

Shareholders' equity	11,174	37	10,462	55
Non-Current Liabilities	15,693	51	5,774	31
Current Liabilities	3,653	12	2,571	14
<b>Equity &amp; Liabilities</b>	<b>30,520</b>	<b>100</b>	<b>18,807</b>	<b>100</b>

## Statement of Profit or Loss

Turnover - net	14,388	100	9,645	100
Gross Profit	3,139	22	3,213	33
Operating Profit	2,504	17	2,698	28
Profit Before Taxation	2,147	15	2,510	26
Profit After Taxation	2,132	15	1,957	20

## Comments on Vertical Analysis

### Statement of Financial Position

Debt equity ratio showed continuous improvement from year 2013 to 2015 as the Company's shareholders' equity increased over the years due to issuance of right shares in year 2015. From year 2016 to 2018 debt equity ratio depicts increasing trend because the Company has taken syndicated long-term loans to finance its Line-II and Line-III.

Current assets were 21% of total assets of the Company in the current year as compared to 24% last year which decreased mainly due to the CWIP Line-III project.

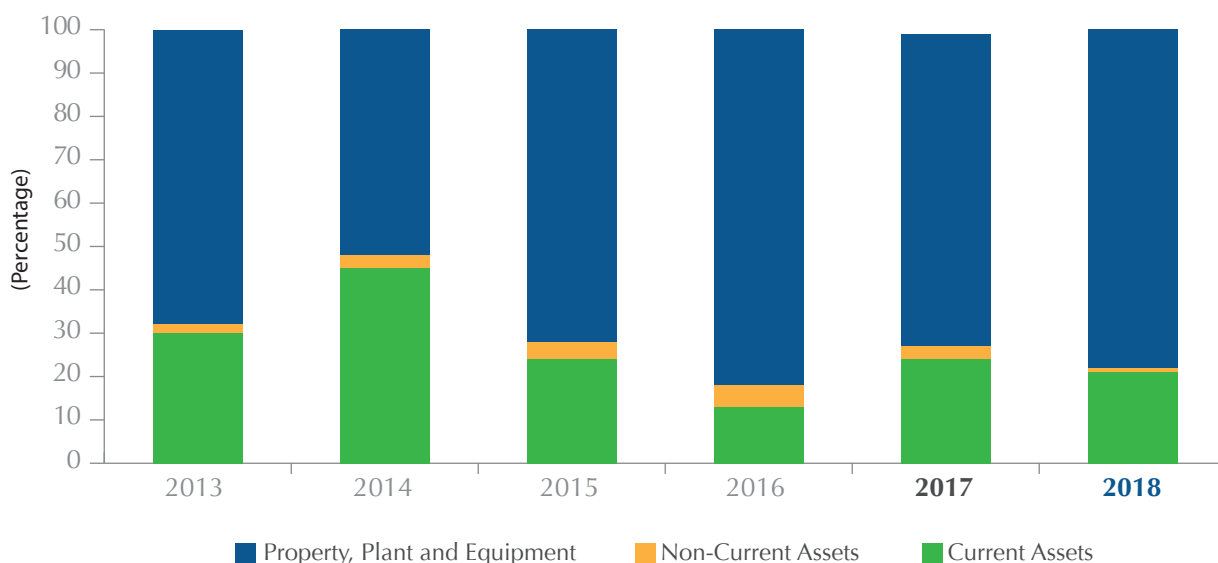
2016		2015		2014		2013 (Restated)	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
13,457	87	7,197	76	3,526	55	3,531	70
2,005	13	2,267	24	2,905	45	1,534	30
<u>15,462</u>	<u>100</u>	<u>9,464</u>	<u>100</u>	<u>6,431</u>	<u>100</u>	<u>5,065</u>	<u>100</u>
9,140	59	8,026	85	4,864	75	3,709	73
4,511	29	611	6	686	11	574	11
1,811	12	827	9	881	14	782	16
<u>15,462</u>	<u>100</u>	<u>9,464</u>	<u>100</u>	<u>6,431</u>	<u>100</u>	<u>5,065</u>	<u>100</u>
7,079	100	6,565	100	6,451	100	6,294	100
2,634	37	1,984	30	2,103	33	2,190	35
2,095	30	1,709	26	1,716	27	1,694	27
2,051	29	1,671	25	1,688	26	1,585	25
1,405	20	1,288	20	1,316	20	1,228	20

### Statement of Profit or Loss

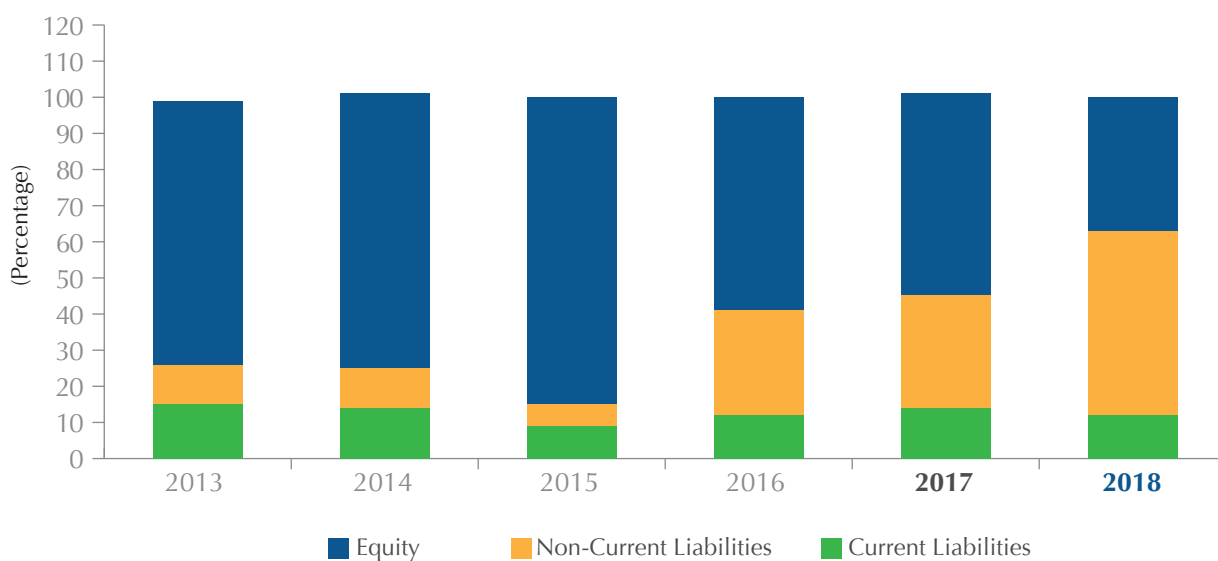
Gross profit of the company were between 35% to 33% from year 2013 to 2017 which decreased to 22% mainly due to increased cost of production and decreased retention during the year. Operating profit margin decreased mainly due to decreased gross profit margin.

# Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss

## Statement of Financial Position Analysis - Assets (%)

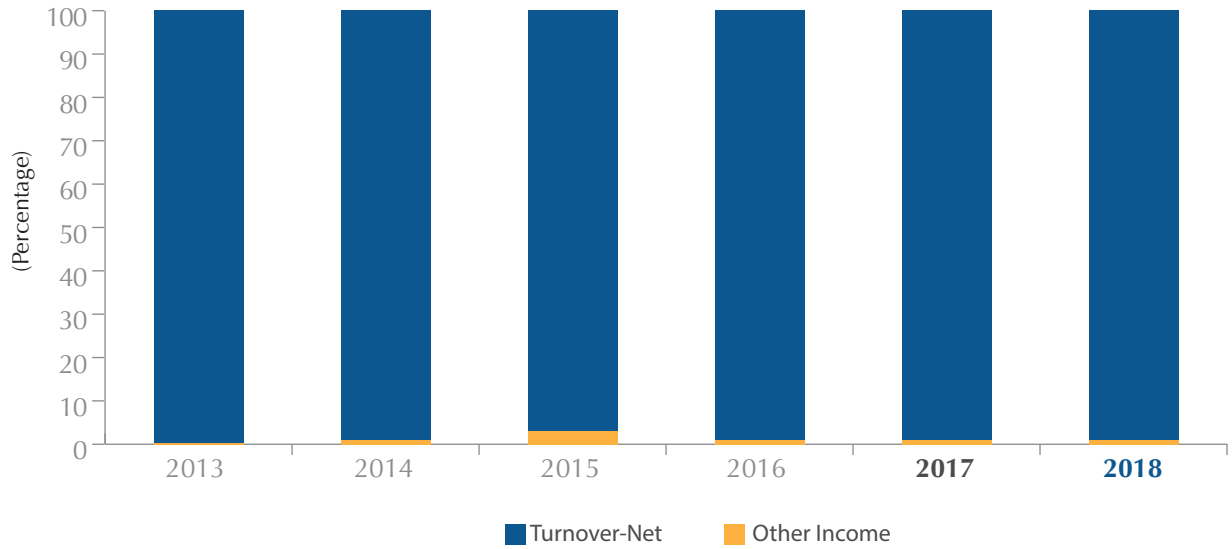


## Statement of Financial Position Analysis - Equity and Liabilities (%)

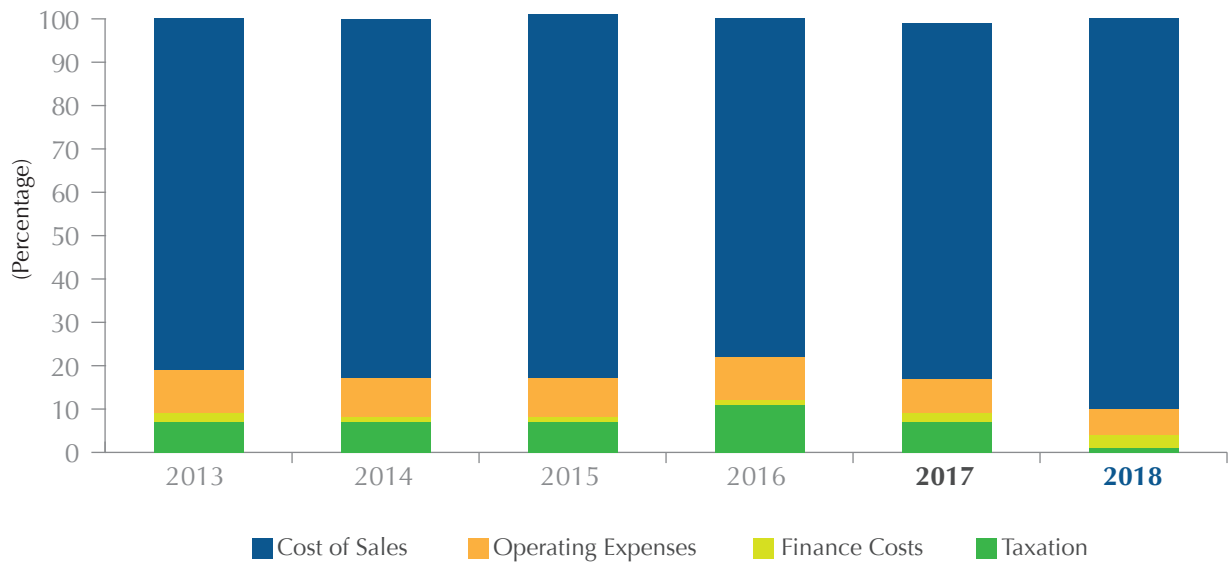




## Statement of Profit or Loss Analysis - Income (%)



## Statement of Profit or Loss Analysis - Expenses (%)



# Statement of Summary of Cash Flows - Last Six Years

2018	2017	2016	2015	2014	2013 (Restated)
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(Rupees in million)

## Summary of Cash Flows

Net cash generated from operating activities	2,660	204	2,306	1,671	1,757	1,931
Net cash used in investing activities	(11,170)	(1,555)	(5,557)	(3,102)	(1,373)	(426)
Net cash generated from / (used in) financing activities	8,511	1,373	3,256	1,432	(392)	(1,517)
Change in cash and cash equivalents	1	23	5	1	(8)	(12)
Cash & cash equivalents - Year end	47	46	23	18	17	26

## Comments on Statement of Cash Flows

An outlook of operating cash flow depicts sustained increasing trend from year 2013 till 2018, while in year 2017, it remained relatively low but remained positive due to additional working capital requirements in view of new cement capacity Line-II installation of the Company.

Cash flow used in investing activity has been an active area which showed heavy investment made by the Company on its new capacities. During the year 2015 and 2016, cash flow shows installation of Line-II. However, in the year 2018, cash flow in investing activities showed installation of new Line-III.

Cash flows from financing activities significantly increased in the year 2016 and 2018 due to draw-down of long-term loan for financing the expansion projects of new cement Line-II and III respectively. During the year 2015, increase was due to the issuance of right shares. However, reason for decrease in cash flow in the year 2012 and 2013 was mainly due to the repayments of long-term loans and its servicing.

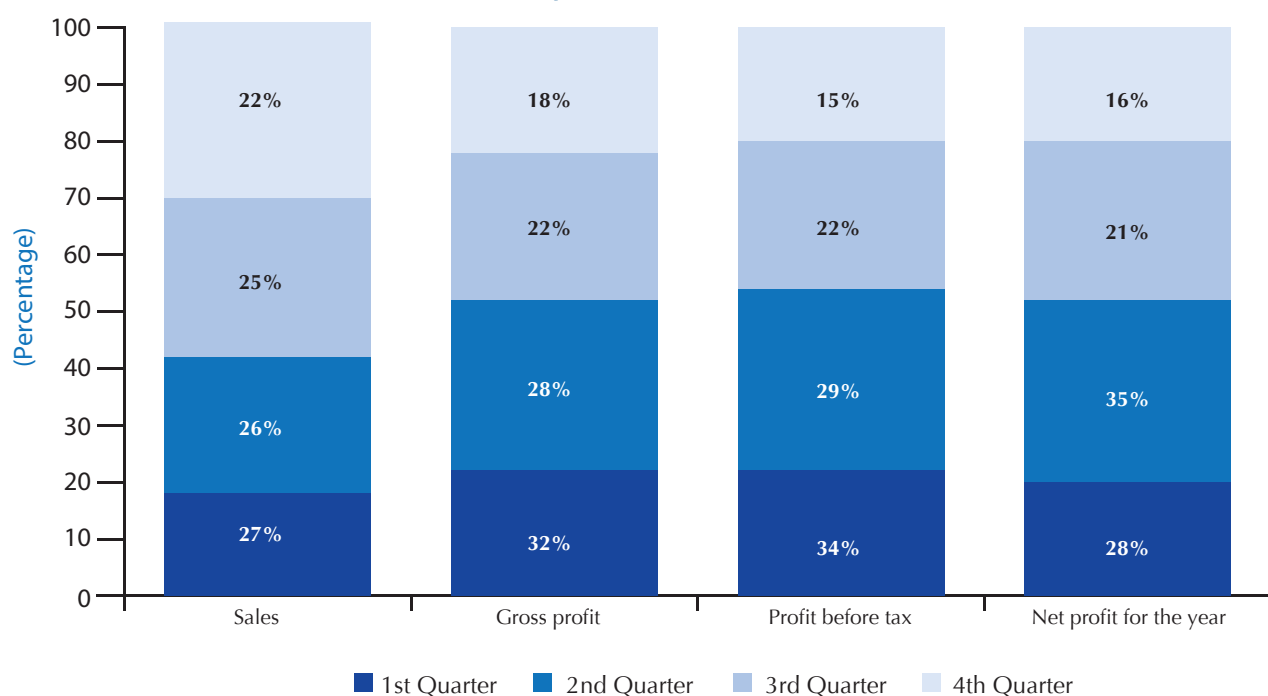
# Statement of Cash Flows - Direct Method

	2018	2017
	(Rs. in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	14,440,203	9,568,490
Cash paid to suppliers and employees	(11,323,588)	(8,909,223)
Cash generated from operations	3,116,615	659,267
Income tax paid	(458,267)	(455,537)
Long-term loans and security deposits - net	1,865	762
Net cash generated from operating activities	2,660,213	204,492
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(11,171,332)	(1,536,710)
Additions to intangible assets	-	(10,910)
Proceeds from disposal of operating property, plant and equipment	18,124	66,890
Investments made	(36,700)	(95,890)
Dividend received	20,160	21,973
Net cash used in investing activities	(11,169,748)	(1,554,647)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing - net	10,199,435	877,688
Short-term borrowings - net	(536,464)	1,292,535
Dividend paid	(778,452)	(565,313)
Finance cost paid	(373,746)	(231,943)
Net cash generated from financing activities	8,510,773	1,372,967
Net increase in cash and cash equivalents	1,238	22,812
Cash and cash equivalents as at the beginning of the year	45,814	23,002
Cash and cash equivalents as at the end of the year	47,052	45,814

# Quarterly Performance Analysis

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
(Rupees in '000)					
<b>Particulars</b>					
Turnover - net	3,891,022	3,694,899	3,562,016	3,240,412	14,388,349
Cost of sales	(2,901,696)	(2,823,022)	(2,854,037)	(2,670,398)	(11,249,153)
Gross profit	989,326	871,877	707,979	570,014	3,139,196
Distribution costs	(81,171)	(84,049)	(83,619)	(88,293)	(337,132)
Administrative expenses	(56,579)	(63,193)	(61,380)	(64,106)	(245,258)
Other expenses	(41,096)	(40,672)	(24,875)	(27,323)	(133,966)
	(178,846)	(187,914)	(169,874)	(179,722)	(716,356)
Other income	20,409	16,948	18,085	25,670	81,112
Operating profit	830,889	700,911	556,190	415,962	2,503,952
Finance costs	(95,425)	(86,916)	(84,341)	(89,903)	(356,585)
Profit before taxation	735,464	613,995	471,849	326,059	2,147,367
Taxation	(129,355)	129,454	(26,102)	10,755	(15,248)
Net profit for the year	606,109	743,449	445,747	336,814	2,132,119

## Graphical Presentation of Quarterly Performance Analysis & Comments



The performances of the Company in 1st Quarter is better than other Quarters in terms of Gross Profit margin (25.43%) and dispatches. Our Gross Profit margin has gradually decreased during the year mainly due to higher Cost of Sales in line with the industry.

# Share Price Sensitivity Analysis

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

## Fuel and Oil Prices

Due to the on-going energy crises, supply of gas and electricity is often disrupted to industrial undertakings. Accordingly, the entire manufacturing industry is facing operational difficulties. This forces the Company to resort to expensive alternatives to run operations which directly affects the Company's financial performance. Volatility in international oil prices especially coal also affect the share price.

## 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 of higher production and better production efficiencies. Issues at production

negatively affect the financial performance of the Company and therefore, many also affect the share price. Share price is also affected by the addition of new plant.

## 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.



Source: Pakistan Stock Exchange

# Calendar of Notable Events

July 2017 - June 2018

August 14	Independence Day Celebration
August 18	National Tree Plantation Day
August 23	Board of Directors Meeting - Annual 2017
August 25	Received 1st prize in Best Corporate and sustainability Report Award 2016 organized by ICAP & ICMAP
October 16	36th AGM at Registered Office
October 30	Board of Directors Meeting - 1st Quarter 2018
February 07	Board of Directors Meeting - 2nd Quarter 2018
February 11	Inter-Group Companies Cricket Tournament, Islamabad
February 28	Inter-Group Companies Cricket Tournament, Lahore
March 08	Group Table Tennis Tournament
March 23	Inter-Group Companies Cricket Tournament, Karachi
April 25	Board of Directors Meeting- 3rd Quarter 2018
May 01	Labour Day Celebration
May 05	Head Office Staff Picnic
June 01	Dinner with Dealers - Islamabad
June 09	Employees Annual Dinner & Award Ceremony, Lahore
June 25	Board of Directors Meeting- Budget 2019
June 28	Eid Milan Party
June 30	Year End Closing

## Business Rationale for Major Capital Expenditure

The Company is pursuing business expansion strategy and consequently incurred major capital expenditure as fully explained separately under the heading of 'significant plans and decisions' earlier in this report foreseeing encouraging growth in domestic cement demand. Moreover, the Company is seeking cost efficient and environmental friendly solutions for conducting its operations. Therefore, capital expenditure is incurred for enhanced and improved production and quality of our product.

# Outlook



# Forward Looking Statement

There has been an improvement in the business climate in the country, mainly due to the improved law and order condition, which is reflected from the performance of the industrial sector. This has also been acknowledged by leading rating agencies and international financial institutions. The Cement Industry benefited from stable economic outlook, low interest rates and outlay during the year. Local cement demand grew by an impressive 15.4%. The demand for cement got a major boost from projects under China-Pakistan Economic Corridor. Greater spending by the private sector was also witnessed particularly in construction industry, which was fueling the demand for cement.

After the successful conduct of elections, the newly elected Government is focusing on stability of economic conditions in the Country in the upcoming years. However, the salient features of this newly elected Government comprises of focusing on construction of 5 million houses through Housing scheme, dams, energy projects etc. It is, therefore, expected that the domestic demand of cement shall increase considerably after one year and play a vital role in higher cement dispatches. Following the enhancement of production capacity by installing Line III, the Company is very well positioned to take maximum benefit from additional industry demand. This enhancement will not only increase the domestic market share but will also allow it to achieve greater efficiencies and better allocation of fixed costs.

Cement industry exports increased by 1.8%. However we are expecting a decreasing trend in export demand to Afghanistan in the demand of export in Southern region i.e. export through Sea may increase in the upcoming year.

