CHERAT CEMENT

Cherat Cement Company Limited

A Ghulam Faruque Group Company

Annual Report 2019

Strength To Be Reckoned With

3rd Line starts production

OUR TALE

Since 1981, Cherat Cement has been committed to the people and communities which support its business.

It is our continuous endeavour to contribute to the economic development and improvement in the quality of life of the people of this country.

Like humans the elephants are also a close knit community; as we launch our Line-III, we are now a force to be reckoned with, while cementing relationships and building communities.

capacity
2.1 M Tons p/a

Chapters

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.

Our Values

RESPECT
is our way of life

OWNERSHIP
is our way to success

QUALITY
is our legacy

FAIRNESS
is our way of work

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.

The 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 is not tolerated under any circumstances. Breach of the CCCL's Code of Conduct can lead to disciplinary action upto 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 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 annual installed capacity is now in excess of 4.5 million tons of cement. 3rd production line of the Company became operational in January 2019. In view of increased demand of cement, The Company successfully installed back to back two production lines.

The Company also installed three Wartsila dual fuel generators having production capacity of 9.7 MW each.

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. Details and brief profile of other leading group companies / ventures are as follows:

Faruque (Pvt.) Ltd

Parent Company

Established in 1964 as a Parent Company of the group, it primarily serves as an investment arm of the Group. Around 22% Shareholding in Cherat Cement.

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 12,500 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 1,100 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, 195 million PP bags and 12.6 million kg flexible packaging products. It caters 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.

Mirpurkhas Energy Ltd

Wholly owned subsidiary of Mirpurkhas Sugar Mills Ltd incorporated in 2016 as a public (unlisted) Company.

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 Ltd
Joint Venture for Renewable Wind Energy

Unicol Ltd
Joint Venture Distillery producing Ethanol and Liquid Carbon Dioxide (CO_2)

Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills, Faran Sugar and Mehran Sugar. It is engaged in the production and marketing of ethanol from molasses and CO_2. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol.

Madian Hydro Power Ltd
Joint Venture for establishing 148 MW hydro power plant

Company Information

Board of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Akbarali Pesnani	Director
Mr. Arif Faruque	Director
Mr. Asif Qadir	Director
Mr. Abrar Hasan	Director
Mrs. Zeeba Ansar	Director
Mr. Yasir Masood	Director

Audit Committee

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

Human Resource & Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Azam Faruque	Member
Mr. Omar Faruque	Member

Director & Chief Financial Officer
Mr. Yasir Masood

Executive Director & Company Secretary
Mr. Abid Vazir

Head of Internal Audit
Mr. Aamir Saleem

Auditors
EY Ford Rhodes
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
Allied Bank Ltd
Bank Al Habib Ltd
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
Industrial & Commercial Bank of China
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
MCB Islamic Bank Ltd

Share Registrar
CDC Share Registrar
Services Limited
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400
Tel: 0800-23275
UAN: 111-111-500
Email: info@cdcsrsl.com

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

Our Journey

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

1988
Optimization capacity expansion to 1,400 t/day

1994
Doubling capacity expansion to 2,300 t/day

Installed Roller Press at Raw Mill & Cement Grinding areas

Caterpillar commissioned 04 CAT power generators (6 MW)

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

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

2001
HMI Manual operating panels converted to HMI

2002
Cherat Electric Merger in Cherat Cement Company Ltd

Cooler E.P. Multicyclones converted to Electrostatic Precipitators

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

2005
Capacity Expansion to 3,300 t/day

2006
LVT Cement Press installed

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

2009
Installed SAP (ERP)

2010
Waste Heat Recovery for Power Generation commissioned

2012
Tyre Derived Fuel Processing Plant installed

2013
Refuse Derived Fuel Processing Plant installed

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

2017
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

2018
L/C opened for 3 Wartsila dual fuel generators having production capacity of 9.7 MW each

2019
Commercial production of Line-III with a clinker capacity of more than 6,700 tons per day alongwith WHR started in January

Installation of 3 Wartsila dual fuel generators of 9.7 MW each

Awards and Recognition

Best Corporate and Sustainability Report Award ICAP, ICMAP for 2018

The Company secured Third position in Best Corporate and Sustainability Report Award in the cement sector for 2018, jointly organized by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan.