For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets. On the other side, the Company is in process of installing another line of cement at its existing location. All the imported components have already been arrived at Site and now in process of erection. We expect that the new line will commence commercial production in early 2019. Given the progress of the project so far, the management is confident of completing the expansion project before the scheduled time. Moreover, availability of power at competitive rates is a critical factor. We always try to manage this through alternate energy options including WHR, RDF and TDF. In order to ensure energy conservation and cost efficiency, for new cement line, the Company is also installing WHR III plant along with the new cement line. Moreover, to cater increasing power requirements for much power efficiency, the Company is also installing three Wartsila Generators.

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

We are expecting that the mark up and exchange rates will be increased further in the next year. Overall local demand of cement for the next year will be decrease due to the above mentioned circumstances but after a year, the conditions improve positive and the demand of cement will be increase. We hope that the Company and the industry as a whole will play a key role in the economic development of the Country in future.

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

### Sources of information used for projections of future revenue:

For the preparation of budget/projections of future revenue, market survey has been carried out for ascertaining the future demand of Cement based on the ongoing and future projects. Based on the surveys and other research work, market growth and demand is ascertain and as per Company's market share, projected target is set. Based on this, internal meetings amongst Head Office, Site and Sales office have been carried out for sharing/gathering of information and assumptions to be used for budget/projections. Based on the information and assumptions used by the management for the preparation of budget/forecast, detail budget exercise has been carried out and the board of directors approved the budget/forecast.

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

### Financial Projections

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

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

Year	2019	2020	2021
Revenue - net (Rs. in Million)	22,124	19,722	20,932

### Company Performance Against Last Year Projections

Cement industry witnessed a growth of 15.4% in local market. Export sales declined by 1.8%. The overall cement demand increased by 13.8%. The Company witnessed a phenomenal growth of around 49%. The same trend was also anticipated in last year's future outlook statement. Company has actively strived to minimize its cost by using alternative fuel efficient mix of local and imported coal, optimum mix of WHR, National Grid and self power generations. All financial and non-financial targets established during last year were met to a greater extent.

### ADDITIONAL DISCLOSURES

#### Fair Value of Property, Plant and Equipment

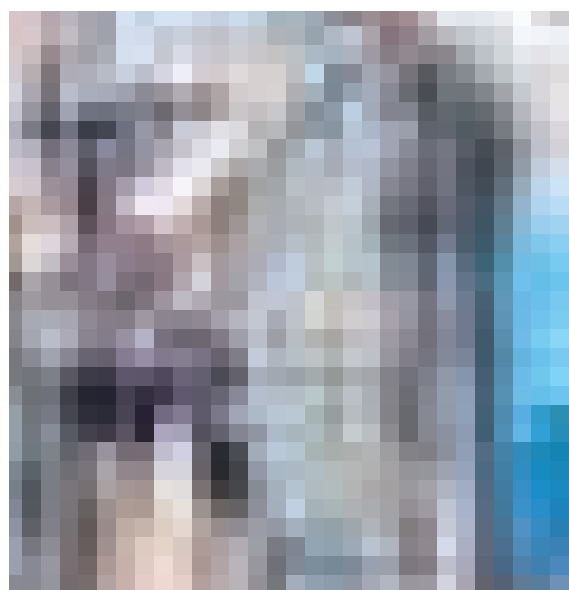
Total Assessed Present Market value of existing plant, machinery and building is more than Rs. 32 billion. However, the same has not been incorporated in financial statements.

#### Significant Material Assets

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

#### Plant Capacity

The Company has annual production capacity of 2.4 million ton cement, which is determined on the basis of 300 days operation.





# Sustainability & Corporate Social Responsibility

# Sustainability Highlights

We remain committed to continuous improvement in Health, Safety and Environment (HSE) aspects as we expand our business and production capacities. Your Company has always been very aware of its responsibility towards the people, environment and climate of Pakistan and has strived to ensure the wellbeing of all. We have a dedicated HSE department to ensure effective systems of measuring, monitoring and reporting of necessary compliance with HSE matters. It is adequately staffed and Head of HSE directly reports to the Chief Executive.

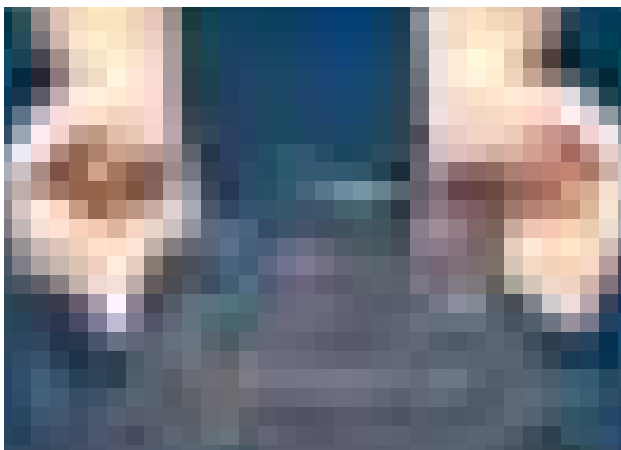
## Certifications acquired and international standards adopted

Our production facility remained fully compliant with industry standards and safety requirements. For this purpose the Company has fully adopted and has obtained certification of Total Quality Management (TQM) system ISO 9001:2015 and Environment Management System ISO 14001:2015. Moreover, the Company fully complies with regulatory requirements of National Environmental Standards (NEQS). In addition, to further ensure regulatory compliances, environmental testing is performed regularly from EPA approved laboratory.

Further highlights of the Company's performance, policies, initiatives and plans in place relating to various aspects of sustainability are as follows:

## 1. ECONOMIC

The economic dimension of sustainability concerns the Company's impact on the economic conditions of its stakeholders.



### a. Economic Performance

Economic Performance directly relates to our Company's best value creation agenda as embodied by our vision. Cherat Cement is committed to provide enduring growth and value for all stakeholders. This growth and value can

be quantified and assessed accurately through complete audited financial statements of the Company and the statement of value addition and distribution of wealth, which are part of this report. In addition, economic performance carries implications for all other material topics reported upon.

### b. Market Presence

Our Company's presence in the market has significant impacts in terms of employment and business opportunities provided. The Company encourages hiring of workforce from local community at each area of business operations from entry level to the senior management. The Company also gives business opportunities to local transporters, suppliers, contractors and wide scattered cement dealers all over the Pakistan and certain areas of Afghanistan and India. Moreover, due to expansion projects the Company has awarded contracts to local vendors for civil works and other key areas.

### c. Indirect Economic Impacts

This illustrates our Company's economic impacts on a wider socioeconomic front than if we just take our customers and suppliers into consideration. Our growth and development means the growth and development of our homeland Pakistan. Additionally, we consider ourselves responsible corporate citizens, therefore it is important we monitor and measure our ongoing indirect economic impacts in the wider context. The Company supports in development of infrastructure and other facilities of the country in general and of our factory vicinity Nowshera in particular.

## 2. ENVIRONMENTAL

The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. Regardless of our growth and plant expansion and consequently energy needs and environmental outputs, we ensure that we manage these impacts in line with regulatory compliance requirements such as National Environmental Standards (NEQS) and international standard of environmental management system ISO 14001:2015. Safe and healthy environment has always been the priority of the management of the Company. Management is fully aware of its responsibilities in this regard and environment protection policy is already in place.

### a. Energy

Energy efficiency has proven to be a lucrative and proficient way to guarantee a sustainable future. The efficient energy usage is not only vital in terms of the environment, but it can also provide the Company a competitive edge in terms of cost factors. Energy is a significant component of our cement production process and further due to the national energy crisis, this topic has become of significant importance to the Company. The Company has taken numerous initiatives to save energy which also decrease the cost of production. In order to reduce reliance on conventional fuels, the Company continuously seeks to undertake significant measures to conserve energy by creating awareness at Head Office and Plant site on efficient energy usage through regular sessions.



- **Waste Heat Recovery Plant**

The company has installed Waste Heat Recovery (WHR) systems at its plant. The WHR system does not need any external fuel to operate but encapsulates all the wasted heat (which otherwise would have been released in the atmosphere) from the production line and power generators and utilizes it to generate electricity, which not only conserves energy, but also helps in reduction of Carbon dioxide in the environment. The Company has installed Waste Heat Recovery (WHR) plant on power generators and both production lines. Furthermore, WHR for line III is also in the process of installation.

- **Tyre Derived Fuel & Refused Derived Fuel**

The Company has also invested in implementing projects that reduce energy consumption and

address issues of environmental degradation like Tyre Derived Fuel (TDF) and Refused Derived Fuel (RDF). They replace conventional fossil fuels like coal and furnace oil. TDF generates energy by burning shredded scrap tires. Tires are mixed with coal and other fuels to be burned. RDF uses municipal solid waste to generate energy. Investment in these projects emphasizes Cherat Cement's initiative for sustainable operations through transforming from a fossil-fuel based energy to alternative-energy structure.

- **Captive Power Plant**

The company has recently installed three dual-fuel captive power plant of 9.7 MW each which can run on gas, furnace oil and diesel. In this connection, gas pipeline from SNGPL has been laid and the gas will be available soon. Consequently, this will further reduce the environmental impact on our society by decreasing the emission of Carbon dioxide gas generated from using furnace oil.

- **Variable Frequency Drives**

The Company has also installed Variable Frequency Drives (VFD) at various parts of the plant to conserve energy.

- **Energy Conservation Drive**

The Company has installed Light Emitting Diode (LED) lights. Further, trainings and awareness on energy conservation measures have also been conducted. These measures have resulted in considerable savings in electricity consumption.

### b. Emissions and Effluents

Emissions control relates directly to climate change and the impact of gaseous emissions on the ozone layer. As a manufacturing concern, this is of vital importance. As stated above the Company is in full compliance with national and governmental regulations. All of our emission parameters monitored from power generation and cement manufacturing process are well below their respective limits as specified in the National Environmental Quality Standards (NEQS)

- **Mitigating efforts to control emission and effluents**

Our air quality measurement program identifies the limit of pollution parameters in the ambient air in and around our factory. The stack emissions monitoring is done on monthly basis for the priority parameters in compliance with the requirements of NEQS (Self-Monitoring and Reporting) Rules, 2001.

- **Electrostatic Precipitators**

Our plant is equipped with Electrostatic Precipitators which controls dust and gas emissions.

- **Bag filters**

The Company has also installed bag houses (bag filters) which more effectively controls emission and increase air flow and productivity. These are installed in entire production system and dropping distances during material transfers are kept minimum thereby reducing emissions of particulate matters.

Limestone is the major raw material used in cement production. Limestone has high moisture content and is hard in nature. Due to these properties, emission of fine limestone during the blasting at the quarry is very low. Additionally, splinters generated during blasting are quite large and resultantly they do not fly over longer distances.

- **Noise Pollution**

Our plant has been designed in such a way to minimize the noise levels and to comply with acceptable limits of the NEQS. Moreover, noise levels are regularly monitored. Furthermore, periodic repair and maintenance of the plants guarantees compliance of noise levels with the NEQS.

### c. Recycling

Cherat Cement recycles or sale all the available waste and scrap in order to comply its sustainable operations agenda. Most of these items are subsequently recycled and include:

- Solid waste
- Used oil, lubricants and greases
- Furnace oil sludge
- Bursted paper bags
- Brick waste
- Waste from Quality Control i.e. cement cubes, cement, pieces of cement pellets, analyzed

samples of limestone, shale, iron ore, sand, gypsum, raw mix, kiln feed and clinker

- Empty drums and containers
- Grinding media, and
- Miscellaneous waste

### d. Products

Our cement does not have any harmful impact on environment. We use two types of packaging material i.e. paper bags and PP bags. Paper bags are reusable and recyclable and they do not have any harmful environmental impact. PP bags also have resale value and can be recycled or reused.

### e. 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 9001:2015. 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 procedures include:

- 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.
- Milling of the clinker with gypsum and grinding aids.
- Continuous sampling and testing at each stage.

- Independent testing of the cement product by Regulatory Authorities.

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: 2015 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.

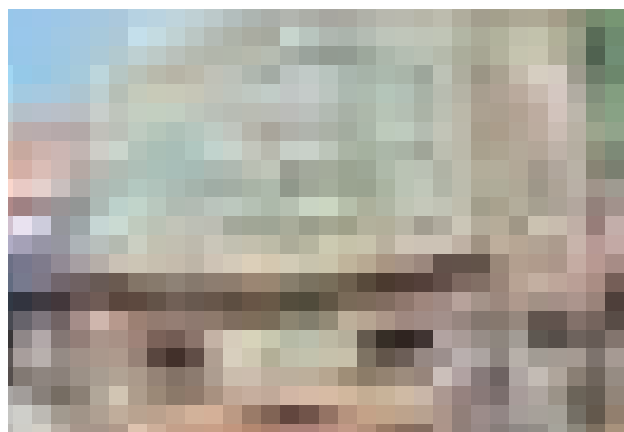
Cherat Cement's State-of-the Art Quality Control Equipment includes:

- Cross Belt On-line Analyzers, Controlled Neutron Analyzer (CNA) of SODERN, France and Prompt Gamma Neutron Activation Analyzer (PGNAA) of SCANTECH, Australia
- X-Ray Spectrometer, ARL ADVANT'X (Switzerland) Thermo Scientific & OPTIM'X (Switzerland) Thermo Scientific
- X' Pert Powder XRD PANalytical (Netherland).
- Thermo Gravimetric Analyzer, (TGA-701) Leco (USA)
- Carbon Sulphur Analyzer CS-2000 of Eltra GmbH, Germany & Sulphur Carbon Analyzer 144-DR, Leco (USA)
- Bomb Calorimeter 6200 of Parr Instrument Company USA & AC-600, Leco (USA)
- Heating Furnaces, Carbolite (UK)
- Weighing Balances, Sartorius (Germany)
- Physical Testing Equipment, Controls (Italy), ELE (England) & MATEST (Italy)

#### f. Transport

Our cement is transported to dealers and institutions through heavy trucks. The Company is cognizant of the fact that these trucks could have impact on surroundings as small mishaps can lead to heavy accidents. In order to mitigate

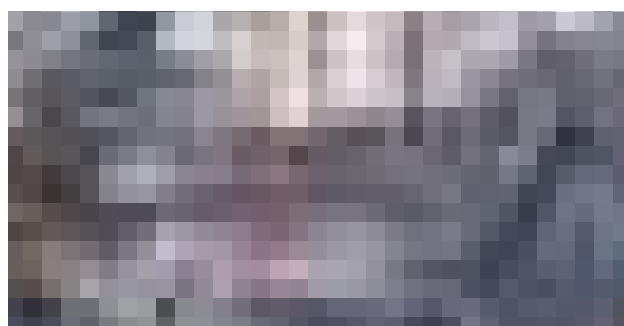
this risk the Company has adopted measures for safe transportation. Firstly we work only with the approved transporters. Further, quantity-wise trucks are being used in order to avoid over or under loading. Truck's capacity is effectively utilized due to which risk of accidents resulting from overloading is avoided. For bulk cement, the Company allows only 'specialized bulk trailers' to dispatch cement.



Coal transport from supply point to the factory and handling at the Plant are a big source of particulate matter emissions all along the roads used for transport and at the plant. Imported coal from Karachi Port is transported by trucks. In order to minimize fugitive coal dust on the way, these trucks have special covers. This drastically cuts the fugitive coal dust on the way to the plant site.

#### g. Tree Plantation Drive and Zoo

Companywide tree plantation drives were continued through the year surrounding the factory along with the Head Office and Sales Offices. The Company has planted a large number of trees in and around the factory premises. Moreover, the Company has maintained a large Zoo for wild life protection at factory location where different kinds of birds and animals redecorate the environment.



### 3. SOCIAL

#### a. Employment

Cherat Cement has given tremendous employment opportunities through expansion of business and production lines. With the introduction of line II and line III of the Company new employment opportunities have been created especially for the locals. This trend will increase with the commissioning of line III in upcoming financial year. Number of employees during the year have increased by 136 and at year end total number of employees were 885 including 748 factory employees.

Cherat Cement is recognized among top employers due to its excellent employee benefits. Following benefits are provided to full-time employees that are not provided to temporary or contracted employees:

- Health care
- Education assistance
- Leave fare assistance
- Gratuity
- Company maintained vehicle, and Others
- Life insurance
- Furniture facility
- Provident fund
- Earned leaves

#### b. Labor / Management Relations

The Company supports right to exercise freedom of association and collective bargaining. For this purpose, two unions are registered from which one is elected as CBA which represents all classes of workers. Provision for consultation and negotiation with collective bargaining agreements (CBA) are specified in collective agreements. Sufficient time is given by the Company to employees and their elected representatives for any significant operational changes which affect them. Furthermore, CBA tables 'charter of demand' every second year which is amicably negotiated.

#### c. Occupational Health and Safety

We manage and utilize resources and operations in such a way that the safety and health of our people is ensured. We believe our safety and health responsibilities extend beyond protection and enhancement of our own facilities. We have a highly trained safety team, emergency response team, a qualified doctor and paramedical staff at our plant. In addition, the factory is provided with dedicated safety van, fully equipped ambulance and an in-house dispensary. Moreover, safety sign boards are in place at all important visible places.

Our workers are sufficiently trained through fire & safety trainings and are also adequately equipped with Personal Protection Equipment which is monitored at regular intervals. Workers are also trained by theoretical explanations and practical drills to handle unforeseen emergencies. Regular mock drills are also carried out to familiarize everyone with the steps and procedure to follow in emergency situations. Mock drills of chemical spillage, fire fighting, evacuation, casualty handling and security are also conducted. Moreover, safety audits are also conducted on regular basis.

At Cherat Cement, Health and Safety is the first and foremost agenda topic for our each in-house and higher management meetings. The Company has made safety manual containing policies and procedures. Moreover, contractors' safety measures and mechanism are also in place, which are in full compliance. Furthermore, certifications have been obtained for all construction related equipments like cranes etc. In addition, Health and Safety concerns are explicitly included in SMART goals of head of departments and senior management of plant.

Hundred percent compliance with policy programmes resulted in the conclusion of the year with no reportable occupational illness. These programmes include the regular testing of plant equipment and sites from a health perspective, as well as monitoring of employee health. Additionally, health awareness sessions on basic lifesaving techniques, medical emergency handling and first aid were conducted at our factory, sales offices and head office. Basic Life Support is a first-aid resuscitation that educates and equips individuals to recognize various life-threatening emergencies. In addition, we are





in process of arranging Cardiopulmonary Resuscitation (CPR) equipment. CPR is an emergency procedure that combines chest compressions often with artificial ventilation in an effort to manually preserve intact brain function until further measures are taken to restore spontaneous blood circulation and breathing in a person who is in cardiac arrest. By educating our employees basic life support and medical practices we are maintaining a safe and healthy workplace.

Our production lines achieved the whole year without any major injury. Reported injury case if happens, is thoroughly investigated by trained personnel and findings are subsequently circulated to higher ups. Once investigations are completed, actions and recommendations are assigned to individuals with a strict follow-up system put in place to avoid any recurrence.

#### **d. Training and Education**



The training, education and development of our people is a topic of critical importance to us as reiterated in our mission statement 'continuously develop our human resource'. We have the long-standing ambition to be an employer of choice and to be known as a "Talent factory", recruiting and retaining the best and the brightest. We work towards this goal on a continuous basis, with formal training, development and growth opportunities, effective and timely performance appraisal and feedback systems, and by creating an open culture that encourages feedback and discussion. An extensive program Training Need Assessment (TNA) in this regard is in place. Moreover, Apprenticeship and Management Trainee Programs are also in place.

#### **e. Diversity and Equal Opportunity**

As part of our HR policy, we strive to be an equal opportunity employer. Cherat Cement is committed to encourage greater diversity and ensuring equal opportunities for individuals based on merit. Policies, objectives and progress in this regard is elaborated in detail under the governance policies section presented earlier in this report.

#### **f. Non-discrimination**

Cherat Cement is committed to ensure equal treatment and fair working conditions for employees. This belief is driven by our core values 'maintain the highest level of integrity, honesty and ethics' and our Code of Conduct.

#### **g. Child Labour**

Despite of manufacturing concern near rural area of KPK, the Company has strict policy over prohibition of child labour. No child has ever been employed by the Company and the same policy will go in future.

#### **h. Forced or Compulsory Labor**

The Company believes in free working environment; no employed worker is a forced and compulsory.

#### **i. 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.

#### **j. Business Ethics and Anti-Corruption Measures**

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

#### **k. Local Communities**

We strive for the development of communities surrounding us. Investment in the communities we operate in, and near, is a strong focus for Cherat Cement. Further details on this topic are presented under the next section of Corporate Social Responsibility.

# Corporate Social Responsibility Highlights

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

Here is an overview of the progress of our community supports and CSR projects for 2017-18.

## DONATIONS

### 1. EDUCATION

Giving back to the community in the form of educational support is one of the major interests of the Company. Donations have been extended to many educational institutes which include:



#### a) School in Shaidu Village

In the area of educational development, the Company has financed a school in Shaidu village with collaboration of The Citizens Foundation. This benefits the children from under developed area to fulfil their basic educational need.

#### b) Aga Khan Medical College

The Company believes in quality education to be promoted in the country. In this regard, donations have been made to Aga Khan Medical College to support quality education.

#### c) Begum Zulfara Faruque Trust

In order to sponsor education of 12 students a reasonable amount is being donated to Begum Zulfara Faruque Trust.

#### d) Approved Religious Institutions

The Company also takes pride in supporting religious education and knowledge by supporting approved religious institutions.

### 2. HEALTH

Support extended to health related initiatives includes funding for hospitals and different medical centres such as:



#### a) The Kidney Centre

The Company promotes well-being of society by becoming a part of medical and health related initiatives. In lieu of promoting better health the Company has made donations to The Kidney Centre and its post graduate training institute.

#### b) Aga Khan Hospital

The Company has always considered promoting a healthier society. This is depicted through donations made to the Aga Khan Hospital.