Best Corporate and Sustainability Report Award ICAP, ICMAP

The Company secured first position in Best Corporate and Sustainability Report Award in the cement and sugar sector for two consecutive years i.e. 2017 and 2016 jointly organized by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. Formerly, the Company secured second position in 2015 and 2014.

South Asian Federation of Accountants (SAFA) Award

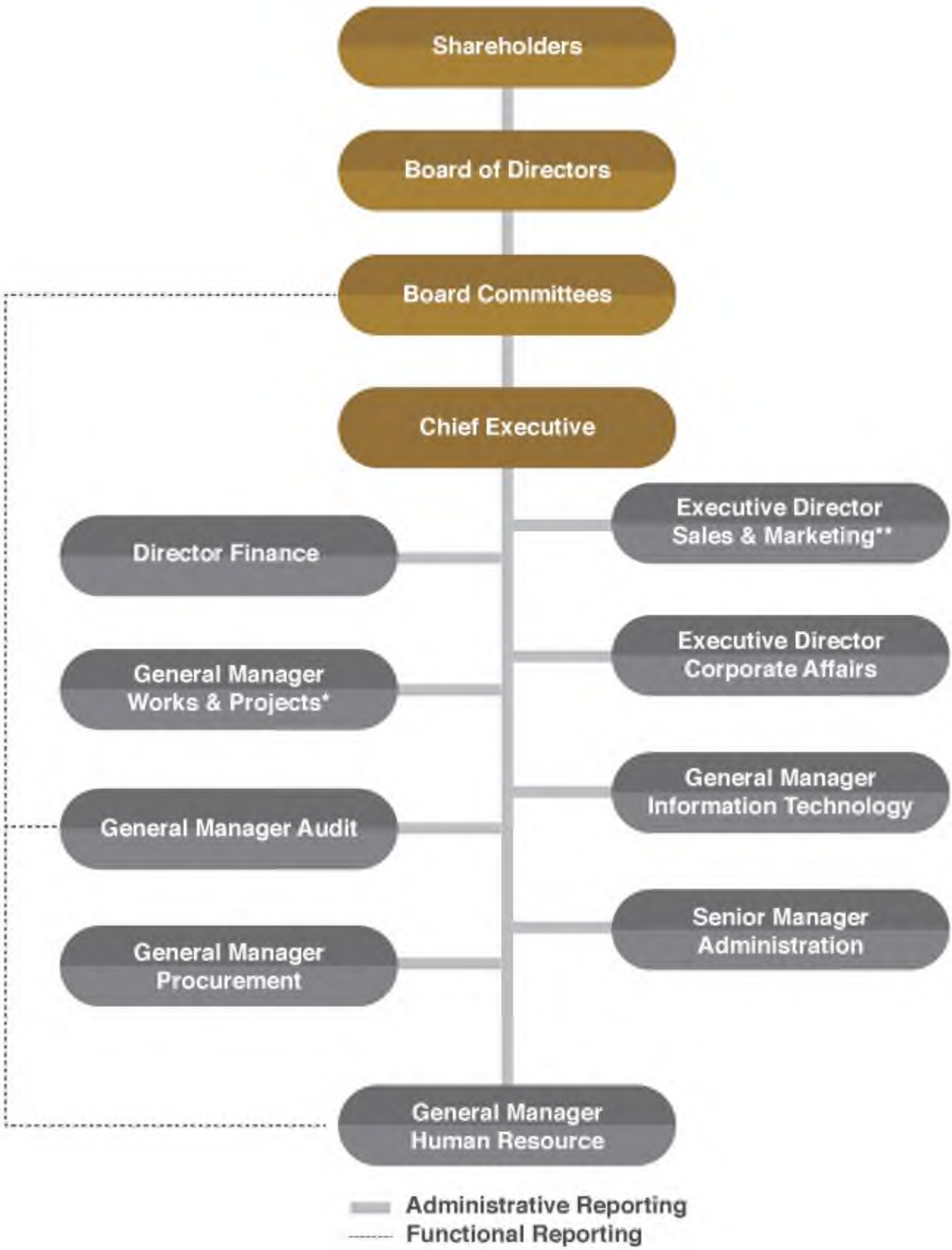
In recognition of Cherat Cement's endeavour for transparency in corporate reporting, the annual reports of the Company for the year 2017 and 2014 were nominated in the SAARC Anniversary Awards for Corporate Governance Disclosures Award 2017 and 2014. Latest event was held in Pune, India in January, 2019. The Company was awarded certificate of merit for Improvement in Transparency, Accountability & Governance in Corporate Governance Disclosures for the Annual Report of 2017 and 2014.