#### c) Treatment Supports

For those people who lack facilities of medical treatment or cannot afford them, the Company has made efforts by donating a reasonable amount. By providing medical facilities to the less privileged, the Company made it easier for them to take care of themselves and their families.

#### d) Nowshera Dialysis Centre

Nowshera Dialysis centre is providing free dialysis to needy people. The Company became a part of this good cause by making donations.

### 3. SPECIAL PERSON EDUCATION AND EMPLOYMENT

The Company always cares for special people who are integral part of our society. In this regard the Company has made various donations to special

trusts and schools for their education and vocational training including:

- IBP School of Special Education
- The Society of Rehabilitation of Special Children
- Karwan-e-Hayat for mental health

#### 4. DEVELOPMENT AND COMMUNITY SUPPORT

Our operations are supported by our communities, both directly and indirectly. And we know that giving back to them and helping them develop simply makes good sense in the long run for them and for us. In this regard the Company has made donations to:

##### a) Local government and bodies

Company supported local government and bodies through donations for following events:

- Independence day ceremony
- First women expo 2017
- Nowshera cultural festival

##### b) Pakistan Hockey Federation

As sports form an integral part for development of mental and physical health, the Company encourages sport activities in the country. In this regard donations have been given to Pakistan Hockey Federation.

##### c) Anjuman Kashana-e-Atfal-o-Naunihal

Donation for development of children means donation for development of future of the country. Upholding this faith, the Company has donated to Anjuman Kashana e Atfal-o-Naunihal for development of orphan children.

##### d) Ummah Welfare Trust

The Company has supported through donations to Ummah Welfare, a trust established to support the impoverished and neglected people all across the Pakistan, Kashmir and Afghanistan.

#### EDUCATIONAL AWARENESS SESSION AT ICAP

As a part of educational development, Company's Executive Director and CFO delivered lecture at ICAP's seminar for passing out students in order to enhance their morale and to motivate them.

#### TREE PLANTATION ACTIVITY

Along with education and health, environment also contributes in development of societies and communities. As aiming to play a part in making a better community, the Company also contributed in Tree Plantation Activity of WWF through donations and funding.



#### WELFARE HOSPITAL IN LAKRAI, NOWSHERA

##### Purpose

As the Company focuses on well-being of society and its people, in this regard a welfare hospital is established in the vicinity of Nowshera in order to provide medical facilities free of cost to the people living in surrounding areas. By having this facility in area for small villages nearby we provide basic medical facility to those who cannot afford.

##### Facilities Available

All basic medical facilities are available at the hospital including:

- Separate male/female consultation
- Dispensary with almost all types of medicines
- All emergency equipments
- Basic lab tests

##### Benefits

Residents of community when provided with better health care facilities can develop and make a better society. Free medical to those who cannot afford enables them to contribute in better way to the country. Record number of patient visit has demonstrated its true value to the community.

# Corporate Social Responsibility

## CharityAccount

During the year the Company made a donation of Rs. 7.3M to the Ghulam Faruque Welfare Trust, Aga Khan University Hospital, The Kidney Centre, Nowshera Lions Club, Ummah Welfare Trust, D.C. Nowshera, WWF Pakistan, IBP School of Special Education and others.

## Health

- The Kidney Centre
- The Aga Khan University Hospital
- Nowshera Dialysis Centre
- Personal Treatments

## Development & Community

- Local Government & Bodies
- Anjuman Kashan-e- Atfal-o-Naunihal
- Pakistan Hockey Federation
- Ummah Welfare Trust

## Donations

## Special Persons Education & Employment

- IBP School of Special Education
- The Society of Rehabilitation of Special Children
- Karawan-e-Hayat for Mental Health

## Education

- TCF School, Ghulam Faruque Campus Shaidu Village, KPK
- Aga Khan University Medical College
- Begum Zulfara Trust
- Approved Religious Institutions

## National Cause Donations

The Company has always stood by the people of Pakistan in our collective hour of need. The Company has generously given for the rehabilitation of affectees of floods and earthquakes and to IDPs.



Striving  
for Excellence  
in Corporate Reporting

# Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB)

Cherat Cement Company Limited is preparing statutory financial statements in accordance with the IFRS issued by IASB as notified under the Companies Act 2017 including the disclosure requirements of fourth schedule.

However, SECP has not notified adoption of following IFRS:

Standards	IASB effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

In addition to this, note 2.4 to the financial statement specify few standards and interpretations which are yet to be effective in Pakistan. The Company believes that that the impact of the above standards and those referred in note 2.4 does not have any material impact to the financial statements.

Karachi: August 29, 2018



Omar Faruque  
Chairman



# Glossary of Terms

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

**HSE:** 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.

**IAS:** International Accounting Standards.

**IFRS:** International Financial Reporting Standard.

**IFRIC:** International Financial Reporting Issues Committee.

**HR & RC:** Human Resource and Remuneration Committee.

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

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

**KIBOR:** Karachi Inter Bank Offer Rate.

**Spread:** Rate charged by the bank over KIBOR.

**ISO 14001:2015:** A standard for the management of environmental matters that is widely used in various parts of the world.

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

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

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

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

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

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

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

**Shariah-Compliant Finance / Banking:** Facility which meets all of the requirements of Shariah law and the principles articulated for "Islamic Finance".





# Financial Statements

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# Independent Auditors' Report



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Chartered Accountants  
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To the members of **Cherat Cement Company Limited**

Report on the Audit of the Financial Statements

## **Opinion**

We have audited the annexed financial statements of Cherat Cement Company Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<p><b>1. Capital expenditure on plant capacity enhancement</b></p> <p>As disclosed in note 4 to the financial statements, the Company has incurred significant amount of capital expenditure during the year for enhancement of production capacity.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgemental areas, such as capitalization of elements of eligible components of cost as per the applicable financial reporting standards, therefore, we have identified this as a key audit matter.</p>	<p>We obtained an understanding of the Company's process with respect to capital expenditure and tested controls relevant to such process.</p> <p>We performed substantive audit procedures through inspection of project related contracts and documents supporting various components of the capitalized project costs.</p> <p>We also considered whether the items of cost capitalized, including borrowing costs, meet the recognition criteria of an asset in accordance with the applicable financial reporting standards.</p> <p>Further, we assessed the adequacy of the related disclosures are in accordance with the applicable financial reporting standards.</p>
<p><b>2. Long term financing for capital expenditure</b></p> <p>As disclosed in note 17 to the financial statements, the Company has obtained additional long term loans amounting to Rs. 11,100 million to finance the plant expansion project.</p> <p>The Company's key operating / performance indicators including liquidity, gearing and finance costs are directly influenced by the additions to its portfolio of borrowings. Further, financing arrangements entail financial and non-financial covenants that the Company is subject to compliance.</p> <p>The significance of new financings obtained during the year along with the sensitivity of the compliance with underlying loan covenants are considered a key area of focus during the audit and therefore, we have identified this as a key audit matter.</p>	<p>We obtained and reviewed the financing agreements executed during the year. We inquired from the management with respect to the future compliance of the covenants and tested controls related to such compliance.</p> <p>We circularized confirmations to the financing banks with outstanding loan balances at the year end. We also reviewed the maturity analysis of the financing to ascertain the classification of loans as per their remaining maturities.</p> <p>Further, we assessed the adequacy of the related disclosures are in accordance with the applicable financial reporting standards.</p>

Key audit matters	How the matter was addressed in our audit
<p>3. New Companies Act, 2017 (the Act) and its impact on the financial statements</p> <p>As disclosed in note 1.2 to the financial statements, the Act became applicable for the first time for the preparation of the Company's financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements as disclosed in note 2.3 to the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p>

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditors' report is Khurram Jameel.

# Statement of Financial Position

as at June 30, 2018

	Note	2018	2017
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	23,805,845	13,632,864
Intangible assets	5	15,406	19,210
		<u>23,821,251</u>	<u>13,652,074</u>
Long-term investments	6	396,794	566,275
Long-term loans	7	686	625
Long-term deposits		19,008	19,008
		416,488	585,908
		<u>24,237,739</u>	<u>14,237,982</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	2,778,907	2,210,312
Stock-in-trade	9	753,638	843,820
Trade debts	10	188,272	130,767
Loans and advances	11	84,081	37,323
Trade deposits and short-term prepayments	12	25,940	12,140
Other receivables	13	1,599,017	985,030
Taxation – net		804,915	303,562
Cash and bank balances	14	47,052	45,814
		6,281,822	4,568,768
		<u>30,519,561</u>	<u>18,806,750</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	1,766,318	1,766,318
Reserves	16	9,407,430	8,695,389
		11,173,748	10,461,707
<b>NON-CURRENT LIABILITIES</b>			
Long-term financings	17	14,700,000	4,840,508
Long-term security deposits	18	17,667	15,741
Deferred taxation	19	975,640	917,306
		15,693,307	5,773,555
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	1,990,431	812,964
Accrued mark-up	21	230,024	146,343
Short-term borrowings	22	963,947	1,500,411
Current maturity of long-term financing	17	400,000	60,057
Unclaimed dividend		68,104	51,713
		3,652,506	2,571,488
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		
		<u>30,519,561</u>	<u>18,806,750</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

  
Yasir Masood  
Chief Financial Officer

# Statement of Profit or Loss

for the year ended June 30, 2018

	Note	2018	2017
(Rupees in '000)			
Turnover - net	24	14,388,349	9,645,399
Cost of sales	25	(11,249,153)	(6,432,281)
<b>Gross profit</b>		<u>3,139,196</u>	<u>3,213,118</u>
Distribution costs	26	(337,132)	(279,998)
Administrative expenses	27	(245,258)	(225,109)
Other expenses	28	(133,966)	(143,389)
		(716,356)	(648,496)
Other income	29	81,112	133,384
<b>Operating profit</b>		<u>2,503,952</u>	<u>2,698,006</u>
Finance costs	30	(356,585)	(188,215)
<b>Profit before taxation</b>		<u>2,147,367</u>	<u>2,509,791</u>
<b>Taxation</b>			
Current		(37,287)	(187,883)
Prior		80,373	37,165
Deferred		(58,334)	(402,511)
	31	(15,248)	(553,229)
<b>Net profit for the year</b>		<u><u>2,132,119</u></u>	<u><u>1,956,562</u></u>
<b>Earnings per share – basic and diluted</b>	32	<u><u>Rs. 12.07</u></u>	<u><u>Rs. 11.08</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

  
Yasir Masood  
Chief Financial Officer



# Statement of Comprehensive Income

for the year ended June 30, 2018

	2018	2017
	(Rupees in '000)	
<b>Net profit for the year</b>	2,132,119	1,956,562
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the statement of profit or loss</b>		
Unrealized loss on available-for-sale securities	(206,144)	(241,934)
<b>Items that may not be reclassified subsequently to the statement of profit or loss</b>		
Actuarial (loss) / gain on defined benefit plan	(419,091)	180,945
	(625,235)	(60,989)
<b>Total comprehensive income for the year</b>	<u>1,506,884</u>	<u>1,895,573</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.



Omar Faruque  
Chairman



Azam Faruque  
Chief Executive



Yasir Masood  
Chief Financial Officer

# Statement of Cash Flows

for the year ended June 30, 2018

	Note	2018	2017
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		2,147,367	2,509,791
<b>Adjustment for:</b>			
Depreciation	4.1.4	1,086,046	689,913
Amortisation	5.1	3,804	2,987
Gain on redemption of short-term investments		-	(2,186)
Gain on disposal of operating property, plant and equipment	4.1.5	(4,977)	(19,101)
Finance costs	30	356,585	188,215
Exchange loss	28	9,890	1,540
Share of loss from joint venture	28	37	-
Dividend income	29	(20,160)	(21,973)
		<u>1,431,225</u>	<u>839,395</u>
		3,578,592	3,349,186
<b>(Increase) / decrease in current assets</b>			
Stores, spare parts and loose tools		(568,595)	(1,216,689)
Stock-in-trade		90,182	(539,290)
Trade debts		(57,505)	(130,767)
Loans and advances		(46,758)	(23,737)
Trade deposits and short-term prepayments		(13,800)	(4,436)
Other receivables		(1,033,078)	(141,708)
		<u>(1,629,554)</u>	<u>(2,056,627)</u>
		1,949,038	1,292,559
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		1,167,577	(633,292)
<b>Cash generated from operations</b>		<u>3,116,615</u>	<u>659,267</u>
Income tax paid		(458,267)	(455,537)
Long-term loans and deposits – net		1,865	762
<b>Net cash generated from operating activities</b>		<u>2,660,213</u>	<u>204,492</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(11,171,332)	(1,536,710)
Additions to intangible assets		-	(10,910)
Proceeds from disposal of operating property, plant and equipment	4.1.5	18,124	66,890
Investments made		(36,700)	(95,890)
Dividend received		20,160	21,973
<b>Net cash used in investing activities</b>		<u>(11,169,748)</u>	<u>(1,554,647)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financings – net		10,199,435	877,688
Short-term borrowings – net		(536,464)	1,292,535
Dividend paid		(778,452)	(565,313)
Finance costs paid		(373,746)	(231,943)
<b>Net cash generated from financing activities</b>		<u>8,510,773</u>	<u>1,372,967</u>
<b>Net increase in cash and cash equivalents</b>		<u>1,238</u>	<u>22,812</u>
<b>Cash and cash equivalents at the beginning of the year</b>		45,814	23,002
<b>Cash and cash equivalents at the end of the year</b>	14	<u>47,052</u>	<u>45,814</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

  
Yasir Masood  
Chief Financial Officer

# Statement of Changes in Equity

for the year ended June 30, 2018

	Reserves							Total	
	Capital Reserves		Revenue Reserves						
	Share premium	Others	General Reserve	Unappropriated profit	Actuarial gain / (loss) on gratuity fund	Unrealised gain/ (loss) on available-for-sale securities	Sub-total		
	(Rupees in '000)								
<b>Balance as at July 01, 2016</b>	1,766,318	1,047,658	50,900	420,000	5,009,489	246,517	599,306	7,373,870	9,140,188
Final cash dividend for the year ended June 30, 2016 @ Rs. 2.25/- per share	-	-	-	-	(397,422)	-	-	(397,422)	(397,422)
Interim cash dividend for the year ended June 30, 2017 @ Re. 1.00/- per share	-	-	-	-	(176,632)	-	-	(176,632)	(176,632)
Net profit for the year	-	-	-	-	1,956,562	-	-	1,956,562	1,956,562
Other comprehensive income	-	-	-	-	-	180,945	(241,934)	(60,989)	(60,989)
Total comprehensive income for the year	-	-	-	-	1,956,562	180,945	(241,934)	1,895,573	1,895,573
<b>Balance as at June 30, 2017</b>	<b>1,766,318</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>6,391,997</b>	<b>427,462</b>	<b>357,372</b>	<b>8,695,389</b>	<b>10,461,707</b>
<b>Balance as at July 01, 2017</b>	1,766,318	1,047,658	50,900	420,000	6,391,997	427,462	357,372	8,695,389	10,461,707
Final cash dividend for the year ended June 30, 2017 @ Rs. 3.50/- per share	-	-	-	-	(618,211)	-	-	(618,211)	(618,211)
Interim cash dividend for the year ended June 30, 2018 @ Re. 1.00/- per share	-	-	-	-	(176,632)	-	-	(176,632)	(176,632)
Net profit for the year	-	-	-	-	2,132,119	-	-	2,132,119	2,132,119
Other comprehensive income	-	-	-	-	-	(419,091)	(206,144)	(625,235)	(625,235)
Total comprehensive income for the year	-	-	-	-	2,132,119	(419,091)	(206,144)	1,506,884	1,506,884
<b>Balance as at June 30, 2018</b>	<b>1,766,318</b>	<b>1,047,658</b>	<b>50,900</b>	<b>420,000</b>	<b>7,729,273</b>	<b>8,371</b>	<b>151,228</b>	<b>9,407,430</b>	<b>11,173,748</b>

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Omar Faruque  
Chairman

  
Azam Faruque  
Chief Executive

  
Yasir Masood  
Chief Financial Officer

# Notes to and Forming Part of the Financial Statements for the year ended June 30, 2018

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Cherat Cement Company Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1981. The Company is listed on Pakistan Stock Exchange Limited. Its main business activity is manufacturing, marketing and sale of cement. The geographical location and addresses of the Company's business units / immovable assets are as under:

Business Unit	Address
Head Office	Modern Motors House, Beaumont Road, Karachi
Registered Office / Factory (immovable assets)	Village Lakrai, P.O Box 28, District Nowshera (Land measuring area - 286.8 acres)
Sales Office Peshawar	First Floor, Betani Arcade, University Road, Peshawar
Sales Office Lahore	3, Sunder Das Road, Lahore
Sales Office Islamabad	First Floor, Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad

- 1.2 Summary of significant transactions and events that have affected Company's financial position and performance during the year are as follows:

- As disclosed in note 4.4, the Company has incurred capital expenditure on Line – III including Waste Heat Recovery (WHR) during the year amounting Rs. 9,427 million which will increase the Company's production capacity of clinker by 6,700 tons per day to 14,400 tons per day. The project is expected to be commissioned in next financial year.
- As disclosed in note 17.3, the Company has obtained a syndicated long-term finance from Islamic banks amounting to Rs. 13,000 million out of which Rs. 10,000 million has been drawn for the purpose of capital expenditure incurred on Line - III.
- During the year, the Companies Act, 2017 (the Act) has been promulgated which requires additional disclosures to be included in these financial statements.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

### 2.2 Accounting convention

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

### 2.3 New standards and amendments

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 accounting amendments of IFRSs which became effective for the current year:

IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments did not have any material effect on the financial statements.

Further, during the year, the Act became applicable. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, include changes in nomenclature of the primary statements. Further, the disclosure requirements under the Act have been revised, resulting in elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of additional / amended disclosures as amended in notes 1.1, 1.2, 4.1.6, 6.4, 15.4, 18, 28.2, 28.2.1, 31.2, 35, 36.1 and 37.

## 2.4 Standards not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS - 2 Share-based Payments – Classification and Measurement of Share -based Payments Transactions (Amendments)	01 January 2018
IFRS - 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS - 9 Financial Instruments	01 January 2018
IFRS - 9 Prepayment Features with Negative Compensation – (Amendments)	01 January 2019
IFRS - 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not Yet Finalized
IFRS - 15 Revenue from Contracts with Customers	01 July 2018
IFRS - 16 Leases	01 January 2019
IAS - 19 Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS - 28 Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS - 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC - 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC - 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 – Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

	IASB effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

## 2.5 Significant accounting judgments and estimates

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

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

### 2.5.1 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 future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

### 2.5.2 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

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the statement of financial position 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 utilized.

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 statement of financial position date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted. Deferred tax is charged or credited to statement of profit or loss.

### **2.5.3 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.

### **2.5.4 Staff retirement benefits**

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

### **2.5.5 Contingencies**

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

## **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 less impairment, if any. Depreciation is charged to statement of profit or loss 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. Depreciation is charged from the month in which an asset is available for use, while no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to statement of profit or loss 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 statement of profit or loss.

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.

#### **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 Joint Ventures

The Company has interest in joint ventures which are jointly controlled entities. The Company combines its share and recognises its interest in the joint ventures using the equity method. Under equity method, the investment in joint ventures is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint ventures. Statement of profit or loss reflects the share of the results of operations of joint ventures.

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 joint ventures. The Company determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case the Company calculates the amount of impairment loss as the difference between the recoverable amount of joint ventures and their carrying value and recognises the amount in the statement of profit or loss.

Financial statements of joint ventures 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

Available for sale investments are initially recognised at cost, being the fair value of the consideration paid including transaction cost. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price).

Any gain or loss from a change in the fair value of investments available for sale is recognised directly in other comprehensive income as unrealised, unless sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time cumulative gain or loss previously taken to other comprehensive income is recognised in the statement of profit or loss account of the year.

### 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 recognized at fair value, relevant transaction costs are taken directly to statement of profit or loss account and subsequently measured at fair value. Net gains and losses arising on changes in fair value of these financial assets are taken to the statement of profit or loss account in the period in which they arise.

## 3.3 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and NRV except items-in-transit which are stated at invoice values plus other charges paid thereon upto the date of statement of financial position.

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.

## 3.4 Stock-in-trade

Raw materials and finished goods are valued at lower of average cost and NRV, except items in-transit, if any, are valued at cost comprising invoice values plus other charges incurred thereon up to the statement of financial position 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

Work-in-process is valued at average cost of raw-materials including a proportionate of manufacturing overheads.

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



### **3.5 Trade debts**

These 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 Cash and cash equivalents**

These are stated at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

### **3.7 Share capital**

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **3.8 Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred and subsequently carried at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the statement of financial position date.

### **3.9 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.

### **3.10 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 statement of profit or loss for the period in which it arises.

### **3.11 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

### **3.12 Foreign currency transactions**

Transactions in foreign currencies are translated into Pak Rupees at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position 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 statement of profit or loss account.

### **3.13 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.

#### **3.13.1 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.

### **3.13.2 Other income**

Profit on bank accounts is recognised on effective interest rate method.

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

Other revenues are accounted for on accrual basis.

### **3.14 Staff retirement benefits**

#### **3.14.1 Gratuity fund**

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

#### **3.14.2 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.

### **3.15 Provisions**

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

### **3.16 Taxation**

#### **3.16.1 Current**

Provision for current tax is based in accordance with Income Tax Ordinance, 2001.

#### **3.16.2 Deferred**

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As the provision for taxation has been made partially under the normal basis and partially under the final tax regime, therefore, the deferred tax liability has been recognised on a proportionate basis in accordance with TR 27 issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the statement of financial position date.

### 3.17 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; and
- The net amount of sales tax recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the statement of financial position.