Pakistan Stock Exchange Top Companies Award

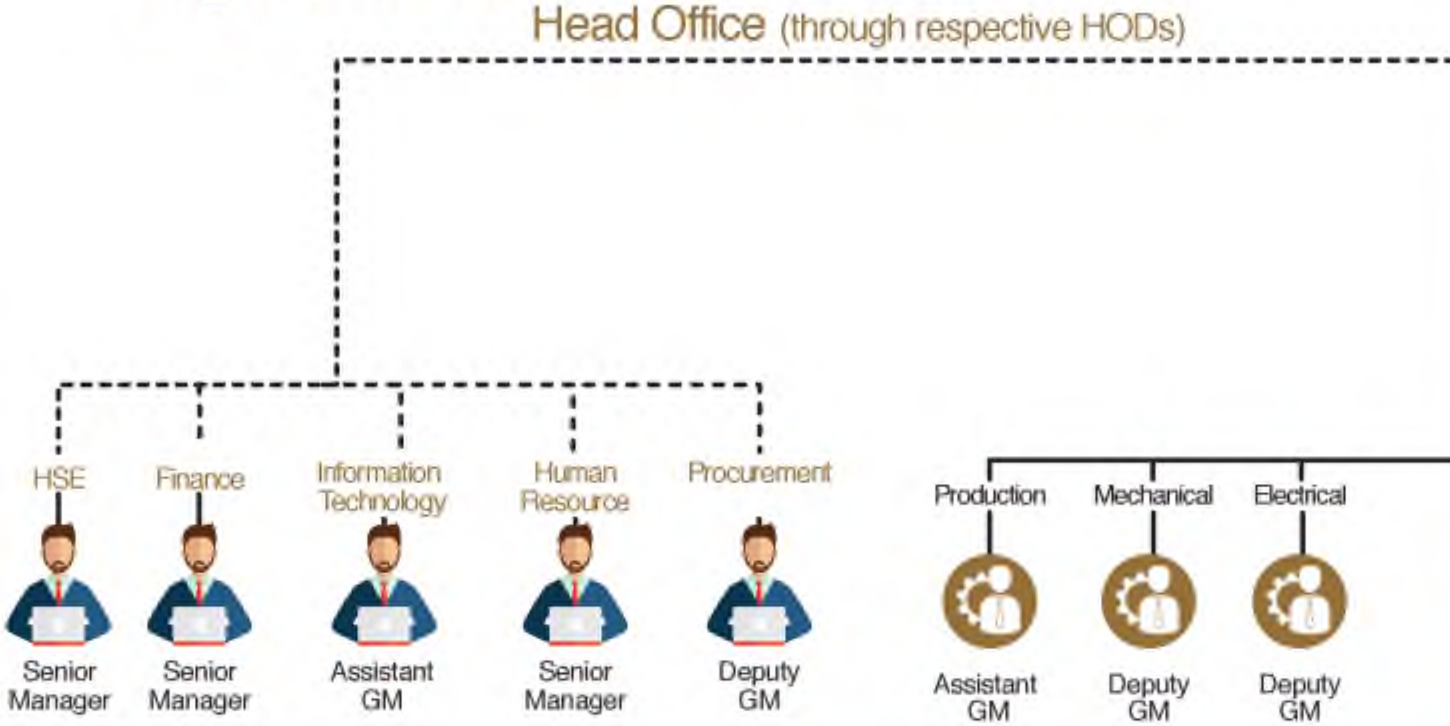
Cherat Cement's outstanding performance was also recognized by the Pakistan Stock Exchange and the Company was awarded the Top Companies Award for the year 2014. The ceremony was held in Karachi in September 2016.