### 3.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.19 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.

### 3.20 Impairment

The carrying value of the Company's assets except for inventories and deferred tax assets are reviewed at each statement of financial position 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 statement of profit or loss.

### 3.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in which these are approved. Transfer between reserves made subsequent to the statement of financial position date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### 3.22 Functional and presentation currency

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

### 3.23 Operating segments

For management purposes, the activities of the Company are organized into one operating segment i.e., manufacturing, marketing and sale of cement. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organizational and management structure, and internal financial reporting systems. Accordingly, the figures reported in the financial statements are related to the Company's only reportable segment.

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment  
Capital work-in-progress – Line – I  
Capital work-in-progress – Line – II  
Capital work-in-progress – Line – III

Note	2018	2017
	(Rupees in '000)	
4.1	12,277,573	12,909,284
4.2	1,806,317	300,594
4.3	28,331	156,372
4.4	9,693,624	266,614
	11,528,272	723,580
	23,805,845	13,632,864

#### 4.1 Operating property, plant and equipment

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

2018 Description	COST			DEPRECIATION				Book value as at June 30, 2018	Depreciation rate % per annum
	As at July 01, 2017	Additions/ (disposals)	As at June 30, 2018	As at July 01, 2017	Disposals	Charge for the year	As at June 30, 2018		
(Rupees in '000)									
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	2,610,075	90,955	2,701,030	477,718	-	165,874	643,592	2,057,438	7.5
Plant and machinery	12,010,573	197,961 (54,761)	12,153,773	3,769,858	(49,046)	621,167	4,341,979	7,811,794	5-7.5
Power and other installations	2,254,194	40,010 (99)	2,294,105	202,319	- (56)	214,024	416,287	1,877,818	10-20
Furniture and fittings	46,648	4,040 (101)	50,587	19,613	- (84)	2,627	22,156	28,431	10-20
Quarry, factory and laboratory equipment	666,025	46,236	712,261	399,281	-	39,624	438,905	273,356	10-20
Motor vehicles	246,834	52,338 (16,714)	282,458	109,098	- (9,455)	28,733	128,376	154,082	20
Office equipment	36,732	22,387 (157)	58,962	12,918	- (62)	3,255	16,111	42,851	10-20
Computers	82,824	13,555 (172)	96,207	62,486	- (154)	10,742	73,074	23,133	33.33
	17,962,575	467,482 (72,004)	18,358,053	5,053,291	- (58,857)	1,086,046	6,080,480	12,277,573	
(Rupees in '000)									
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	630,166	1,979,909	2,610,075	385,814	-	91,904	477,718	2,132,357	7.5
Plant and machinery	5,864,491	6,222,598 (76,516)	12,010,573	3,396,945	(36,739)	409,652	3,769,858	8,240,715	5-7.5
Power and other installations	169,225	2,085,192 (223)	2,254,194	90,960	- (123)	111,482	202,319	2,051,875	10-20
Furniture and fittings	26,507	20,177 (36)	46,648	17,874	- (32)	1,771	19,613	27,035	10-20
Quarry, factory and laboratory equipment	562,883	103,142	666,025	363,257	-	36,024	399,281	266,744	10-20
Motor vehicles	222,365	53,737 (29,268)	246,834	101,384	- (21,571)	29,285	109,098	137,736	20
Office equipment	19,501	17,866 (635)	36,732	11,475	- (427)	1,870	12,918	23,814	10-20
Computers	63,750	19,764 (690)	82,824	55,248	- (687)	7,925	62,486	20,338	33.33
	7,567,558	10,502,385 (107,368)	17,962,575	4,422,957	- (59,579)	689,913	5,053,291	12,909,284	

**4.1.2** Significant operating fixed assets of each line, other than disclosed in note 1.1, inter alia, also includes following:

Crusher  
Raw mill / press  
Coal mill  
Cooler  
Kiln  
Cement mill / press  
Packing machine  
Waste heat recovery plant  
Generators (Wartsila and Caterpillar)

**4.1.3 Reconciliation of book value:**

	Note	
	2018	2017
	(Rupees in '000)	
Book value at the beginning of the year	12,909,284	3,144,601
Additions during the year – at cost	467,482	10,502,385
Depreciation for the year	(1,086,046)	(689,913)
Disposals during the year at book value	(13,147)	(47,789)
Book value at the end of the year	<u>12,277,573</u>	<u>12,909,284</u>

**4.1.4 The depreciation for the year has been allocated as follows:**

Cost of sales	25	1,058,451	669,667
Distribution costs	26	13,864	10,070
Administrative expenses	27	13,731	10,176
		<u>1,086,046</u>	<u>689,913</u>

**4.1.5 Disposal of operating property, plant and equipment:**

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
(Rupees in '000)						
<b>Motors Vehicles</b>						
Suzuki Mehran VXR 800cc Reg. No. LED –14-1674	683	332	552	220	Tender	Mr. Nadeem Samuel – Lahore
Suzuki Cultus VXR 1000cc Reg. No. LE –12-4863	983	285	712	427	Tender	Mr. Nadeem Samuel – Lahore
Suzuki Alto VXR 1000c Reg. No. LEB –11-3813	731	179	183	4	Employee car scheme	Mr. Fida Hussain – Employee
Suzuki Cultus VXR 1000cc Reg. No. LED –09-9848	795	142	612	470	Tender	Mr. Nadeem Samuel – Lahore
Suzuki Cultus VXR 1000cc Reg. No. AJM –802	555	36	315	279	Tender	Mr. M. Suleman – Islamabad
Honda City I-Dsi 1300cc Reg. No. AGX – 644	841	44	410	366	Tender	Mr. Nabi Gul – Peshawar
Suzuki Mehran VXR 800cc Reg. No. BC –1658	688	233	445	212	Tender	Mr. M. Zubair – Peshawar

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
<b>(Rupees in '000)</b>						
<b>Motors Vehicles</b>						
Suzuki Cultus VXR 1000cc Reg. No. BD –1856	1,093	557	650	93	Tender	Mr. Usman Khan – Peshawar
Honda Civic VT1 Oriol 1800cc Reg. No. ADU - 629	2,586	2,413	2,567	154	Tender	Mr. Rizwan Mazhar – Islamabad
Toyota Corolla GLI 1300cc Reg. No. AYE-075	1,526	460	1,190	730	Tender	Mr. Ahsan Shujaat Sherwani – Karachi
Toyota Corolla GLI 1300cc Reg. No. AYD-434	1,518	458	1,182	724	Tender	Mr. Ahsan Shujaat Sherwani – Karachi
Suzuki Mehran VXR 800cc Reg. No. BAW –728	673	259	431	172	Tender	Mr. Wajahat Ullah Qureshi - Karachi
Toyota Vigo Champ 2400cc Reg. No. CU-2030	2,447	709	1,739	1,030	Tender	Cherat Packaging Limited - Karachi
Honda Civic AT 1800cc Reg. No. ACW - 710	1,529	1,145	1,150	5	Tender	Mr. M. Asim – Peshawar
Honda CD – 100 Reg. No. PL - 153	66	8	26	18	Tender	Mr. Shahid Nawaz – Islamabad
	<b>16,714</b>	<b>7,260</b>	<b>12,164</b>	<b>4,904</b>		
<b>Plant and Machinery - Packing Plant</b>	54,761	5,714	5,823	109	Tender	M/s. Zameer Gul – Peshawar
<b>Power and Other Installations</b>	99	43	-	(43)	Write-off	-
<b>Furniture and Fixture</b>	101	17	46	29	Tender	M/s. Alvi Auctions - Islamabad
<b>Office Equipment</b>	157	95	26	(69)	Tender	Mr. M. Arshad – Lahore
<b>Computer</b>	172	18	65	47	Tender	Mr. Saifullah Babar - Peshawar
<b>2018</b>	<b>72,004</b>	<b>13,147</b>	<b>18,124</b>	<b>4,977</b>		
<b>2017</b>	<b>107,368</b>	<b>47,789</b>	<b>66,890</b>	<b>19,101</b>		

**4.1.5.1** None of the buyers had any relationship with the directors of the Company.

**4.1.6** The market value of property, plant and equipment assessed by an independent valuer as of May 2017 amounts to Rs. 32.132 billion (2017: Rs. 21.327 billion) however, the same has not been incorporated in these financial statements.

## 4.2 Capital work-in-progress – Line – I

Description	Building on leasehold land (4.2.1)	Plant and machinery (4.2.1)	Computers	Power and other installations	Motor vehicles	Quarry, factory and lab equipment	Furniture and fittings	Total
(Rupees in '000)								
<b>Balance as at June 30, 2016</b>	<b>16,212</b>	<b>24,699</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>30,091</b>	<b>2,121</b>	<b>73,723</b>
Capital expenditure incurred / advances made during the year	42,125	433,202	16,485	21,309	62,127	73,326	5,707	654,281
Transferred to operating property, plant and equipment	(21,871)	(214,629)	(14,914)	(19,002)	(51,247)	(98,005)	(7,742)	(427,410)
<b>Balance as at June 30, 2017</b>	<b>36,466</b>	<b>243,272</b>	<b>1,571</b>	<b>2,907</b>	<b>10,880</b>	<b>5,412</b>	<b>86</b>	<b>300,594</b>
Capital expenditure incurred / advances made during the year	73,076	1,623,034	12,276	1,303	58,819	43,184	24,563	1,836,255
Transferred to operating property, plant and equipment	(72,874)	(118,179)	(13,505)	(4,210)	(52,338)	(44,984)	(24,442)	(330,532)
<b>Balance as at June 30, 2018</b>	<b>36,668</b>	<b>1,748,127</b>	<b>342</b>	<b>-</b>	<b>17,361</b>	<b>3,612</b>	<b>207</b>	<b>1,806,317</b>

4.2.1 Represent costs incurred on the installation of the Captive Power Plant Generators and include borrowing costs capitalized during the year amounting to Rs. 18.66 million in respect of conventional banking (2017: Nil) by using a capitalization rate of 6.71% (2017: Nil).

## 4.3 Capital work-in-progress – Line – II

<b>Balance as at June 30, 2016</b>	<b>1,938,939</b>	<b>7,486,291</b>	<b>1,001</b>	<b>68,843</b>	<b>874</b>	<b>-</b>	<b>2,683</b>	<b>9,498,631</b>
Capital expenditure incurred / advances made during the year								
- Line - II (4.3.1)	43,881	-	3,849	640,372	1,616	11,760	30,629	732,107
- WHR - II	-	-	-	54	-	-	555	609
	43,881	-	3,849	640,426	1,616	11,760	31,184	732,716
Transfers during the year	-	(1,398,610)	-	1,398,610	-	-	-	-
Capitalized during the year								
- Line - II (4.3.1)	(1,873,421)	(5,226,397)	(4,850)	(2,066,137)	(2,490)	(5,137)	(29,747)	(9,208,179)
- WHR - II	(84,617)	(781,572)	-	(53)	-	-	(554)	(866,796)
	(1,958,038)	(6,007,969)	(4,850)	(2,066,190)	(2,490)	(5,137)	(30,301)	(10,074,975)
<b>Balance as at June 30, 2017</b>	<b>24,782</b>	<b>79,712</b>	<b>-</b>	<b>41,689</b>	<b>-</b>	<b>6,623</b>	<b>3,566</b>	<b>156,372</b>
Capital expenditure incurred / advances made during the year								
- Line - II (4.3.1)	2,526	1,089	50	-	800	953	3,491	8,909
- WHR - II	-	-	-	-	-	-	-	-
	2,526	1,089	50	-	800	953	3,491	8,909
Capitalized during the year								
- Line - II (4.3.1)	(18,081)	(79,782)	(50)	(35,800)	-	(1,252)	(1,985)	(136,950)
- WHR - II	-	-	-	-	-	-	-	-
	(18,081)	(79,782)	(50)	(35,800)	-	(1,252)	(1,985)	(136,950)
<b>Balance as at June 30, 2018</b>	<b>9,227</b>	<b>1,019</b>	<b>-</b>	<b>5,889</b>	<b>800</b>	<b>6,324</b>	<b>5,072</b>	<b>28,331</b>

4.3.1 Represent costs incurred on the installation of Line – II at the existing location in Nowshera, Khyber Pakhtunkhwa Province and include borrowing costs capitalized during the year amounting to Nil in respect of Islamic banking (2017: Rs. 119.21 million) and Nil in respect of conventional banking (2017: Rs. 19.10 million) by using a capitalization rate of Nil (2017: 6.93%).

#### 4.4 Capital work-in-progress – Line – III

Description	Building on leasehold land	Plant and machinery	Computers	Power and other installations	Motor vehicles	Quarry, factory and lab equipment	Furniture and fittings	Total
(Rupees in '000)								
<b>Balance as at June 30, 2016</b>	-	-	-	-	-	-	-	-
Capital expenditure incurred / advances made during the year (4.4.1)	18,543	248,071	-	-	-	-	-	266,614
<b>Balance as at June 30, 2017</b>	<b>18,543</b>	<b>248,071</b>	-	-	-	-	-	<b>266,614</b>
Capital expenditure incurred / advances made during the year								
- Line – III (4.4.1)	2,015,573	6,967,353	155	117,122	2,761	1,557	8,161	9,112,682
- WHR – III	34,334	279,994	-	-	-	-	-	314,328
	2,049,907	7,247,347	155	117,122	2,761	1,557	8,161	9,427,010
<b>Balance as at June 30, 2018</b>	<b>2,068,450</b>	<b>7,495,418</b>	<b>155</b>	<b>117,122</b>	<b>2,761</b>	<b>1,557</b>	<b>8,161</b>	<b>9,693,624</b>

4.4.1 Represent costs incurred on the installation of Line – III at the existing location in Nowshera, Khyber Pakhtunkhwa Province and include borrowing costs capitalized during the year amounting to Rs. 215.75 million in respect of Islamic banking (2017: Nil) by using a capitalization rate of 7.38% (2017: Nil).

#### 5. INTANGIBLE ASSETS

Description	COST			AMORTIZATION			Book value as at June 30,	Amortization Rate % per annum
	As at July 01,	Additions during the year	As at June 30	As at July 01	Charge for the year	As at June 30		
(Rupees in '000)								
Computer software								
<b>2018</b>	38,042	-	38,042	18,832	3,804	22,636	15,406	10
<b>2017</b>	27,132	10,910	38,042	15,845	2,987	18,832	19,210	10

5.1 The amortisation for the year has been allocated as follows:

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	25	3,353	2,344
Distribution costs	26	28	345
Administrative expenses	27	423	298
		<u>3,804</u>	<u>2,987</u>

#### 6. LONG-TERM INVESTMENTS

##### Investment in related parties

Available-for-sale securities	6.1	389,141	558,585
Interest in a joint venture	6.2	-	-
Interest in a joint venture	6.3	7,653	7,690
		<u>396,794</u>	<u>566,275</u>



6.1 Available-for-sale securities	2018	2017
	(Rupees in '000)	
<b>Cherat Packaging Limited</b> 2,468,406 (2017: 2,174,808) fully paid ordinary shares of Rs. 10/- each.	354,685	517,126
<b>Mirpurkhas Sugar Mills Limited</b> 262,500 (2017: 262,500) fully paid ordinary shares of Rs. 10/- each.	34,456	41,459
	389,141	558,585
<b>6.2 Interest in a joint venture - Madian Hydro Power Limited (MHPL)</b>		
Company's share in net assets	106,705	106,705
Less: Impairment loss	(106,705)	(106,705)
	-	-

**6.2.1** Represents 10,744,997 shares (2017: 10,744,997 shares) representing 50% (2017: 50%) interest in MHPL a public unlisted company, which is a joint venture of the Company and Shirazi Investments (Private) Limited. MHPL is formed to build, operate and maintain hydro power generation plant at Madian over River Swat for the generation and supply of electric power. Technical feasibility of MHPL was completed in 2009, which was approved by Private Power and Infrastructure Board (PPIB). Due to deteriorated law and order situation in Swat and adjoining areas the project delayed. During last year, Private Power and Infrastructure Board (PPIB) has terminated the Letter of Intent (LOI) issued to the Company. In view of the aforesaid uncertain situation, the management decided to write-off the investment completely.

6.3 Investment in a joint venture – UniEnergy Limited	Note	Unaudited 2018	Audited 2017
		(Rupees in '000)	
Cost of investment	6.3.1	7,690	7,690
Share of losses		(37)	-
		7,653	7,690

**6.3.1** Represents 768,999 (2017: 768,999) shares of Rs. 10 each representing 7.69% interest in UniEnergy Limited (UEL), a public unlisted company. UEL is formed for the generation and transmission of wind power, however, the company has not yet commenced its commercial operations.

**6.4** Investments in associated companies and undertakings have been made in accordance with the requirements of the Act.

7. LONG-TERM LOANS – secured, considered good	Note	2018	2017
		(Rupees in '000)	
Employees	7.1	2,740	2,879
Less: Current maturity	11	(2,054)	(2,254)
		686	625

**7.1** Represent loans given to employees as per the Company's policy. These loans carry mark-up 10% per annum (2017: 10% per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees. These loans do not exceed Rs. 1 million to any employee.

8. STORES, SPARE PARTS AND LOOSE TOOLS	2018	2017
	(Rupees in '000)	
Stores	1,508,276	1,097,348
Spare parts	941,147	888,195
Loose tools	1,468	719
	2,450,891	1,986,262
Stores and spare parts in transit	328,016	224,050
	2,778,907	2,210,312

## 9. STOCK-IN-TRADE

Note	2018	2017
	(Rupees in '000)	
Raw and packing material	146,179	120,557
Work-in-process	422,652	556,621
Finished goods	184,807	166,642
	<u>753,638</u>	<u>843,820</u>

## 10. TRADE DEBTS – secured, considered good

Neither past due nor impaired	10.1	<u>188,272</u>	<u>130,767</u>
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10.1 These are secured by way of postdated cheques and promissory notes and do not include any receivables in respect of export sales.

Note	2018	2017
	(Rupees in '000)	

## 11. LOANS AND ADVANCES – considered good

Advances to suppliers	11.1 & 11.2	82,027	35,069
Current portion of long-term loans	7	<u>2,054</u>	<u>2,254</u>
		<u>84,081</u>	<u>37,323</u>

11.1 Sector wise analysis is as follows:

Government sector – secured		49,533	-
Other sectors – unsecured		<u>32,494</u>	<u>35,069</u>
		<u>82,027</u>	<u>35,069</u>

11.2 These advances do not carry any interest.

## 12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Short-term prepayments		25,393	11,593
Trade deposits	12.1	<u>547</u>	<u>547</u>
		<u>25,940</u>	<u>12,140</u>

12.1 These deposits do not carry any interest.

## 13. OTHER RECEIVABLES

Gratuity fund	13.1	5,726	416,946
Provident fund	13.2	-	-
Sales tax and federal excise duty - adjustable		1,552,300	541,244
Insurance claims receivable		19,184	6,818
Duty drawback receivable		19,153	16,610
Others		<u>2,654</u>	<u>3,412</u>
		<u>1,599,017</u>	<u>985,030</u>

### 13.1 Gratuity fund

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, 2018.

2018	2017
(Rupees in '000)	

### Gratuity fund asset:

Present value of defined benefit obligations	540,225	470,716
Fair value of plan assets	<u>(545,951)</u>	<u>(887,662)</u>
Asset recognised in the statement of financial position	<u>(5,726)</u>	<u>(416,946)</u>

	2018	2017
	(Rupees in '000)	
Current service cost	35,885	33,116
Interest cost	36,800	27,907
Expected return on plan assets	(70,556)	(45,592)
Expense recognized	<u>2,129</u>	<u>15,431</u>
Experience adjustment arising on plan liabilities losses	18,268	39,229
Return on plan assets excluding interest income gains	<u>400,823</u>	<u>(220,174)</u>
	<u>419,091</u>	<u>(180,945)</u>

**Movement in net asset recognised in the statement of financial position:**

Balance as at July 01	(416,946)	(236,432)
Net charge for the year	2,129	15,431
Re-measurements chargeable in other comprehensive income	419,091	(180,945)
Contribution to the fund	(10,000)	(15,000)
Balance as at June 30	<u>(5,726)</u>	<u>(416,946)</u>

**Movement in the present value of defined benefit obligation:**

Balance as at July 01	470,716	399,375
Current service cost	35,885	33,116
Interest cost	36,800	27,907
Benefits paid during the year	(21,444)	(28,911)
Actuarial loss	18,268	39,229
Balance as at June 30	<u>540,225</u>	<u>470,716</u>

**Movement in the fair value of plan assets:**

Balance as at July 01	887,662	635,807
Expected return	70,556	45,592
Contributions	10,000	15,000
Benefits paid during the year	(21,444)	(28,911)
Actuarial (loss) / gain	(400,823)	220,174
Balance as at June 30	<u>545,951</u>	<u>887,662</u>

**Principal actuarial assumptions used are as follows:**

	2018	2017
	(Percentage)	
Expected rate of increase in salary level – long term	8.50	7.75
Valuation discount rate	9.00	8.00
Rate of return on plan assets	9.00	8.00

**Comparisons for past years:  
As at June 30**

	2018	2017	2016	2015	2014
	(Rupees in '000)				
Present value of defined benefit obligations	540,225	470,716	399,375	353,290	264,832
Fair value of plan assets	(545,951)	(887,662)	(635,807)	(476,842)	(268,940)
(Surplus) / deficit	<u>(5,726)</u>	<u>(416,946)</u>	<u>(236,432)</u>	<u>(123,552)</u>	<u>(4,108)</u>
Experience adjustment on plan liabilities	(18,268)	(39,229)	(3,956)	(50,666)	(12,286)
Experience adjustment on plan assets	<u>(400,823)</u>	<u>220,174</u>	<u>120,243</u>	<u>169,177</u>	<u>26,944</u>
	<u>(419,091)</u>	<u>180,945</u>	<u>116,287</u>	<u>118,511</u>	<u>14,658</u>

## Sensitivity analysis

	2018			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of obligations	519,099	564,207	565,713	517,401

## Composition of plan assets is as follows:

	2018	2017
	(Rupees in '000)	
Defence Savings Certificates / PIBs / T-bills	40,757	52,903
Special Savings Certificates	-	26,388
Mutual funds / Shares	490,673	787,231
Bank balances	14,521	21,140
	<u>545,951</u>	<u>887,662</u>

The expected return on plan assets is 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 loss on plan assets during the year amounts to Rs. 330.268 million (2017: Actual return on plan assets Rs. 265.767 million).

## 13.2 Provident fund

	2018	2017
	(Unaudited)	
	(Rupees in '000)	
Size of the trust	796,576	707,477
Cost of investments	784,918	696,912
Fair value of investments	853,494	953,231
	(Percentage)	
Percentage of investments made	98.54	98.51

## Major categories of investment of provident fund are as follows:

	2018		2017	
	Investment	Investment as size of the fund	Investment	Investment as size of the fund
	(Rupees in '000)	%	(Rupees in '000)	%
Government securities	466,295	59	460,533	66
Mutual funds	107,345	14	98,816	14
Listed shares	210,908	27	128,479	19
Bank balances	370	00	9,084	01
	<u>784,918</u>	<u>100</u>	<u>696,912</u>	<u>100</u>

13.2.1 Investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and the regulations formulated for this purpose.

## 14. CASH AND BANK BALANCES

### Cash in hand

Foreign currency	14	67
Local currency	3,755	7,997
	<u>3,769</u>	<u>8,064</u>

### Bank balances

#### Islamic banks

Current accounts	576	2,649
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#### Conventional banks

Current accounts	18,627	29,356
Saving accounts	24,080	5,745
	<u>42,707</u>	<u>35,101</u>
	<u>47,052</u>	<u>45,814</u>

14.1 These carry effective profit rate of 4% (2017: 3.75%) per annum.

## 15. SHARE CAPITAL

### 15.1 Authorised capital

2018	2017		2018	2017
Number of shares			(Rupees in '000)	
225,000,000	225,000,000	Ordinary shares of Rs. 10/- each	2,250,000	2,250,000

### 15.2 Issued, subscribed and paid-up capital

		Fully paid ordinary shares of Rs. 10/- each		2018	2017
91,335,845	91,335,845	- Issued for cash		913,358	913,358
80,236,008	80,236,008	- Issued as fully paid bonus shares		802,360	802,360
		- Issued for consideration other than cash on amalgamation		50,600	50,600
5,060,000	5,060,000			50,600	50,600
176,631,853	176,631,853			1,766,318	1,766,318

### 15.3 Following is the detail of shares held by the related parties:

	2018	2017
	Number of shares	
Faruque (Private) Limited	38,266,685	37,073,485
Cherat Packaging Limited	4,843,362	4,843,362
Mirpurkhas Sugar Mills Limited	5,770,252	5,770,252
Greaves Pakistan (Private) Limited	2,199,093	2,199,093
Zensoft (Private) Limited	20,000	20,000
	51,099,392	49,906,192

15.4 Voting rights, Board selection, right of first refusal and block voting are in proportion to the shareholding.

## 16. RESERVES

	Note	2018	2017
		(Rupees in '000)	
<b>Capital reserves</b>			
Share premium		1,047,658	1,047,658
Others	16.1	50,900	50,900
		1,098,558	1,098,558
<b>Revenue reserves</b>			
General reserves		420,000	420,000
Unappropriated profit		7,729,273	6,391,997
Actuarial gain on gratuity fund		8,371	427,462
Unrealized gain on available-for-sale securities		151,228	357,372
		8,308,872	7,596,831
		9,407,430	8,695,389

16.1 This reserve was created due to amalgamation of Cherat Electric Limited with the Company.

## 17. LONG-TERM FINANCING – secured

	Note	2018	2017
		(Rupees in '000)	
<b>Islamic banks</b>			
Syndicated Long-Term Finance Loan – Line - II	17.1	3,284,211	3,284,211
Waste Heat Recovery Loan – Line - II	17.2	-	600,565
Fixed Assets Refinance Loan – Line – II	17.2	-	300,000
Syndicated Long-Term Finance Loan – Line - III	17.3	10,000,000	-
		13,284,211	4,184,776
<b>Conventional banks</b>			
Syndicated Long-Term Finance Loan – Line - II	17.1	715,789	715,789
Captive Power Plant Loan	17.4	1,100,000	-
		15,100,000	4,900,565
Less: Current maturity	17.1	(400,000)	(60,057)
		14,700,000	4,840,508

- 17.1** Represents long-term financing obtained from Islamic banks under Diminishing Musharika Scheme and a term loan from a conventional bank. It carries mark-up at the rate of 6 months KIBOR + 0.7% per annum. The financing is repayable in 10 equal semi-annual installments commencing after a grace period of 36 months from the date of first draw down i.e. March 2019. The financing is secured against first pari-passu hypothecation charge of Rs. 12,670 million on plant and machinery and immovable fixed assets of the Company.
- 17.2** During the year, early repayments have been made.
- 17.3** Represents a syndicated loan obtained from Islamic banks under Diminishing Musharika Scheme amounting to Rs. 13,000 million. The loan carries a profit rate of 6 months KIBOR + 0.45% per annum. The financing is repayable in 10 equal semi-annual installments commencing after a grace period of 36 months from the date of first drawdown i.e. April 2021. It is secured against first pari-passu hypothecation charge of Rs. 17,334 million on plant and machinery and immovable fixed assets of the Company.
- 17.4** Represents a long-term financing obtained from a conventional bank amounting to Rs. 1,100 million which carries mark-up at the rate of 6 months KIBOR+ 0.15% per annum. The financing is repayable in 10 equal semi-annual installments commencing after a grace period of 24 months from the date of first draw down i.e. September, 2020. The financing is secured against first pari-passu hypothecation charge of Rs. 1,467 million on plant and machinery of the Company.

## 18. LONG-TERM SECURITY DEPOSITS

Represent amount received from the dealers and contractors of the Company, which is utilised for the purpose of the business in accordance with the related agreements.

	Note	2018	2017
(Rupees in '000)			
<b>19. DEFERRED TAXATION</b>			
Accelerated tax depreciation		1,564,873	1,337,320
Unused tax loss / credit		(589,233)	(420,014)
		<u>975,640</u>	<u>917,306</u>
<b>20. TRADE AND OTHER PAYABLES</b>			
Creditors		388,149	142,276
Bills payable		517,708	254,942
Accrued liabilities		164,988	133,852
Advances from customers		72,300	100,559
Retention money		719,318	40,315
Workers' Profits Participation Fund	20.1	113,019	130,250
Others		14,949	10,770
		<u>1,990,431</u>	<u>812,964</u>
<b>20.1 Workers' Profits Participation Fund</b>			
Opening balance		130,250	109,812
Interest thereon	30	1,622	801
		<u>131,872</u>	<u>110,613</u>
Less: Payment made during the year		(131,872)	(110,613)
		<u>-</u>	<u>-</u>
Charge for the year	28	113,019	130,250
Closing balance		<u>113,019</u>	<u>130,250</u>

21. ACCRUED MARK-UP	Note	2018	2017
		(Rupees in '000)	
<b>Islamic banks</b>			
Long-term financings		183,394	124,431
<b>Conventional banks</b>			
Long-term financings		33,584	12,825
Short-term borrowings		13,046	9,087
		46,630	21,912
		230,024	146,343

## 22. SHORT-TERM BORROWINGS – secured

Short-term running finance – Conventional banks	22.1	963,947	1,500,411
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- 22.1 Represents facilities obtained from various conventional banks amounting to Rs.3,300 million (2017: Rs. 2,265 million) out of which Rs. 2,327 million (2017: Rs. 764.589 million) remains unutilized at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.50% per annum to 3 months KIBOR + 0.75% per annum and 1 month KIBOR + 0.20% per annum to 1 month KIBOR + 0.75% per annum. These facilities are secured against registered joint pari-passu hypothecation charge over stocks and book debts for Rs. 4,400 million (2017: Rs. 3,003 million). Further, the Company has obtained credit facilities from various Islamic banks amounting to Rs. 550 million (2017: Rs. 550 million) which remained unutilized at the year end. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 734 million (2017: Rs. 734 million).

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Contingencies

- During the period from 1994 to 1999, excise duty was wrongly collected from the Company by the Federal Board of Revenue (FBR) based on retail price inclusive of excise duty which has resulted in a refund claim of Rs. 882 million. The Company challenged this matter in the Peshawar High Court (PHC). The PHC and subsequently the Supreme Court of Pakistan (SCP) have agreed with the Company's point of view that excise duty shall not be included as component for determining the value i.e. retail price for levying excise duty. While verifying the refund claim, the Collector of Excise and Sales Tax - Peshawar issued a show cause notice to the Company raising certain objections against the release of said refund including an objection that the burden of this levy has been passed on to the end customers. The Company challenged this objection in the PHC which directed to appoint an independent firm of Chartered Accountants for verification of this refund claim. However, based on an out of court settlement, the Regional Tax Office (RTO) Peshawar carried out the verification of this refund claim based on the terms of reference advised by the Federal Tax Ombudsman (FTO). RTO Peshawar finalized the report which was not in line with the parameters given by the FTO, therefore, the FTO made a ruling for verification of the adverse observations of the RTO Peshawar through an independent firm of Chartered Accountants. This ruling of FTO was challenged by the FBR to the President of Pakistan who rejected representation of the FBR and approved the recommendations of FTO with modification that the verification be carried out by two reputed audit firms. The FBR filed writ petition in the PHC against the authority of FTO to pass such an order. During the current year, the PHC has dismissed the above petition and directed FBR to appoint two independent firms of Chartered Accountants to get the single point audit for verification of the refund claim. The FBR filed review petition before the PHC and has also filed appeal before SCP.
- During the year ended June 30, 2013, the Company won a petition in the High Court of Sind (HCS) against special excise duty levied by the FBR for the period from July 2007 to June 2011 which resulted in a refund claim of Rs. 100.08 million. However, the FBR has challenged this decision in the SCP where it is pending for adjudication.
- The Company has also filed various refund cases of Rs. 57 million (2017: Rs. 57 million) at different appellate forums which are pending adjudication.

Keeping in view the inherent uncertainties involved in the above matters, the management as a matter of prudence, has not recognized these refunds in the financial statements.

- The Competition Commission of Pakistan (CCP) passed an order in 2009 imposing a penalty of Rs. 6,312 million on the cement industry including a penalty of Rs. 226 million on the Company on the alleged grounds of increase in prices of cement across the country. The Company challenging the vires of law in the Lahore High Court for which appeal is pending adjudication. The Company also filed a writ petition in the SCP challenging the aforesaid order which referred the matter to the Appellate Tribunal (the Tribunal). However, the Company challenged the constitution of the Tribunal on various legal grounds before the HCS, which has granted stay in the favour of Company.
- Government of Sindh imposed an infrastructure fee on the goods entering or leaving the province through the Sindh Finance (Amendment) Ordinance, 2007 which was challenged in the HCS which granted an interim relief in May 2011, whereby the goods of petitioners will be cleared by the Excise and Taxation Department on payment of 50% of the disputed amount and on furnishing bank guarantee for the balance 50% amount till the final outcome of the case. The Company became a party to the arrangement in February 2014 and issued bank guarantees in favour of the Department. During the year a new law was enacted in this regard with change in rates which was challenged through a fresh petition in the HCS and similar type of stay was again obtained. The amount of guarantee issued up to June 30, 2018 is Rs. 120 million (2017: Rs. 54 million).
- During the current year, the Mines and Mineral Department (the department) of Khyber Pakhtunkhwa (KPK raised a demand order of Rs. 252 million on account of under reporting of production by the Company. The Company filed an appeal against the demand order before the Secretary of the department who rejected the appeal without addressing the issue. The Company being aggrieved challenged the said decision and filed a writ petition before the PHC which granted stay on this matter and the case is pending adjudication.

Based on the legal advices, the management believes that there are strong legal grounds for a favourable outcome, accordingly, no provision for the above matters have been made in these financial statements.

## 23.2 Commitments

	2018	2017
	(Rupees in '000)	
- Letters of credit – conventional banks	278,484	5,472,608
- Letters of guarantee – conventional bank	359,060	129,000

## 24. TURNOVER – NET

Local sales – gross	19,618,655	12,192,155
Rebate and commission	(784,432)	(369,855)
	<u>18,834,223</u>	<u>11,822,300</u>
Sales tax	(3,198,685)	(1,925,600)
Federal excise duty	(2,803,279)	(1,340,226)
	(6,001,964)	(3,265,826)
Local sales – net	<u>12,832,259</u>	<u>8,556,474</u>
Export sales – gross	1,703,562	1,173,632
Rebate and commission	(147,472)	(84,707)
Export sales– net	<u>1,556,090</u>	<u>1,088,925</u>
	<u>14,388,349</u>	<u>9,645,399</u>



**25. COST OF SALES**

	Note	2018 / 2017	
		(Rupees in '000)	
Raw and packing material consumed			
Opening stock		120,557	58,633
Purchases		1,906,115	1,157,641
		<u>2,026,672</u>	<u>1,216,274</u>
Closing stock	9	(146,179)	(120,557)
		<u>1,880,493</u>	<u>1,095,717</u>
Duty drawback on exports		(9,296)	(7,120)
		<u>1,871,197</u>	<u>1,088,597</u>
Manufacturing overheads			
Salaries, wages and benefits	25.1	1,104,848	839,237
Stores and spare parts consumed		418,204	261,519
Fuel and power		6,161,587	3,698,323
Rent, rates and taxes		228,405	156,652
Insurance		112,061	54,546
Vehicle running expenses		71,811	52,966
Travelling and conveyance		15,789	11,389
Printing and stationery		3,167	1,260
Legal and professional charges		19,692	8,028
Laboratory expenses		206	210
Depreciation	4.1.4	1,058,451	669,667
Amortisation	5.1	3,353	2,344
Repairs and maintenance		46,152	45,812
Communication		2,749	5,378
Stores written-off		285	115
Others		15,392	13,604
		<u>11,133,349</u>	<u>6,909,647</u>
Work-in-process			
Opening		556,621	171,321
Closing	9	(422,652)	(556,621)
		<u>11,267,318</u>	<u>6,524,347</u>
Cost of goods manufactured			
Finished goods			
Opening		166,642	74,576
Closing	9	(184,807)	(166,642)
		<u>11,249,153</u>	<u>6,432,281</u>

**25.1** Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 25.15 million and Rs. 1.51 million, respectively (2017: Rs. 17.60 million and Rs. 9.10 million, respectively).

**26. DISTRIBUTION COSTS**

	Note	2018 / 2017	
		(Rupees in '000)	
Salaries, wages and benefits	26.1	248,259	202,118
Export expenses		1,165	690
Travelling and conveyance		6,944	4,583
Staff training expenses		416	421
Vehicle running expenses		12,962	11,100
Communication		4,698	5,715
Printing and stationery		2,585	1,758
Rent, rates and taxes		11,851	9,198
Utilities		5,314	8,389
Repairs and maintenance		6,016	7,554
Insurance		3,131	2,795
Advertisement		12,860	10,033
Entertainment		2,675	2,201
Depreciation	4.1.4	13,864	10,070
Amortisation	5.1	28	345
License and subscription		1,809	1,264
Others		2,555	1,764
		<u>337,132</u>	<u>279,998</u>

**26.1** Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 6.85 million and Rs. 0.41 million, respectively (2017: Rs. 5.81 million and Rs. 2.91 million, respectively).

## 27. ADMINISTRATIVE EXPENSES

Note	2018	2017	
	(Rupees in '000)		
Salaries, wages and benefits	27.1	159,889	145,918
Travelling and conveyance		5,592	6,898
Staff training expenses		446	306
Vehicle running expenses		6,865	5,648
Communication		5,978	5,842
Printing and stationery		3,478	4,333
Rent, rates and taxes		3,822	3,703
Utilities		1,732	1,597
Repairs and maintenance		4,209	10,884
Legal and professional charges		26,221	15,736
Insurance		3,180	3,751
License and subscription		3,923	4,465
Advertisement		1,638	1,054
Depreciation	4.1.4	13,731	10,176
Amortisation	5.1	423	298
Entertainment		1,655	2,030
Others		2,476	2,470
		<u>245,258</u>	<u>225,109</u>

27.1 Include expenditure in respect of provident fund and gratuity fund amounting to Rs.5.63 million and Rs. 0.21 million, respectively (2017: Rs. 4.98 million and Rs. 1.85 million, respectively).

## 28. OTHER EXPENSES

Note	2018	2017	
	(Rupees in '000)		
Workers' Profits Participation Fund	20.1	113,019	130,250
Auditors' remuneration	28.1	3,717	2,921
Donations	28.2	7,303	8,678
Share of loss from joint venture		37	-
Exchange loss		9,890	1,540
		<u>133,966</u>	<u>143,389</u>

### 28.1 Auditors' remuneration

Audit fee	1,100	1,050
Half yearly review and CCG certification	470	425
Tax and other corporate services	1,872	1,197
Out of pocket expenses	275	249
	<u>3,717</u>	<u>2,921</u>

### 28.2 Donations

Ghulam Faruque Welfare Trust	1,500	-
Aga Khan Hospital & Medical College Foundation	-	2,200
Nowshera Lion Club	700	600
The Citizens Foundation	-	2,000
The Indus Hospital	-	1,000
Others	5,103	2,878
	<u>7,303</u>	<u>8,678</u>

28.2.1 Recipients of donations do not include any donee in which any director or his spouse had any interest except for donation paid to Ghulam Faruque Trust. Following directors of the Company are also trustees of the said trust:

- Mr. Omar Faruque
- Mr. Azam Faruque
- Mr. Shehryar Faruque

## 29. OTHER INCOME

Note	(Rupees in '000)	
	2018	2017
<b>Income from financial assets</b>		
Profit on bank accounts – conventional banks	826	1,138
Gain on redemption of short-term investments – conventional mode	-	2,186
Dividend income from a related party	20,160	21,973
	<u>20,986</u>	<u>25,297</u>
<b>Income from non-financial assets</b>		
Gain on disposal of operating property, plant and equipment	4,977	19,101
Reversal of Workers' Welfare Fund (WWF)	-	35,040
Scrap sales	51,854	53,858
Miscellaneous income	3,295	88
	<u>60,126</u>	<u>108,087</u>
	<u>81,112</u>	<u>133,384</u>

## 30. FINANCE COSTS

### Islamic banks

Mark-up on long-term financings	250,647	132,887
Mark-up on short-term borrowings	-	433
Bank charges and commission	1,285	317
	<u>251,932</u>	<u>133,637</u>

### Conventional banks

Mark-up on long-term financings	49,722	21,540
Mark-up on short-term borrowings	38,094	22,586
Bank charges and commission	15,215	9,651
	<u>103,031</u>	<u>53,777</u>

Interest on workers' profits participation fund	20.1	1,622	801
		<u>356,585</u>	<u>188,215</u>

## 31. TAXATION

**31.1** In view of the tax exemption on investment in Khyber Pakhtunkhwa and Baluchistan provinces under clause 126L of Part I of the Second Schedule to the Income Tax Ordinance, 2001, profits and gains are exempted on line – II. For this purpose, separate books of accounts have been maintained for both lines (i.e., Line-I and Line-II). However, provision for Minimum Tax at the rate of 1.25% under section 113 of the Income Tax Ordinance, 2001 has been charged on local turnover of Line-I in these financial statements.

**31.2** The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

Tax year	Provision for taxation as per accounts (note 31.3)	Tax assessed as per return	Excess / (under) (note 31.4)
(Rupees in '000)			
2017	107,510	(798,255)	905,765
2016	562,871	562,871	-
2015	431,358	431,358	-

**31.3** Provision for taxation as per accounts is the aggregate of current tax expense and prior tax expense recorded in subsequent period.

**31.4** The Company has filed its return of income up to tax year 2017. However, the tax department has issued a notice in respect of the following:

During the year ended June 30, 2017, the Company made investment in plant and machinery of Line - II amounting to Rs. 9,057.65 million which was eligible for a tax credit amounting Rs. 905.77 million under section 65B of the Income Tax Ordinance, 2001 (the tax credit). The tax credit is in addition to tax exemption on profit and gains derived from Line - II under clause 126L of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The management believes that the Company is eligible for both the above benefits for Line-II, and therefore, has taken both the benefits in the income tax return filed for the tax year 2017. However, the tax department is of the opinion that any one of the two benefits will be available to the Company i.e. tax exemption under clause 126L or the tax credit u/s 65B for Line – II. In this connection, the department has issued notice under the Income Tax Ordinance, 2001 questioning availing both the benefits hence the assessment is not deemed final. Accordingly, as a matter of prudence, the management has recognised the benefit under clause 126L but has not recognised the tax credit u/s 65B of the Income Tax Ordinance, 2001 in these financial statement.