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.

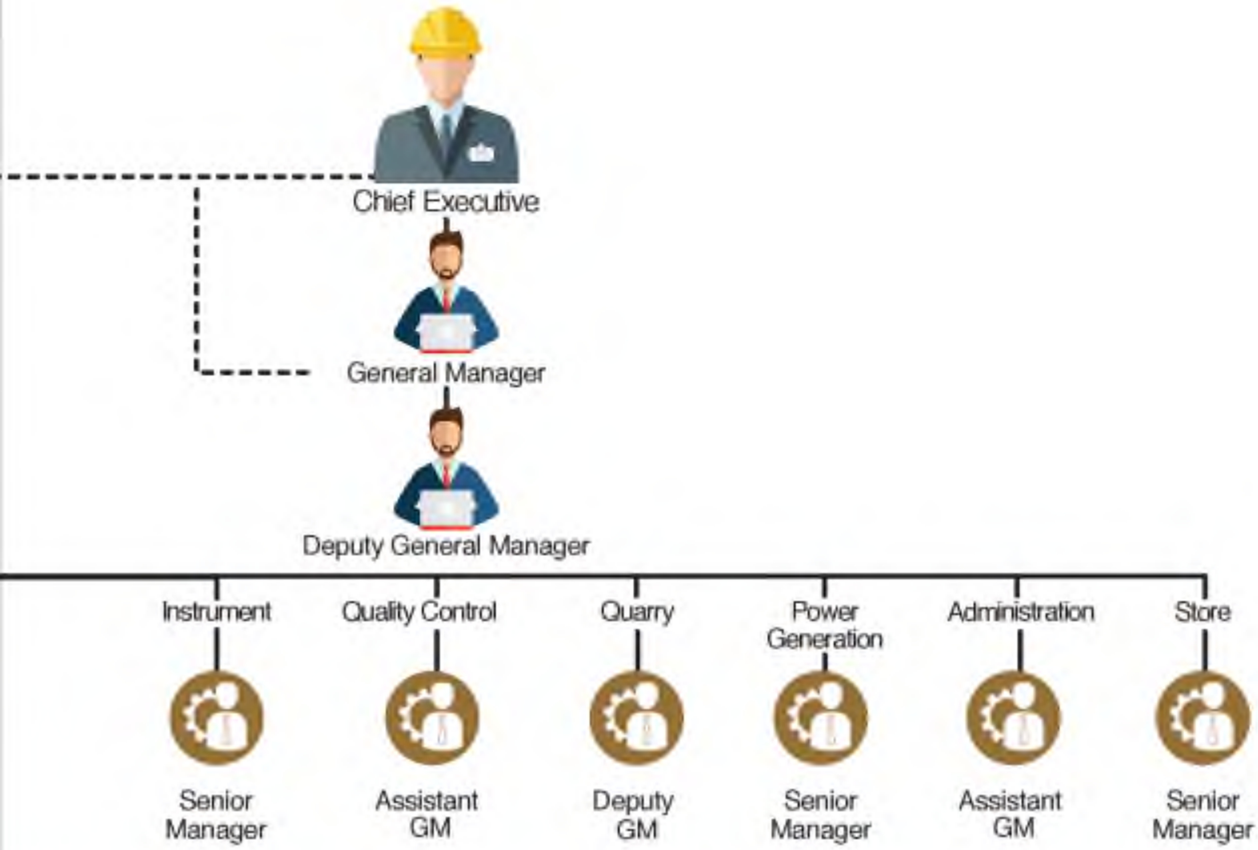
Organizational Structure



* Factory Site Organizational Structure

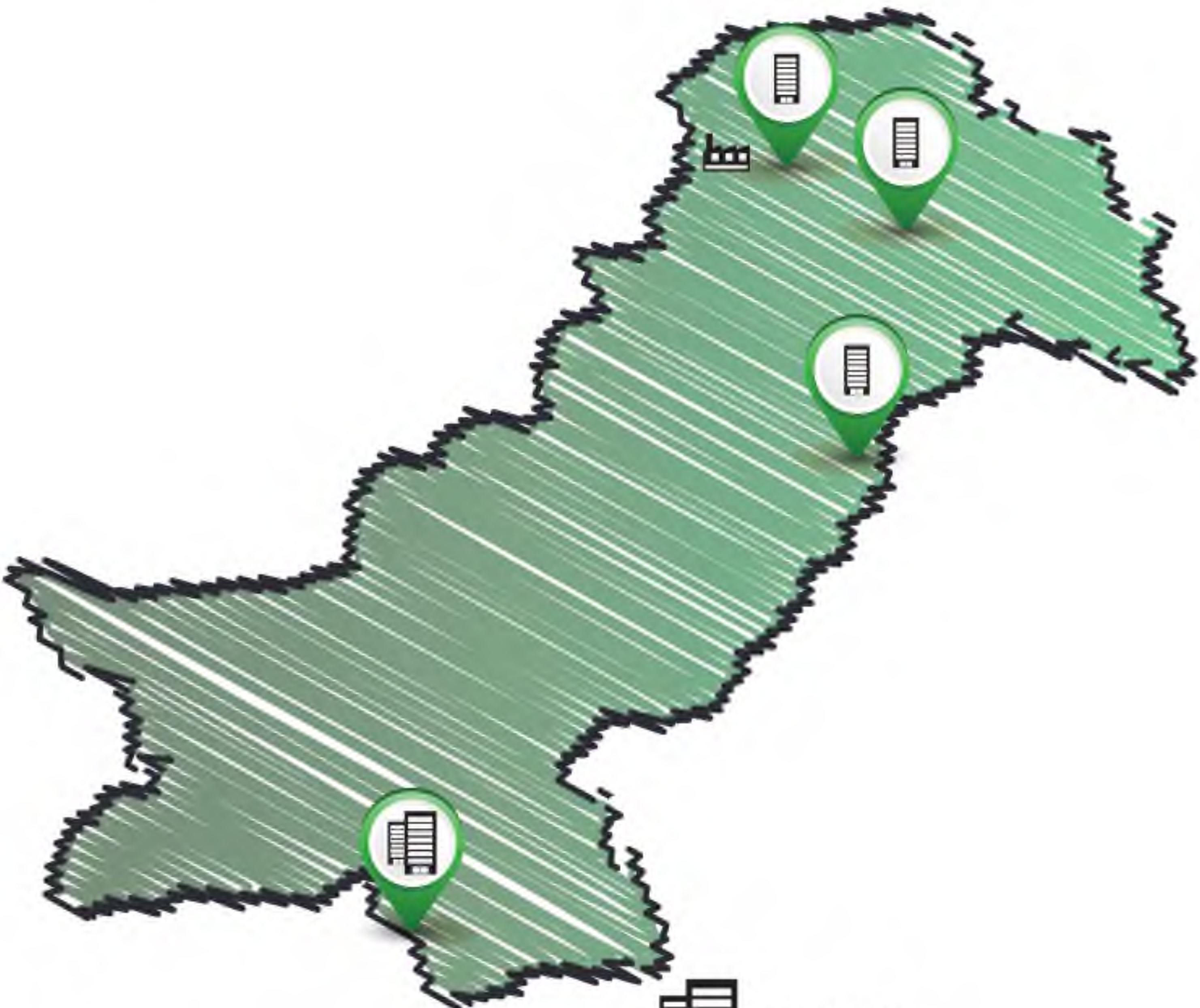


**Sales Offices Organizational Structure


Chief Executive
General Manager
Deputy General Manager
Instrument
Senior Manager
Quality Control
Assistant GM
Quarry
Deputy GM
Power Generation
Senior Manager
Administration
Assistant GM
Store
Senior Manager


Chief Executive
Executive Director Sales & Marketing

Geographical Presence



Head Office
Karachi

Sales Office
Peshawar
Lahore
Islamabad

Factory
Nowshera

Main Distribution

Local

- Attock
- Bagh
- Bahawalpur
- Bajaur
- Bannu
- Bhimber
- Bunair
- Chakwal
- Charsadda
- Chilas
- Chitral
- Dera Ghazi Khan
- Dir
- Faisalabad
- Gilgit
- Gujranwala
- Gujrat
- Hunza
- Hyderabad
- Islamabad
- Jhelum
- Karachi
- Karak
- Kasur
- Khairpur
- Khyber
- Kohat
- Kotli
- Kurram
- Lahore
- Larkana
- Malakand
- Mardan
- Mirpur
- Mirpurkhas
- Mohmand
- Multan
- Muzaffarabad
- Narowal
- North Waziristan
- Nawabshah
- Nowshera
- Okara
- Orakzai
- Parachinar
- Peshawar
- Rahim Yar Khan
- Rawalakot
- Rawalpindi
- Sahiwal
- Sakrand
- Sanghar
- Sargodha
- Shangla
- Sheikhupura
- Sialkot
- Skardu
- South Waziristan
- Sukkur
- Swabi
- Swat
- Tank

Afghanistan

Main Distribution

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

Position within the Value Chain


Supplier /
Contractor
Cherat Cement
Down Stream
Transportation

Factors Affecting the External Environment and the Organization's Response

FACTORS	POLITICAL	ECONOMIC	SOCIAL
DESCRIPTION	• Political turmoil generally impacts organizations negatively	• Increasing labour cost • High interest costs • High inflation • Low economic growth • Exchange rates	• CSR responsibilities • Increasing attention in health care • Charity and donation • Providing education facility • Safe and healthy environment
ORGANIZATIONAL RESPONSE	• Management keeps a close eye on the development • Industry issues are dealt through APCMA • Sales, if made on credit, strong credit controls are enforced	Weak demand and rising cost decreased the revenue. Devaluation of currency, rising discount rates, inflation factor and increase in variable costs made their impact on the profitability of the Company. The Company keeps on applying cost effective measures to manage these factors.	Company donates generously to various social and charitable causes including towards health, sports, education and social sectors. The Company actively participates in various social work initiatives as part of its corporate social responsibility.

TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
• Risk of technical obsolescence • Introduction of new technology by competitors	• Companies Act 2017 • Income Tax Ordinance • Sales Tax Act • Stock Exchange (PSX) Rule Book • SECP Acts, Rules, Regulations, Directives etc.	• Adverse weather condition • Growing attention to environmental protection • Climate changes • Natural disasters
The Company has always given priority to latest developments. The Company has hi-tech machinery at its production site. Moreover, the Company is running world renowned SAP (ERP system). Further state of the art technology has been used in the newly installed Line-III, that has enabled us to save in fuel and power.	The Company strongly abides by all acts, listing rules and regulations applicable on it. In this connection consistent efforts are put by the management to fulfill every legal aspect.	The Company complies with ISO 14001 and NEQ standards. The installation of WHR plants have also helped improve the environment. The plants are 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:

- The production capacity of the Company has increased significantly because of installation of Line-III.

- Heavy capital expenditures have been made for installation of Line-III, Waste Heat Recovery (WHR) and Captive power plants. The leverage has also increased accordingly.

- The Company has enhanced its market share by increasing product reach to multiple new cities within Pakistan.

- The number of employees has also increased as compared to previous year due to requirement of Line-III.

Composition of Imported vs Local Inputs

For the year ended June 30, 2019

The Company produces Cement and Clinker using mix of local and imported inputs. Imported Fuel (coal) represents significant part of Cost of Sales i.e. 39%.

Sensitivity Analysis:

Management of the Company closely monitors international coal prices and exchange rate fluctuations and takes necessary action to mitigate the risks associated with such fluctuations.

	Fluctuation in Exchange rate by 10%	Fluctuation in Exchange rate by 20%
Increase in Cost of Sales (%)	3.93	7.86
Decrease in Cost of Sales (%)	-3.93	-7.86

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.

Company's Overall Strategic Objectives

Following are the main strategic objectives of the Company:

Short Term Objectives:

- Effective and efficient use of available resources
- Enhanced capacity utilization of Company's production lines

Medium Term Objectives:

- Optimization of management processes and policies implementation
- Increase in our market and distribution avenues
- Modernization of Company's production facilities to ensure effective production.

Long Term Objectives:

- Explore alternative energy resources and cost reductions
- Compliance with local and international environmental and quality standards
- Implementation of effective HR solutions through personnel development and creating proper environment for professional growth
- Implementation of corporate sustainability and community development

Management Strategies and Resource Allocation Plans

Business Strategies

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

Stakeholders' Values

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.