**31.5 Reconciliation between tax expense and accounting profit**

	2018	2017
	(Rupees in '000)	
Accounting profit before taxation	2,147,367	2,509,791
Tax at applicable rate of 30% (2017: 31%)	644,210	778,035
Effect of Alternative Corporate Tax	(17,278)	(172,622)
	626,932	605,413
<b>Tax effects of:</b>		
- income taxed at reduced rates	3,024	4,065
- income taxed under final tax regime	12,534	11,434
- income exempt from tax	(576,778)	(398,568)
- tax credit	(28,425)	(33,164)
- prior year	(80,373)	(37,165)
- expenses that are admissible / inadmissible in determining taxable income	58,334	401,214
	15,248	553,229

**32. EARNINGS PER SHARE**

	2018	2017
Net profit for the year (Rupees in '000)	2,132,119	1,956,562
Weighted average number of ordinary shares in issue	176,631,853	176,631,853
Earnings per share – basic	Rs. 12.07	Rs. 11.08

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

### 33. LINE - WISE RESULTS

	Note	2018		
		Line - I	Line - II	Total
		(Rupees in '000)		
Turnover – net	33.1	5,262,559	9,125,790	14,388,349
Cost of sales	33.2	(4,819,761)	(6,429,392)	(11,249,153)
<b>Gross profit</b>		442,798	2,696,398	3,139,196
Distribution costs	33.3	(124,782)	(212,350)	(337,132)
Administrative expenses	33.4	(90,745)	(154,513)	(245,258)
Other expenses	33.5	(20,036)	(113,930)	(133,966)
		(235,563)	(480,793)	(716,356)
Other income	33.6	29,954	51,158	81,112
<b>Operating profit</b>		237,189	2,266,763	2,503,952
Finance costs	33.7	(56,216)	(300,369)	(356,585)
<b>Profit before taxation</b>		180,973	1,966,394	2,147,367
<b>Taxation</b>				
Current		(37,287)	-	(37,287)
Prior year		80,373	-	80,373
Deferred		405,595	(463,929)	(58,334)
	33.8	448,681	(463,929)	(15,248)
<b>Net profit for the year</b>		629,654	1,502,465	2,132,119

#### 33.1 TURNOVER – net

Local sales – net	4,009,144	8,823,115	12,832,259
Export sales – net	1,253,415	302,675	1,556,090
	5,262,559	9,125,790	14,388,349

### 33.2 COST OF SALES

	2018		
	Line - I	Line - II	Total
	(Rupees in '000)		
Raw and packing material consumed			
Opening stock	-	120,557	120,557
Purchases	677,966	1,228,149	1,906,115
	677,966	1,348,706	2,026,672
Closing stock	(466)	(145,713)	(146,179)
	677,500	1,202,993	1,880,493
Duty drawback on exports	(4,866)	(4,430)	(9,296)
	672,634	1,198,563	1,871,197
Manufacturing overheads			
Salaries, wages and benefits	604,391	500,457	1,104,848
Stores and spare parts consumed	305,916	112,288	418,204
Fuel and power	2,901,311	3,260,276	6,161,587
Rent, rates and taxes	94,776	133,629	228,405
Insurance	64,908	47,153	112,061
Vehicle running expenses	30,307	41,504	71,811
Travelling and conveyance	12,053	3,736	15,789
Printing and stationery	1,332	1,835	3,167
Legal and professional charges	12,318	7,374	19,692
Laboratory expenses	70	136	206
Depreciation	270,504	787,947	1,058,451
Amortisation	1,478	1,875	3,353
Repairs and maintenance	30,888	15,264	46,152
Communication	1,185	1,564	2,749
Stores written-off	285	-	285
Others	7,185	8,207	15,392
	5,011,541	6,121,808	11,133,349
Work-in-process			
Opening	130,711	425,910	556,621
Closing	(310,551)	(112,101)	(422,652)
Cost of goods manufactured	4,831,701	6,435,617	11,267,318
Finished goods			
Opening	62,604	104,038	166,642
Closing	(74,544)	(110,263)	(184,807)
	4,819,761	6,429,392	11,249,153

### 33.3 DISTRIBUTION COSTS

Salaries, wages and benefits	91,856	156,403	248,259
Export expenses	431	734	1,165
Travelling and conveyance	2,570	4,374	6,944
Staff training expenses	154	262	416
Vehicle running expenses	4,842	8,120	12,962
Communication	1,738	2,960	4,698
Printing and stationery	956	1,629	2,585
Rent, rates and taxes	4,385	7,466	11,851
Utilities	1,965	3,349	5,314
Repairs and maintenance	2,226	3,790	6,016
Insurance	1,158	1,973	3,131
Advertisement	4,758	8,102	12,860
Entertainment	990	1,685	2,675
Depreciation	5,128	8,736	13,864
Amortisation	11	17	28
License and subscription	669	1,140	1,809
Others	945	1,610	2,555
	124,782	212,350	337,132

**33.4 ADMINISTRATIVE EXPENSES**

	2018		
	Line - I	Line - II	Total
	(Rupees in '000)		
Salaries, wages and benefits	59,159	100,730	159,889
Travelling and conveyance	2,069	3,523	5,592
Staff training expenses	165	281	446
Vehicle running expenses	2,561	4,304	6,865
Communication	2,212	3,766	5,978
Printing and stationery	1,287	2,191	3,478
Rent, rates and taxes	1,414	2,408	3,822
Utilities	641	1,091	1,732
Repairs and maintenance	1,536	2,673	4,209
Legal and professional charges	9,702	16,519	26,221
Insurance	1,176	2,004	3,180
License and subscription	1,451	2,472	3,923
Advertisement	606	1,032	1,638
Depreciation	5,082	8,649	13,731
Amortisation	155	268	423
Entertainment	612	1,043	1,655
Others	917	1,559	2,476
	<u>90,745</u>	<u>154,513</u>	<u>245,258</u>

**33.5 OTHER EXPENSES**

Workers' Profits Participation Fund	9,527	103,492	113,019
Auditors' remuneration	3,629	88	3,717
Donations	6,843	460	7,303
Share of loss from associate	37	-	37
Exchange loss	-	9,890	9,890
	<u>20,036</u>	<u>113,930</u>	<u>133,966</u>

**33.6 OTHER INCOME****Income from financial assets**

Profit on bank accounts – conventional banks	826	-	826
Dividend income from a related party - Cherat Packaging Limited	20,160	-	20,160
	<u>20,986</u>	<u>-</u>	<u>20,986</u>

**Income from non-financial assets**

Gain on disposal of operating property, plant and equipment	4,977	-	4,977
Scrap sales	2,780	49,074	51,854
Miscellaneous income	1,211	2,084	3,295
	<u>8,968</u>	<u>51,158</u>	<u>60,126</u>
	<u>29,954</u>	<u>51,158</u>	<u>81,112</u>

**33.7 FINANCE COSTS****Islamic banks**

Mark-up on long-term financings	-	250,647	250,647
Bank charges and commission	1,285	-	1,285
	<u>1,285</u>	<u>250,647</u>	<u>251,932</u>

**Conventional banks**

Mark-up on long-term financings	-	49,722	49,722
Mark-up on short-term borrowings	38,094	-	38,094
Bank charges and commission	15,215	-	15,215
	<u>53,309</u>	<u>49,722</u>	<u>103,031</u>
Interest on workers' profits participation fund	1,622	-	1,622
	<u>56,216</u>	<u>300,369</u>	<u>356,585</u>

### 33.8 TAXATION

	2018		
	Line - I	Line - II	Total
	(Rupees in '000)		
Current	(37,287)	-	(37,287)
Prior	80,373	-	80,373
Deferred	405,595	(463,929)	(58,334)
	448,681	(463,929)	(15,248)

### 33.9 Operating property, plant and equipment

#### 33.9.1 Operating property, plant and equipment – Line - I

2018 Description	COST			DEPRICIATION				Book Value as at June 30, 2018	Depreciation rate % per annum
	As at July 01, 2017	Additions/ (disposals)	As at June 30, 2018	As at July 01, 2017	Disposals	Charge for the year	As at June 30, 2018		
	(Rupees in '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	652,037	72,874	724,911	404,292	-	32,116	436,408	288,503	7.5
Plant and machinery	6,002,604	118,179	6,066,022	3,545,797	(49,046)	165,819	3,662,570	2,403,452	5-7.5
Power and other installations	188,004	4,210	192,115	98,988	(56)	8,147	107,079	85,036	10-20
Furniture and fittings	27,200	4,040	31,139	18,637	(84)	2,182	20,735	10,404	10-20
Quarry, factory and laboratory equipment	646,145	44,984	691,129	394,446	-	32,125	426,571	264,558	10-20
Motor vehicles	240,427	52,338	276,051	107,721	(9,455)	27,573	125,839	150,212	20
Office equipment	23,023	20,402	43,268	11,881	(62)	2,866	14,685	28,583	10-20
Computers	77,029	13,505	90,362	61,084	(154)	9,886	70,816	19,546	33.33
	7,865,139	330,532	8,123,667	4,642,846	(58,857)	280,714	4,864,703	3,258,964	
		(72,004)							



### 33.9.2 Operating property, plant and equipment – Line - II

2018 Description	COST			DEPRICIATION				Book Value as at June 30, 2018	Depreciation rate % per annum
	As at July 01, 2017	Additions	As at June 30, 2018	As at July 01, 2017	Disposals	Charge for the year	As at June 30, 2018		
(Rupees in '000)									
Building on leasehold land	1,958,038	18,081	1,976,119	73,426	-	133,758	207,184	1,768,935	7.5
Plant and machinery	6,007,969	79,782	6,087,751	224,061	-	455,348	679,409	5,408,342	5-7.5
Power and other installations	2,066,190	35,800	2,101,990	103,331	-	205,877	309,208	1,792,782	10-20
Furniture and fittings	19,448	-	19,448	976	-	445	1,421	18,027	10-20
Quarry, factory and laboratory equipment	19,880	1,252	21,132	4,835	-	7,499	12,334	8,798	10-20
Motor vehicles	6,407	-	6,407	1,377	-	1,160	2,537	3,870	20
Office equipment	13,709	1,985	15,694	1,037	-	389	1,426	14,268	10-20
Computers	5,795	50	5,845	1,402	-	856	2,258	3,587	33.33
	10,097,436	136,950	10,234,386	410,445	-	805,332	1,215,777	9,018,609	

### 33.10 STORES, SPARE PARTS AND LOOSE TOOLS

	2018		
	Line - I	Line - II	Total
(Rupees in '000)			
Stores	478,643	1,029,633	1,508,276
Spare parts	643,642	297,505	941,147
Loose tools	798	670	1,468
	1,123,083	1,327,808	2,450,891
Stores and spare parts in transit	30,040	297,976	328,016
	1,153,123	1,625,784	2,778,907

### 33.11 STOCK-IN-TRADE

Raw and packing material	466	145,713	146,179
Work-in-process	310,551	112,101	422,652
Finished goods	74,544	110,263	184,807
	385,561	368,077	753,638

## 34. 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'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 and credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors review and agree policies for managing each of these risks which are summarized below:

### 34.1 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: interest rate risk, currency risk and equity price risk such as equity risk.

#### 34.1.1 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. 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:

2018	(Increase) /decrease in basis points	Effect on profit before tax
		(Rupees in '000)
KIBOR	+100	(49,639)
KIBOR	-100	49,639
<b>2017</b>		
KIBOR	+100	(64,010)
KIBOR	-100	64,010

#### 34.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency).

	2018	2017
	('000)	
Bills payable – US Dollar	3,119	1,889

The following exchange rates have been applied at reporting dates:

	2018	2017
	(Rupees)	
Exchange rate – US Dollar	121.60	105.00

The management keeps on evaluating different options available for hedging purposes. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's equity.

	Change in rate (%)	(Rupees in '000)
30 June 2018 - US Dollar	+10	(39,927)
	- 10	39,927
30 June 2017 – US Dollar	+10	(19,835)
	- 10	19,835

### 34.1.3 Equity price 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 date of statement of financial position, the exposure to listed equity securities was Rs. 389.141 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 38.91 million on the statement of other comprehensive income or statement of profit or loss account depending whether or not the decline is below the cost of investment. An increase of 10% in the share price of the listed security would impact statement of other comprehensive income with the similar amount.

### 34.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Note	2018	2017
(Rupees in '000)			
Trade debts	10	188,272	130,767

#### 34.2.1 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:

		2018	2017
(Rupees in '000)			
<b>Long-term investments</b>			
Counter parties without credit rating		389,141	558,585
<b>Bank balances</b>			
	A1+	43,156	37,259
	A1	127	491
		43,283	37,750

### 34.3 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.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	2018					2017				
	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	Total	INTEREST / MARKUP / PROFIT BEARING			NON-INTEREST BEARING	Total
	Less than one year	One to five years	Total			Less than one year	One to five years	Total		
(Rupees in '000)										
Long-term financing	400,000	14,700,000	15,100,000	-	15,100,000	60,057	4,840,508	4,900,565	-	4,900,565
Long-term security-deposits	-	-	-	17,667	17,667	-	-	-	15,741	15,741
Trade and other payables	-	-	-	1,877,412	1,877,412	-	-	-	682,714	682,714
Accrued mark-up	-	-	-	230,024	230,024	-	-	-	146,343	146,343
Short-term borrowings	963,947	-	963,947	-	963,947	1,500,411	-	1,500,411	-	1,500,411
Unclaimed dividend	-	-	-	68,104	68,104	-	-	-	51,713	51,713
	1,363,947	14,700,000	16,063,947	2,193,207	18,257,154	1,560,468	4,840,508	6,400,976	896,511	7,297,487

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

#### 34.4 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.

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, 2018 and 2017 are as follows:

	2018	2017
(Rupees in '000)		
Long-term financing	15,100,000	4,900,565
Accrued mark-up	230,024	146,343
Short-term borrowings	963,947	1,500,411
Total debt	16,293,971	6,547,319
Cash and cash equivalents	(47,052)	(45,814)
<b>Net debt</b>	16,246,919	6,501,505
Share capital	1,766,318	1,766,318
Reserves	9,407,430	8,695,389
<b>Total capital</b>	11,173,748	10,461,707
<b>Capital and net debt</b>	27,420,667	16,963,212
<b>Gearing ratio</b>	59.25%	38.33%

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.

### 34.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate fair values.

The following table shows assets 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 data (unobservable inputs).

The table below categorized fair value measurement of financial instruments and property, plant and equipment by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	2018			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Available-for-sale securities	34.5.1	389,141	-	-	389,141
Property, plant and equipment	34.5.2	-	32,131,856	-	32,131,856
		<u>389,141</u>	<u>32,131,856</u>	<u>-</u>	<u>32,520,997</u>
		2017			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Available-for-sale securities	34.5.1	558,585	-	-	558,585
Property, plant and equipment	34.5.2	-	21,327,164	-	21,327,164
		<u>558,585</u>	<u>21,327,164</u>	<u>-</u>	<u>21,885,749</u>

During the year, 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.

**34.5.1** Financial instruments which are tradable in an open market are revalued at the market prices prevailing on the statement of financial position date.

**34.5.2** Fair value of property, plant and equipment is based upon the present market values for similar plant, machinery, equipment and building including land, which is based upon similar sized plots in the vicinity of land and replacement values of similar type of assets based upon present cost. However, the Company is following cost model for valuation of its property, plant and equipment.

### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
			Restated	
	(Rupees in '000)			
Managerial remuneration	25,684	198,244	22,556	172,218
Bonus	12,592	100,661	11,028	95,092
Housing allowance	1,452	75,302	1,452	64,362
Retirement benefits	4,197	25,807	3,676	21,216
Utilities	1,041	16,541	895	14,150
Leave fare assistance	2,099	16,777	1,838	15,849
	<u>47,065</u>	<u>433,332</u>	<u>41,445</u>	<u>382,887</u>
Number	1	61	1	52

- 35.1** The Chief Executive and an executive have been provided with furnished accommodation. Further, the Chief Executive and certain executives are 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.
- 35.2** The aggregate amount charged in the financial statements for meeting fee to 7 non – executive directors amounted to Rs. 1.84 million (2017: 7 directors - Rs. 2.08 million).
- 35.3** No remuneration was paid to any of the directors other than the Chief Executive.

### 36. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associates, directors, executives and retirement funds. Transactions with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2018	2017
		(Rupees in '000)	
Associate	Purchases	1,350,186	874,005
	Sale of goods	67,013	11,029
	Sale of fixed assets	1,739	-
	IT support charges	17,784	13,518
	Dividend received	20,160	21,973
	Dividend paid	225,771	159,865
	Investments made	36,700	98,076

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

- 36.1** Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

Name	Basis of association	Aggregate % of Shareholding
Cherat Packaging Ltd.	Common directorship	2.74
Faruque (Private) Ltd.	Common directorship	21.66
Greaves Pakistan (Private) Ltd.	Common directorship	1.25
Mirpurkhas Sugar Mills Ltd.	Common directorship	3.27
Zensoft (Private) Limited	Common directorship	0.01
Madian Hydro Power Ltd.	Common directorship	-
UniEnergy Ltd.	Common directorship	-
Greaves Airconditioning (Private) Ltd.	Common directorship	-
Jubilee General Insurance Company Ltd.	Common directorship	-

Name	Basis of association	Aggregate % of Shareholding
International Industries Limited	Common directorship	-
Indus Motors Company Limited	Common directorship	-
Cherat Cement Company Limited – Employees’ Provident Fund	Retirement benefit fund	0.72
Cherat Cement Company Limited – Employees’ Gratuity Fund	Retirement benefit fund	2.01

**36.1.1** None of the key management personnel had any arrangements with the Company other than the employment contract.

### 37. NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2018		2017	
	(Number)			
	Total	Factory	Total	Factory
Total number of employees	885	748	749	621
Average number of employees during the year	817	685	665	548

### 38. PRODUCTION CAPACITY

	2018	2017
	Tons	
Annual installed capacity – Clinker	2,310,000	2,310,000
Annual installed capacity – Cement	2,425,500	2,425,500
Actual production – Clinker	2,234,491	1,518,520
Actual production – Cement	2,442,567	1,489,489

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

### 39. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

All sales of the Company comprise of cement and clinker.

Total sales of the Company relating to customers in Pakistan were 89% during the year ended June 30, 2018 (2017: 89%).

All non-current assets of the Company at the end of the current and preceding year were located in Pakistan .

Sales to twenty major customers of the Company are around 42% of the Company’s total sales during the year (2017: 51%).

### 40. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 29, 2018 by the Board of Directors of the Company.

#### 41. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2018, the Board of Directors in its meeting held on August 29, 2018 has proposed final cash dividend @ Rs. 4/- per share amounting to Rs. 706.52 million (2017: Rs. 3.50/- per share amounting to Rs. 618.21 million) for approval of the members at the Annual General Meeting. This is in addition to the interim cash dividend @ Re. 1/- per share amounting to Rs. 176.63 million (2017: Re. 1/- per share amounting to Rs. 176.63 million) approved by the Board of Directors for the year ended June 30, 2018.

#### 42. GENERAL

42.1 Corresponding figures have been changed wherever necessary in line with changes enacted through the Act.

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



Omar Faruque  
Chairman



Azam Faruque  
Chief Executive



Yasir Masood  
Chief Financial Officer



# Pattern of Shareholding

as at June 30, 2018

No. of Shareholders	Shareholding		Shares Held
	From	To	
732	1	100	31,312
1197	101	500	423,552
623	501	1000	525,535
1111	1001	5000	2,998,804
392	5001	10000	3,057,228
154	10001	15000	1,916,852
104	15001	20000	1,876,431
85	20001	25000	1,973,118
34	25001	30000	961,516
30	30001	35000	976,525
21	35001	40000	799,274
21	40001	45000	867,419
25	45001	50000	1,206,433
14	50001	55000	725,230
7	55001	60000	404,734
7	60001	65000	436,249
8	65001	70000	536,401
8	70001	75000	582,576
2	75001	80000	152,660
15	80001	85000	1,238,953
2	85001	90000	174,581
5	90001	95000	462,305
18	95001	100000	1,788,465
5	105001	110000	538,864
1	110001	115000	114,374
6	115001	120000	715,039
3	120001	125000	372,500
4	125001	130000	512,290
1	130001	135000	135,000
1	135001	140000	138,600
2	145001	150000	295,800
1	150001	155000	154,884
1	160001	165000	161,091
2	175001	180000	356,956
1	180001	185000	181,900
2	185001	190000	371,854
1	190001	195000	193,065
1	195001	200000	200,000
2	200001	205000	402,986
1	230001	235000	231,500
2	235001	240000	475,727
1	240001	245000	241,631
1	245001	250000	245,723
2	250001	255000	505,898
2	255001	260000	515,100
1	265001	270000	266,000
2	270001	275000	548,000
1	275001	280000	275,160
1	285001	290000	289,100
2	295001	300000	600,000
1	330001	335000	334,784
1	345001	350000	350,000
1	350001	355000	351,000
1	355001	360000	360,000
1	365001	370000	367,600
1	375001	380000	377,000
1	395001	400000	400,000
1	410001	415000	414,400
1	435001	440000	439,500
1	450001	455000	451,391
1	465001	470000	470,000
1	485001	490000	488,500

No. of Shareholders	From	Shareholding To	Shares Held
1	495001	500000	500,000
2	520001	525000	1,043,860
1	595001	600000	600,000
1	600001	605000	603,600
1	615001	620000	617,234
1	620001	625000	624,800
2	675001	680000	1,354,850
1	695001	700000	695,076
1	710001	715000	710,900
1	715001	720000	719,192
1	725001	730000	725,784
1	735001	740000	736,143
1	740001	745000	741,000
1	745001	750000	750,000
1	765001	770000	769,000
1	780001	785000	780,300
1	785001	790000	787,500
1	805001	810000	805,343
1	825001	830000	829,200
1	865001	870000	867,000
1	885001	890000	890,000
1	890001	895000	891,200
1	910001	915000	914,300
1	950001	955000	954,700
1	970001	975000	975,000
1	995001	1000000	995,109
1	1075001	1080000	1,075,689
1	1120001	1125000	1,121,250
2	1205001	1210000	2,417,154
1	1230001	1235000	1,230,900
2	1240001	1245000	2,484,255
1	1280001	1285000	1,282,802
1	1360001	1365000	1,360,940
1	1405001	1410000	1,406,633
1	1590001	1595000	1,591,626
1	1715001	1720000	1,716,597
1	1735001	1740000	1,739,578
1	1795001	1800000	1,798,000
1	1945001	1950000	1,948,979
1	2125001	2130000	2,127,358
1	2195001	2200000	2,199,093
1	2540001	2545000	2,544,200
1	2860001	2865000	2,861,361
1	3135001	3140000	3,139,803
1	3210001	3215000	3,214,164
1	4005001	4010000	4,007,500
1	4090001	4095000	4,093,533
1	4240001	4245000	4,243,362
1	4740001	4745000	4,743,600
1	5445001	5450000	5,445,508
1	5770001	5775000	5,770,252
1	6435001	6440000	6,437,212
1	7520001	7525000	7,523,358
1	38265001	38270000	38,266,685
4735			176,631,853

# Categories of Shareholding

as at June 30, 2018

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
<b>Directors, Chief Executive and their spouse(s) and minor children</b>			
MR. OMAR FARUQUE	1	2,171,485	1.23
MRS. SHAMAIN AKBAR FARUQUE W/O MR. OMAR FARUQUE	1	360,000	0.20
MR. AZAM FARUQUE	1	2,505,401	1.42
MRS. SAMIA FARUQUE W/O MR. AZAM FARUQUE	1	52,710	0.03
MR. AKBARALI PESNANI	1	83,013	0.05
MRS. SAKINA PESNANI W/O MR. AKBARALI PESNANI	1	65,893	0.04
MR. ARIF DINO FARUQUE	1	3,024,668	1.71
MR. SHEHRYAR FARUQUE	1	1,205,094	0.68
MR. SAQUIB H.SHIRAZI	1	59,001	0.03
MR. ASIF QADIR	1	500	0.00
<b>Associated Companies, undertakings and related parties</b>			
FARUQUE (PRIVATE) LIMITED	1	38,266,685	21.66
CHERAT PACKAGING LIMITED	2	4,843,362	2.74
MIRPURKHAS SUGAR MILLS LIMITED	1	5,770,252	3.27
ZENSOFT (PRIVATE) LIMITED	1	20,000	0.01
GREAVES PAKISTAN (PRIVATE) LIMITED	1	2,199,093	1.25
<b>Executive</b>		1,437,433	0.81
<b>Public Sector Companies and Corporations</b>	7	1,326,564	0.75
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>	41	17,603,358	9.97
<b>Mutual Funds</b>			
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	414,400	0.23
CDC - TRUSTEE MEEZAN BALANCED FUND	1	769,000	0.44
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	23,096	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	1,360,940	0.77
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	6,437,212	3.64
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	954,700	0.54
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	1,208,900	0.68
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	47,000	0.03
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	695,076	0.39
MCFSL-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	20,000	0.01
CDC - TRUSTEE ASKARI EQUITY FUND	1	22,000	0.01
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	7,523,358	4.26
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	710,900	0.40
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	2,127,358	1.20
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	256,000	0.14
CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	1	33,500	0.02
CDC - TRUSTEE FAYSAL STOCK FUND	1	13,500	0.01
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	27,200	0.02
CDC - TRUSTEE NAFA STOCK FUND	1	1,242,700	0.70
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	829,200	0.47
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	30,500	0.02
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	11,000	0.01
CDC - TRUSTEE NAFA ASSET ALLOCATION FUND	1	181,900	0.10
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	12,500	0.01
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	31,500	0.02
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	266,000	0.15
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	603,600	0.34
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	145,800	0.08
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	12,500	0.01
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	780,300	0.44
CDC - TRUSTEE NITIPF EQUITY SUB-FUND	1	7,500	0.00

Shareholders' Category	No. of Shareholders	Shares Held	Percentage	
CDC- TRUSTEE NITPF EQUITY SUB-FUND	1	7,500	0.00	
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	289,100	0.16	
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	1,500	0.00	
CDC- TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	1	50,000	0.03	
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	20,000	0.01	
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	82,800	0.05	
CDC - TRUSTEE MCB DCF INCOME FUND	1	2,500	0.00	
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	15,000	0.01	
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	50,000	0.03	
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	1	50,000	0.03	
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	13,500	0.01	
CDC - TRUSTEE UBL INCOME OPPORTUNITY FUND - MT	1	5,000	0.00	
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	14,500	0.01	
CDC - TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	96,500	0.05	
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	1	21,000	0.01	
<b>General Public</b>				
	a. Local	4380	36,155,567	20.47
	b. Foreign	57	765,819	0.43
Foreign Companies	27	8,963,298	5.07	
<b>OTHERS</b>	158	22,234,617	12.59	
	<b>Totals</b>	<b>4735</b>	<b>176,631,853</b>	<b>100.00</b>

Shareholders holding 5% or more	Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED	38,266,685	21.66

8- جو انٹ اکاؤنٹ کی صورت میں برائے مہربانی ہر اکاؤنٹ کے شیئرز کے تناسب سے مطلع کریں کیونکہ ہر اکاؤنٹ ہولڈر کا شیئر ہولڈر کی جانب سے فراہم کئے گئے شیئر ہولڈنگ کے لحاظ سے ٹیکس منہا کیا جائے گا ورنہ دونوں کا برابر برابر ٹیکس منہا کر لیا جائے گا۔

9- ڈیویڈنڈ کی آمدنی سے ٹیکس سے استثنیٰ کی اسی صورت میں اجازت ہوگی جب ٹیکس سے استثنیٰ کا کارآمد سرٹیفکیٹ سینٹرل ڈپازٹری کمپنی آف پاکستان - شیئر ہولڈرز ڈپارٹمنٹ میں کتب کی بندش کے پہلے دن دستیاب ہوگا۔

10- کمپنیز ایکٹ 2017 کے سیکشن 244 کی رو سے جب کمپنی ایک مرتبہ مقررہ کارروائی مکمل کر لے گی تو کوئی بھی غیر کلیم شدہ ڈیویڈنڈ اور/یا شیئرز جو واجب ہونے اور قابل ادائیگی ہونے کی تاریخ سے تین سال کی مدت تک واجب رہنے کی صورت میں وفاقی حکومت (ڈیویڈنڈ کی صورت میں) کے پاس جمع کرا دیا جائے گا (فزیبل شیئرز ہونے کی صورت میں) SECP کو پہنچا دیا جائے گا۔ جو شیئر ہولڈرز اپنے ڈیویڈنڈز/فزیبل شیئرز بھی تک حاصل نہیں کر سکتے ہیں ان سے درخواست ہے کہ وہ اپنے غیر کلیم شدہ ڈیویڈنڈ یا شیئرز، اگر کوئی ہیں، حاصل کرنے کے بارے میں معلومات کیلئے ہمارے شیئر رجسٹرار (سی ڈی سی) سے رابطہ کریں۔

11- بحوالہ SECP کے جاری کردہ SRO 787 (1)/2018 مورخہ 8 ستمبر 2014 شیئر ہولڈرز کو یہ اختیار حاصل ہے کہ وہ سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوا سکتے ہیں۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ اپنی رضامندی کا اظہار کمپنی کے صدر دفتر کو بھیج دیں۔

ڈائریکٹرز کے انتخاب کے سلسلے میں کمپنیز ایکٹ 2017 کے سیکشن (3) 166 کے تحت اسٹیٹمنٹ خود مختار ڈائریکٹرز کا انتخاب سیکشن 159 کی شرائط کے مطابق طریقہ کار کے تحت کیا جائے گا جو ایکٹ کے سیکشن (2) 166 میں درج اہلیت کے معیار کے مطابق ہو۔

12- ممبرز و ڈیویڈنڈ ہولڈرز کی سہولت حاصل کر سکتے ہیں، اس سلسلے میں درج ذیل فارم پُر کریں اور سالانہ اجلاس عام کے انعقاد سے کم از کم 10 روز پہلے کمپنی کے صدر دفتر میں جمع کرائیں۔ اگر کمپنی کو ایک ہی جغرافیائی لوکیشن میں رہنے والے مجموعی طور پر 10% یا اس سے زیادہ شیئر ہولڈنگ رکھنے والے ممبران کی بذریعہ ڈیویڈنڈ کی شرکت کی رضامندی موصول ہوئی، تو کمپنی اس شہر میں ڈیویڈنڈ ہولڈرز کی سہولت کا اہتمام کرے گی بشرطیکہ اس شہر میں ایسی سہولت دستیاب ہو۔

یونی انرجی لمیٹڈ میں سرمایہ کاری کی صورت حال کمپنی نے اپنے سالانہ اجلاس عام منعقدہ 16 اکتوبر 2015 میں یونی انرجی لمیٹڈ کی ایکویٹی میں 250 ملین روپے تک کی سرمایہ کاری کیلئے شیئر ہولڈرز کی منظوری حاصل کر لی ہے۔ منصوبہ اور اس کی مالی ضروریات کی صورت حال کے پیش نظر کمپنی نے اب تک 7.69 ملین روپے کی سرمایہ کاری کی ہے۔ بقیہ رقم چیراٹ سینٹ کمپنی لمیٹڈ، یونی انرجی لمیٹڈ کی ضرورت کے مطابق فراہم کرنی رہے گی۔

## اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا 37 واں سالانہ اجلاس عام بروز منگل 116 اکتوبر 2018 دن 12:00 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع فیٹری کی حدود، گاؤں لکرنی نوشہرہ، خیبر پختونخوا میں منعقد ہوگا۔

### عمومی امور:

1- کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال مختتمہ 30 جون 2018 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

2- بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال مختتمہ 30 جون 2018 کے لئے شیئر ہولڈرز کو حتمی نقد منافع بحساب 40% (4.00 روپے فی شیئر) کی ادائیگی پر غور کرنا اور منظوری دینا جو پہلے سے ادا شدہ عبوری نقد منافع بحساب 10% (1.00 روپے فی شیئر) کے علاوہ ہے۔

3- بورڈ آف ڈائریکٹرز کی جانب سے کمپنیز ایکٹ 2017 کے سیکشن (1) 159 کے تحت مقرر کردہ تعداد کے مطابق کمپنی کے آٹھ (8) ڈائریکٹرز کا انتخاب

### نوٹس:

1- کمپنی کے ممبران کا رجسٹر بدھ 10 اکتوبر 2018 تا منگل 16 اکتوبر 2018 (بشمول دونوں ایام) بند رہے گا اور اس مدت کے دوران کوئی منتقلی عمل میں نہیں آئے گی۔ تاہم کمپنی کے شیئر رجسٹرار میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (CDC)، سی ڈی سی ہاؤس، B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، شارع فیصل کراچی-74400 میں منگل 19 اکتوبر 2018 کو کاروباری اوقات کے اختتام تک موصول ہونے والے شیئرز حتمی نقد منافع کی اہلیت کیلئے بروقت تصور کئے جائیں گے۔

2- کمپنی کا کوئی ممبر جو سالانہ اجلاس عام میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے بولنے اور ووٹ دینے کیلئے اپنا پراکسی مقرر کر سکتا ہے۔ پراکسی کے موثر ہونے کیلئے لازمی ہے کہ اس کی تحریری اطلاع، اجلاس کے شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے صدر دفتر میں موصول ہو جانی چاہئے۔

3- کمپنی کے وہ شیئر ہولڈرز جن کے شیئرز سینٹرل ڈپازٹری سسٹم (CDS) میں ان کے اکاؤنٹ اسب اکاؤنٹ میں رجسٹرڈ ہیں، ان کو مطلع کیا جاتا ہے کہ وہ تصدیق کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شناختی کارڈ کی آئی ڈی نمبر ہمراہ لائیں۔ اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کی جانب سے پراکسی کے تقرر کی صورت میں SECP کے سرکلر مجریہ 26 جنوری 2000 میں درج رہنما ہدایت کی پیروی کی جائے۔

4- کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے پتے میں کسی تبدیلی کی صورت میں فوری طور پر کمپنی کے شیئر رجسٹرار کو مطلع کریں۔

کرنا۔ ریٹائر ہونے والے ڈائریکٹرز کے نام ہیں: (1) جناب عمر فاروق (2) جناب اعظم فاروق (3) جناب اکبر علی پستانی (4) جناب شہیرا فاروق (5) جناب عارف فاروق (6) جناب ثاقب ایچ شیرازی (7) جناب شمشاد نبی (8) جناب آصف قادر

4- سال 2018/19 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

5- چیئرمین کی اجازت سے کسی اور امور کی انجام دہی کرنا۔

بحکم بورڈ آف ڈائریکٹرز



عابدوزیر

ایگزیکٹو ڈائریکٹر اور کمپنی سیکرٹری

کراچی 29 اگست 2018

5- وہ شیئر ہولڈرز جنہوں نے ابھی تک اپنے کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی فوٹو کاپی جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ فوٹو کاپی کمپنی کے شیئر رجسٹرار کو فوری طور پر ارسال کریں۔

6- کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لسٹڈ کمپنیوں کو یہ ہدایت ہے کہ کمپنی کی جانب سے اعلان کردہ کسی بھی نقد منافع منقسمہ کی رقم صرف الیکٹرونک ذریعہ سے شیئر ہولڈرز کے اکاؤنٹ میں براہ راست جمع کرائی جائے۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ کمپنی کی ویب سائٹ: [www.gfg.com.pk](http://www.gfg.com.pk) پر دستیاب ای ڈیویڈنڈ مینڈیٹ فارم پُر اور دستخط کر کے شناختی کارڈ کی کاپی کے ہمراہ، فزیکل شیئرز ہونے کی صورت میں کمپنی کے رجسٹرار میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (CDC)، سی ڈی سی ہاؤس، B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، شارع فیصل کراچی-74400 میں پہنچادیں۔ اور اگر شیئرز سی ڈی سی میں ہیں تو ای ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈر کے بروکر/شریک ای ڈی سی اکاؤنٹ سروسز کے پاس جمع کرائیں۔ مزید مطلع کیا جاتا ہے کہ آئندہ نقد منافع منقسمہ سینٹر لائز ڈیکسٹریو ڈیویڈنڈ رجسٹر (CCDR) کے ذریعہ فراہم کیا جائے گا۔ اس لئے شیئر ہولڈرز کو چاہئے کہ وہ سی ڈی سی کے سروسز پورٹل <https://eservices.cdcaccess.com.pk> پر خود کو رجسٹر کروالیں۔

7- تمام شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ ایف بی آر کی فعال ٹیکس گزاروں کی فہرست (ATL) میں اپنی کیفیت (status) چیک کر لیں، اور اگر ضرورت ہو تو ATL میں اپنا نام شامل کرانے کیلئے ضروری کارروائی کریں تاکہ کم شرح سے ٹیکس منہا کیا جائے۔

## • قرضہ جات کی ادائیگی

نامہ مثبت تاثر دیتا ہے۔ اس بناء پر آنے والے سالوں میں سیمینٹ کی مانگ میں اضافہ جاری رہنے کی توقع ہے۔ انتظامیہ کو پوری پوری امید ہے کہ تیسری سیمینٹ لائن کے اضافہ سے نہ صرف کمپنی کی موجودہ حیثیت میں اضافہ ہوگا بلکہ ملک کی مارکیٹ میں اس کا شیئر بھی بڑھے گا اور فکس قیمتوں پر بہتر استعداد اور بہتر نتائج حاصل کریں گے۔

قومی انتخابات کے کامیاب انعقاد کے بعد ہمیں بھرپور امید ہے کہ ملک میں میکرو اکنامکس کے اشارات بہتر ہونا شروع ہو جائیں گے جس سے کمپنی کو اور مجموعی طور پر صنعت کو فائدہ حاصل ہوگا۔ اس کے برخلاف غیر مستحکم معاشی صورتحال اور روپے کی قدر میں نمایاں کمی نے ان پٹ کی لاگت پر منفی اثر ڈالا ہے جو ایک تشویش کی بات ہے اور کمپنی کے لئے خدشات کا ذریعہ ہے۔

## آڈیٹرز کا تقرر

موجودہ آڈیٹرز میسرز EY فورڈر ہوڈس، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر اپنے دوبارہ تقرر کی پیشکش کی ہے۔

## اعتراف

ہم بہترین کاروباری تعلقات برقرار رکھنے پر تمام مالیاتی اداروں کا، بھرپور مسلسل سپورٹ، تعاون اور اعتماد پر ڈیلرز اور صارفین کا شکریہ ادا کرتے ہیں۔ ہم لگن، خلوص اور سخت محنت سے کام کا اعتراف کرتے ہوئے اپنے تمام اسٹاف کے تہہ دل سے شکر گزار ہیں۔

کمپنی باقاعدگی کے ساتھ اور مستعدی سے اپنے تمام واجبات ادا کرتی ہے کیونکہ اس کا پلان اور بجٹ 2017-2018 کے دوران میں ہی تیار کر لیا گیا تھا۔ اس طرح نہ صرف مستقل ادائیگیاں بروقت کر دی گئیں بلکہ کمپنی نے کامیابی کے ساتھ 900 ملین روپے کے قرضہ جات کی بھی قبل از وقت ادائیگی کر دی۔ اس سے کمپنی کو ناندہندہ ہونے کا خطرہ بہت کم رہ گیا اور اس کی مالی حیثیت بھی مستحکم ہوئی۔

## • کیپٹل اسٹرکچر

اس وقت کمپنی کے قرضہ اور ایکویٹی کی نسبت 2:3 ہے اور یہ سیمینٹ لائن III کے جاری توسیعی کام کی وجہ سے ہے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھرپور امید ہے کہ 2019 میں جیسے ہی سیمینٹ لائن III اپنی پوری گنجائش کے ساتھ کام کرنا شروع کر دے گی اور کمپنی کا کیپٹل اسٹرکچر نمایاں طور پر بہتر ہو جائے گا اور قرضہ اور ایکویٹی کی نسبت کا توازن بھی بہتر ہوگا۔

## مستقبل کے امکانات

مختلف چیلنجز کے باوجود سیمینٹ کی صنعت نمایاں طور پر پھولی پھلی ہے۔ سیمینٹ کی ملکی طلب میں بھی نمایاں اضافہ ہوا ہے جس کی وجہ سے پیک کے منصوبوں اور اس سے متعلق انفراسٹرکچر کی ڈیولپمنٹ میں حکومت کی سرمایہ کاری سے پی ایس ڈی پی کا آؤٹ لے بھی زیادہ ہوا ہے۔ اس کے علاوہ نجی شعبہ کی جانب سے بھی بڑے مالز اور پارٹنمنٹ مپلیکسز کی تعمیر میں بھاری سرمایہ کاری کی گئی ہے۔ اس طرح سیمینٹ کی صنعت کا پورا منظر

منجانب بورڈ آف ڈائریکٹرز



اعظم فاروق  
چیف ایگزیکٹو



عمر فاروق  
چیئرمین

کراچی 29 اگست 2018

- اس سال کے دوران میں بورڈ آف ڈائریکٹرز کے 15 اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری
• جناب عمر فاروق	5
• جناب اعظم فاروق	5
• جناب اکبر علی پستانانی	5
• جناب شہریار فاروق	5
• جناب عارف فاروق	4
• جناب ثاقب ایچ شیرازی	3
• جناب شمشاد نبی	5
• جناب آصف قادر	4

- سال کے دوران میں آڈٹ کمیٹی کی چار میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری
• جناب اکبر علی پستانانی	4
• جناب آصف قادر	3
• جناب عارف فاروق	4

- سال کے دوران میں ہیومن ریسورس اینڈ ریمونیشن کمیٹی کی دو میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری
• جناب ثاقب ایچ شیرازی	1
• جناب شہریار فاروق	2
• جناب اعظم فاروق	2
• جناب شمشاد نبی*	1

- \* سی سی جی ریگولیشن 2017 کے نفاذ کی بیرونی میں بورڈ آف ڈائریکٹرز نے جناب شمشاد نبی کو ممبر ایچ آراینڈ آر کمیٹی شامل کیا اور ان کو اس کا چیئر مین مقرر کیا۔

- شیئر ہولڈنگ کا طرز اس رپورٹ کے ساتھ منسلک ہے۔
- اس سال کمپنی کے شیئر ہولڈنگ میں چیف ایگزیکٹو، ڈائریکٹرز، چیف فنانشل آفیسر اور کمپنی سیکرٹری اور ان کے شریک حیات اور چھوٹے بچوں میں سے کسی نے شرکت نہیں کی سوائے جناب عمر فاروق کے، جنہوں نے شیئرز کی خریداری کی۔
- سال کے دوران میں فی شیئر آمدنی (EPS) 12.07 روپے رہی جو گزشتہ سال 11.08 روپے تھی۔

#### ڈائریکٹرز کا مشاہرہ

- کمپنی کے آرٹیکل کے مطابق بورڈ آف ڈائریکٹرز، نان ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہروں کا تعین کرنے کے مجاز ہیں۔
- اس سلسلے میں بورڈ آف ڈائریکٹرز نے کمپنی کے نان ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہروں کی پالیسی تیار کی ہے۔

#### یونی انرجی لمیٹڈ

یونی انرجی ایک جوائنٹ ویچر ونڈ پاور پروجیکٹ ہے، اس کو لیٹر آف انٹینٹ تفویض کر دیا گیا ہے اور پروجیکٹ کے قیام کے لئے رسمی طور پر جھمپیر، ضلع ٹھٹھہ میں زمین الاٹ کر دی گئی ہے۔ پروجیکٹ کی جاری مالیاتی ضروریات کیلئے جے وی پائٹرز نے کمپنی میں ابتدائی ایکویٹی سرمایہ کاری کر دی ہے۔ اس سلسلے میں چیراٹ سیمنٹ نے شیئر ہولڈرز کی منظوری کے بعد 7.69 ملین روپے کی ایکویٹی سرمایہ کاری کی ہے حکومت نے اس وقت تک پروجیکٹ کے ٹیرف کا اعلان نہیں کیا ہے۔

#### خدشات اور مواقع

##### • رسک منجمنٹ

اپنی ذمہ داریوں کے سلسلے میں بورڈ آف ڈائریکٹرز کے ممبران نے ہمیشہ سماجی اور معاشی ماحولیات اور ان سے متعلق اندرونی اور بیرونی خدشات پر گہری نظر رکھی ہے جو تحفظ، جاری آپریشن اور کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں۔ تمام اسٹیک ہولڈرز کے مفاد کا خیال کرتے ہوئے سال کے دوران میں ڈائریکٹرز خدشات کی نشاندہی کرنے اور ان کو ختم کرنے کیلئے چوکس رہے۔ بورڈ آف ڈائریکٹرز نے متوقع خدشات کی نشاندہی کی، کمپنی پر اس کے اثرات کا اندازہ کیا اور کاروبار کیلئے تمام قابل شناخت خدشات کو ختم کرنے کیلئے حکمت عملی تشکیل دی۔ اس حکمت عملی کو آڈٹ کمیٹی کے ذریعہ کمپنی کے تمام شعبہ جات میں نافذ کیا گیا اور خدشات کے خاتمے کیلئے کسی کمی کو باقی نہ رہنے کو یقینی بنایا گیا۔

##### • رسک کا جائزہ

کاروبار کو کئی طرح کے ان دیکھے واقعات کا سامنا ہوتا ہے جو اس کے مقاصد کو نقصان پہنچا سکتے ہیں اور اگر ان کے تدارک کیلئے کچھ نہ کیا گیا تو ناقابل تلافی نقصان ہو سکتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے اندرونی اور بیرونی دونوں طرح کے خدشات کا گہرائی کے ساتھ ماہرانہ جائزہ لیا ہے جو کمپنی کو پیش آسکتے ہیں۔

توانائی کا خرچہ پروڈکشن کی کل لاگت کا تقریباً 60% ہوتا ہے۔ کونکے اور ایاجلی کے ٹیرف میں اتار چڑھاؤ، کمپنی کے لئے ایک مستقل خدشہ کی حیثیت رکھتا ہے۔ اس خدشہ پر قابو پانے کیلئے کمپنی ساؤتھ افریقن اور افغان دونوں کے کونکے کا مٹس استعمال کرتی ہے۔ آئندہ عرصہ میں اگر قیمتیں بہت زیادہ بڑھیں تو کمپنی کے پاس کونکے کے متبادل کی گنجائش موجود ہے، جیسے ری فیوز ڈیوڈ ایرائیوڈ فیول اور ٹائر ڈیوڈ ایرائیوڈ فیول۔ اس کے علاوہ کمپنی نے پاور کی لاگت میں کمی لانے کیلئے ویسٹ ہیٹ ریکوری پلانٹ بھی نصب کر لیا ہے۔ ایک اور معاشی خدشہ جو کمپنی کو درپیش ہے وہ مین ایکسپورٹ مارکیٹ افغانستان کو برآمدات میں کمی آنے کا خدشہ ہے جو سیاسی غیر یقینی کیفیت اور کم قیمت کے ایرانی سیمنٹ کی دستیابی کی وجہ سے ہے۔ تاہم ہماری فیکٹری کی ایک مناسب ترین لوکیشن نوشہرہ، جو افغان بارڈر سے نزدیک ہے اور افغانستان میں چیراٹ کی برانڈ ویلیو کی پیمانے کے باعث افغانستان کو ہماری برآمدات کی پوزیشن برقرار رہنے کی توقع ہے۔



### منصوبے کی توسیع - سینٹ لائن III

سینٹ لائن III کی تنصیب کا کام شیڈول کے مطابق جاری ہے۔ اس کے علاوہ سینٹ لائن III کیلئے WHR پلانٹ کی تنصیب کا کام بھی جاری ہے جو پلانٹ کی انرجی کی قیمت کو کم کرنے میں معاون ہوگا۔ کمپنی Wartsila ڈوئل فیول انجن بھی نصب کر رہی ہے۔ جو بہت فائدہ مند ثابت ہوگا کیونکہ گیس پائپ لائن بچھائی جا رہی ہے اور جلد ہی گیس دستیاب ہوگی۔ پروجیکٹ کی اب تک کی پروگریس کے لحاظ سے انتظامیہ کو بھروسہ ہے کہ توسیعی پروجیکٹ اپنے مقررہ وقت سے پہلے مکمل ہو جائے گا۔

### منافع منقسمہ (Dividend)

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 29 اگست 2018 میں 30 جون 2018 کو ختم ہونے والے سال کیلئے 40% کے حساب سے سالانہ نقد منافع منقسمہ کی تجویز دی ہے۔ یہ اس 10% عبوری نقد منافع کے علاوہ ہے جس کا اعلان سال کے دوران میں پہلے کیا گیا تھا۔ ممبران سے اس کی منظوری 16 اکتوبر 2018 کو منعقد ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

### اجتماعی سماجی ذمہ داری (CSR)

آپ کی کمپنی لوگوں، ماحولیات اور پاکستان کی آب و ہوا سے متعلق اپنی اجتماعی سماجی ذمہ داری سے مکمل طور پر آگاہ ہے اور ان سب کی بہتری کیلئے کوشاں رہتی ہے۔ اپنی اجتماعی سماجی ذمہ داری کی پالیسیز کے تحت کمپنی اپنے مینوفیکچرنگ پلانٹس اور گروڈنواح میں رہنے والوں کے حالات میں بہتری لانے کیلئے پرعزم ہے انفراسٹرکچر ڈیولپمنٹ اور مسلسل شہر کاری کے کام ساتھ ساتھ ہورہے ہیں تاکہ لوگوں اور آب و ہوا، دونوں کے فائدے کا خیال رکھا جاسکے۔ کمپنی کئی سالوں سے آغا خان یونیورسٹی اور دی سٹیزن فاؤنڈیشن کے ساتھ مل کر فلاحی خدمات انجام دے رہی ہے اور دیتی رہے گی کیونکہ اس کا وژن ہے بہتر ماحول، بہتر معیشت اور بہتر پاکستان۔

### تحفظ، صحت اور ماحول (SHE)

کمپنی نے اپنے لوگوں کے تحفظ اور صحت کیلئے ایک مربوط پالیسی مرتب کی ہے کیونکہ ہم سمجھتے ہیں کہ ہمارے لوگ ہمارا سب سے قیمتی اثاثہ ہیں۔ کارکنوں کے تحفظ کو اولین ترجیح دیتے ہوئے، پروڈکشن پلانٹس صنعت میں جاری تحفظ کے معیارات کی مکمل پیروی میں قائم کئے گئے ہیں اور ان کو جدید معیار کے مطابق اپ ڈیٹ کیا جاتا ہے۔ WHR پلانٹس کی تنصیب نے بھی فیکوری اور اس کے ارد گرد کے علاقوں کے ماحول میں بہتری لانے میں مدد دی ہے۔ کمپنی کو ISO 14001 سرٹیفیکیشن بھی حاصل ہے۔

### قومی خزانے میں حصہ

کمپنی نے ٹیکسیز، ایکسائز ڈیوٹیز، اکم ٹیکس اور سیلز ٹیکس کی صورت میں قومی خزانے میں 6.50 بلین روپے سے زیادہ رقم جمع کرائی ہے۔

### اجتماعی اور مالیاتی رپورٹنگ فریم ورک کا اسٹیٹمنٹ

• کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی تفصیلات (Financial Statements) میں کمپنی کے معاملات، آپریشنز کے نتائج، نقد قومات کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا ہے۔

• کمپنی کے حساب کتاب اور کھاتوں کو درست طور پر مرتب کیا گیا ہے۔  
• مالیاتی اسٹیٹمنٹ اور حسابات کے تخمینہ کی تیاری میں ہر جگہ حسابات کی پالیسی کو درست طور پر استعمال کیا گیا ہے۔ اور حسابات کے تخمینوں میں معقولیت اور دانائی پر مبنی فیصلے کئے گئے ہیں۔

• مالیاتی اسٹیٹمنٹ، پاکستان میں لاگو اور موثر بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور کہیں ان سے انحراف ہے تو اس کو مناسب طور پر ظاہر اور واضح کیا گیا ہے۔

• داخلی کنٹرول کا نظام ڈیزائن کے اعتبار سے محفوظ ہے اور اس کے نفاذ اور نگرانی کا کام موثر طریقے سے کیا گیا ہے۔

• کمپنی کے موجودہ صلاحیت میں کام جاری رکھنے میں کسی رکاوٹ کا شبہ نہیں ہے۔  
• لسٹنگ ریگولیشنز میں تفصیلاً درج کارپوریٹ گورننس کے بہترین اصولوں سے کوئی حقیقی انحراف نہیں کیا گیا۔

• گزشتہ چھ سال کی بنیاد پر آپریٹنگ اور مالیاتی معلومات مختصر طور پر منسلک کی گئی ہیں۔

• آپ کی کمپنی کے ذمہ ٹیکس، ڈیوٹیز، محصولات اور چارجز کی مد میں کوئی واجبات نہیں ہیں سوائے ان کے جو کاروبار کے معمولات کا حصہ ہیں۔

• کمپنی اپنے ملازمین کے پراویڈنٹ اور گریجویٹ فنڈز کا انتظام کرتی ہے۔ فنڈ کی سرمایہ کاری کی مالیت کی قدر بمطابق 30 جون 2018 درج ذیل ہے:

پراویڈنٹ فنڈ	853 ملین روپے
گریجویٹ فنڈ	545 ملین روپے

### بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کی کل تعداد 8 ہے، جن کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	اجلاسوں میں حاضری
مرد	8
خاتون	-
(a) خود مختار ڈائریکٹرز	2
جناب آصف قادر	
جناب شمشاد نبی	
(b) نان ایگزیکٹو ڈائریکٹرز	5
جناب عمر فاروق	
جناب اکبر علی پستانی	
جناب شہر یار فاروق	
جناب عارف فاروق	
جناب ثاقب ایچ شیرازی	
(c) ایگزیکٹو ڈائریکٹر	1
جناب اعظم فاروق	

## ڈائریکٹرز رپورٹ برائے ممبران برائے

سال ختمہ 30 جون 2018

بورڈ آف ڈائریکٹرز 30 جون 2018 کو ختم ہونے والے سال کی رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کر رہے ہیں۔

عمومی جائزہ

2017/18 کے دوران میں سیاسی غیر یقینی صورتحال میں بھی پاکستان کی معیشت ترقی کی طرف گامزن رہی۔ زبردست معاشی سرگرمیوں اور کم افراط زر نے سرمایہ کاروں کا اعتماد بحال رکھا اور سرمایہ کاری میں اضافہ ہوا۔ تاہم سال کی دوسری ششماہی میں بیرونی اکاؤنٹ کے توازن میں بڑی کمی واقع ہوئی اور مالی خسارہ دیکھنے میں آیا۔ سی پیک منصوبوں کے تکمیل کے قریب پہنچنے اور حکومت اور نجی شعبہ کی جانب سے انفراسٹرکچر ڈیولپمنٹ میں توسیع کے باعث سیمنٹ کی طلب میں نمایاں اضافہ ہوا۔ 2017/18 کے دوران میں سیمنٹ کی صنعت میں 13.8% ترقی ہوئی جو گزشتہ چند سالوں میں ہونے والی سب سے زیادہ ترقی تھی۔ گزشتہ سال کے مقابلے میں مقامی ترسیل میں 15.4% اضافہ ریکارڈ کیا گیا جب کہ برآمدات کی مد میں 1.8% اضافہ ہوا۔ برآمدات کی ترسیل میں سب سے بڑا حصہ افغانستان کو ترسیل کا ہے۔ نجی شعبہ نے بھی مقامی سیمنٹ کے استعمال میں نمایاں اضافہ کرنے میں اہم کردار ادا کیا ہے کیونکہ گھر، بلو، تجارتی اور رہائشی کمپلیکسز کی تعمیرات کا رجحان بھی آہستہ آہستہ بڑھتا جا رہا ہے جس کا سیمنٹ کی صنعت پر مثبت اثر پڑا ہے۔

کاروبار کا جائزہ

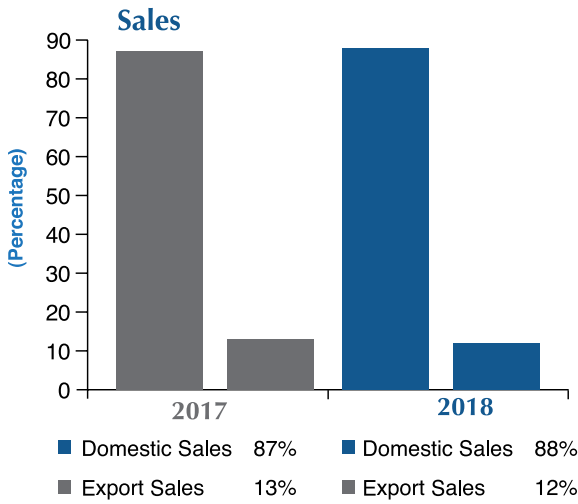
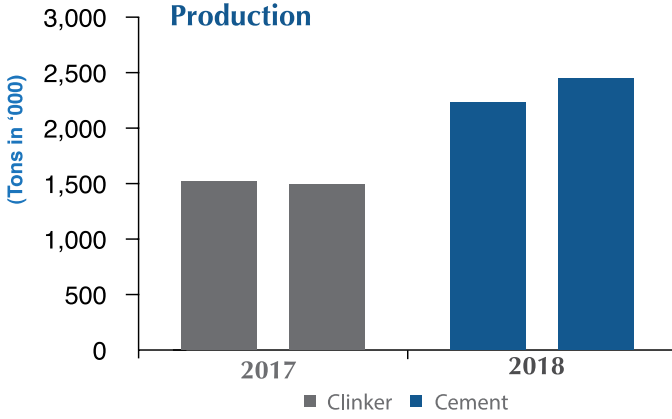
2017/18 کا سال کمپنی کیلئے کاروبار کے ہر پہلو کے لحاظ سے بہت شاندار رہا۔ چاہے اندرونی ترقی تو وسیع کی شکل میں ہو یا بیرونی ترقی نئی مارکیٹس تک پہنچنے کی صورت میں ہو، کمپنی نے اپنی خدمات کی شہرت کے مطابق کارکردگی کا مظاہرہ کیا۔ اگرچہ بیرونی مارکیٹ کے عوامل نے کاروباری عمل میں چیلنج کی صورت پیدا کر دی مگر کمپنی کی ترقی کا گراف استحکام کے ساتھ بلندی کی طرف بڑھتا رہا۔ کاروباری سرگرمیوں کا تفصیلی جائزہ اور سال کے دوران میں کارکردگی آگے دی گئی ہے۔

تفصیلی پیداوار اور سیلز کے اعداد و شمار درج ذیل ہیں:

2017	2018
(in tons)	
1,518,520	2,234,491
1,489,489	2,442,567
1,340,226	2,208,000
204,226	311,128
1,544,452	2,519,128

- کلنکر کی پیداوار
- سیمنٹ کی پیداوار
- ملکی سیلز (سیمنٹ اور کلنکر)
- برآمد کی سیلز
- مجموعی سیلز

پورے سال میں بھر پور مقامی طلب اور اضافہ شدہ پروڈکشن کی گنجائش کے ساتھ ساتھ گزشتہ سال سیمنٹ لائن II کی کمشنگ سے کمپنی کی سیمنٹ کی مقامی سیلز میں تقریباً 65% اضافہ ہوا۔ اسی طرح اضافہ شدہ گنجائش سے کمپنی کو افغانستان برآمد میں اضافہ کا موقع ملا جو گزشتہ سال کی اسی مدت کے مقابلے میں 52% بڑھ گیا۔ سال کے دوران میں گزشتہ سال کے مقابلے میں کمپنی کی مجموعی ترسیل میں نمایاں طور پر 63% اضافہ ہوا۔ کمپنی نے سال کے دوران میں 77,886 ٹن کلنکر بھی فروخت کیا۔



### مالیاتی کارکردگی

سال 2017/18 کے دوران کمپنی کو اسکیل کی معیشت اور اضافی استعداد سے فائدہ حاصل ہوا جب سیمنٹ لائن II نے پوری گنجائش کے مطابق کام کیا۔ سیمنٹ کی ترسیلات میں اضافہ کے سبب کمپنی کی سیلز کی آمدنی بھی گزشتہ سال کی اسی مدت کے مقابلے میں 49% اضافہ کے ساتھ 4.7 بلین روپے ہو گئی۔ تاہم بڑھی ہوئی کم و بیش قیمتوں خصوصی طور پر کونکر کی قیمتوں میں اضافہ اور زیادہ خسارے اور مالیاتی لاگت کے سبب مارجن میں کمی آئی۔ سیمنٹ لائن II کے سلسلے میں ٹیکس ایڈجسٹمنٹ کے بعد کمپنی کو 30 جون 2018 کو ختم ہونے والے سال کیلئے 2,132 ملین روپے بعد از ٹیکس منافع حاصل ہوا۔

کمپنی کی موجودہ سال اور گزشتہ سال کی آپریٹنگ کارکردگی مختصر طور پر درج ذیل ہے:

2017	2018
(Rs. in million)	
9,645.40	14,388.35
6,432.28	11,249.15
3,213.12	3,139.20
1,256.56	1,007.08
1,956.56	2,132.12

- خالص سیلز
- سیلز کی لاگت
- مجموعی منافع
- اخراجات اور ٹیکسز
- خالص منافع





# Proxy Form

## 37th Annual General Meeting

### 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.

Registered folio / participant's \_\_\_\_\_

ID No. and A/c. No. \_\_\_\_\_

Number of shares held: \_\_\_\_\_

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, speak & vote for me / us and on my / our behalf at the 37th Annual General meeting of the Company to be held Tuesday, October 16, 2018 at 12:00 noon at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa and at any adjournment thereof.

### WITNESSES

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

Signature of  
Shareholder

Revenue  
Stamp

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC 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.

# پراکسی فارم

37 واں سالانہ اجلاس عام

اہم نوٹ

پراکسی فارم اس وقت تک قابل قبول نہیں ہوگا جب تک یہ جنرل میٹنگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ ہو جائے۔

رجسٹرڈ فولیو نمبر / پارٹیسپنٹ شناخت نمبر \_\_\_\_\_

اکاؤنٹ نمبر \_\_\_\_\_

مجموعی شیئرز \_\_\_\_\_

میں مسمی / مسماة \_\_\_\_\_

سکنہ \_\_\_\_\_

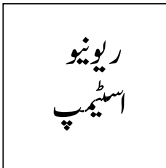
ضلع \_\_\_\_\_

بحیثیت ممبر چہراٹ سیمنٹ کمپنی لمیٹڈ، مسمی / مسماة \_\_\_\_\_

سکنہ \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور

میری طرف سے کمپنی کے سالانہ اجلاس عام (یا جو بھی صورت حال ہو)، جو مورخہ 16 اکتوبر 2018 بروز منگل دوپہر 12:00 بجے بمقام فیکٹری کی حدود، گاؤں لکرنی، نوشہرہ، خیبر پختونخوا میں منعقد ہوگا، اس میں اور اس کے کسی ماتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

گواہان



دستخط شیر ہولڈر

ریونیو  
اسٹیٹ

1 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_ / CNIC پاسپورٹ نمبر

(دستخط کمپنی میں درج نمونہ کے مطابق ہونے چاہئے)

2 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_ / CNIC پاسپورٹ نمبر

نوٹ: ایس ای سی پی کاسٹرکلر تاریخ 26 جنوری 2000 منسلک ہے۔

# 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)

# E-Dividend Mandate Form



To:

Date: \_\_\_\_\_

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Shareholder's Detail	
Name of Company	Cherat Cement Company Limited
Name of shareholder	
Folio No./CDC Participants ID A/c No.	
CNIC No	
Passport No. (in case of foreign shareholder)	
Cell Number & Land Line Number	
Email Address (Mandatory)	

Shareholder's Bank Detail	
Title of Bank Account (Mandatory)	

International Bank Account Number (IBAN) - Mandatory (24 Digits)

P	K																					
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Bank's Name

Branch Name and Address	
-------------------------	--

It is stated that the above mentioned information is correct and in case of any change therein, I will immediately intimate Participant / Share Registrar accordingly.

Yours sincerely

\_\_\_\_\_  
Signature of Shareholder

(Please affix company stamp in case of corporate entity)

**Notes:**

COMPANY WITHHOLD THE PAYMENT OF DIVIDEND OF A MEMBER WHERE THE MEMBER HAS NOT PROVIDED THE COMPLETE INFORMATION OR DOCUMENTS AS SPECIFIED.

The shareholders who hold shares in Central Depository Company are requested to submit the above- mentioned Dividend Mandate Form, duly filled-in, to the relevant Broker/Participants/Investor Account Services of the Central Depository Company of Pakistan Limited where Member's CDC account is being dealt. The shareholders who hold shares in physical form are requested to submit the above-mentioned Dividend Mandate Form, duly filled-in, to the share Registrar of the Company, as mentioned below:

**M/s Central Depository Company of Pakistan Limited**

**CDC House, 99-B, Block-B, S.M.C.H.S, Main Shakra-e-Faisal, Karachi-74400, Pakistan**

**Tel: 0800-23275, 111-111-500, Fax: 021-34326053**





**GHULAM FARUQUE  
GROUP**

**Cherat Cement  
Company Limited**

Head Office:

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

UAN: (9221) 111-000-009

Fax: (9221) 35683425

Email: [info@gfg.com.pk](mailto:info@gfg.com.pk)

Web: [www.gfg.com.pk](http://www.gfg.com.pk)