Plant Expansion

On the revenue side, we are confident that our investment on newly started production line III will reap positive results and help in maximizing returns for all stakeholders in the same manner as previous expansions.

Marketing Targets

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-III was commissioned much earlier than our targeted timeline and started operations during the financial year 2018-19.

Cost Controls

Cost is effectively controlled by following energy conservation measures through use of Waste Heat Recovery plant, alternate fuels, like Tyre Derived Fuel and LED lights. Moreover, the Company has installed 3 Wartsila dual-fuel Generators of 9.7 MW each which can run on gas, diesel and furnace oil. On the cost efficiency side we installed state of art Cement Line-III alongwith WHR. These are state of art technology and most economical in terms of energy consumption. We also installed WHR alongwith Cement Line-III that generate 8.5 MW electricity with the help of recycle gases of the plant. Moreover, we installed Wartsila dual fuel generators that reduce the reliance on national grid and given an alternative to switch to the most cost effective solution. Further the Company has obtained approval for gas connections from Sui Northern Gas Pipelines Limited which will be in operation in early part of the next fiscal year i.e 2019-2020 and will drastically reduce power cost. In addition, the Company uses a combination of both imported and local coal in order to keep the fuel costs low.

Efficiencies
We witnessed of surge in cost mainly due to rise in exchange rate during the year, 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.

Financing Facilities
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 also obtained a syndicated term-finance facilities of aggregate Rs. 15.3 billion for financing of newly commissioned Cement Line III project, WHR Line-III and Wartsila dual fuel generators of 9.7 MW each.

Human Capital
Developing our people is important to us. Human capital is an asset and plays an important role in our success. Our Core Values, Code of Conduct and HR policies provide an outline which serves as a guiding force for the whole organization. Cherat Cement gives key consideration to Human Resource Management. A full fledge HR department is established which is supervised by HR & RC of the Board of Directors.

HR Excellence
Approved HR 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.

SAP
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
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.

Raw Material
Cherat Cement has the benefit of lease of limestone mountain chains near plant location which has enough reserves for an extensive number of years.

Customer Satisfaction
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 Quality Management System (QMS) system ISO 9001: 2015 and Environment Management System ISO 14001: 2015.

Social Responsibilities
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.

Key Performance Indicators

Turnover	Gross Profit	Profit After Tax
15,863 (Rs. in Million)	2,883 (Rs. in Million)	1,763 (Rs. in Million)
Increased by 10.25%	Decreased by 8.16%	Decreased by 17.32%

Earnings Per Share	Breakup Value Per Share	Total Assets
9.98 (Rs.)	66.56 (Rs.)	35,280 (Rs. in Million)
Decreased by 17.32%	Increased by 5.21%	Increased by 15.60%

Operating Cycle	Current Ratio	Wealth Distributed
51 (Days)	1.31 (Times)	24,052 (Rs. Million)
Increased by 15.91%	Decreased by 23.84%	Increased by 17.50%

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 the above 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-terms 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 1.31 which reflects its strong liquidity position.

Liquidity Strategy

The company has prudent strategy 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 drawdown of Rs. 2.5 billion to finance cement line III under Syndicated Diminishing Musharakah Scheme. Furthermore, the Company made drawdown of Rs. 1.0 billion to commission Waste Heat Recover (WHR) Plant for line III. The Company monitors its liquidity position vigilantly and utilizes any excess liquidity in the most optimized manner by paying off relatively expensive financings. In order the meet the working capital requirements, the Company has arrangements with commercial banks in form of short-term financing facilities of Rs. 4.3 billion. Out of these facilities, Rs. 550 million are obtained under Islamic mode of financing, which includes Running Musharakah, Murabaha and Istisna. 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. Ample unutilized short-term financing facilities, under conventional and Islamic modes, are available at the Company's disposal.

Significant Plans and Decisions

Cherat Cement is continuously expanding its business. The Company successfully commissioned its third cement line along with Waste Heat Recovery Plant during the year 2018-19. With this expansion, the cement production capacity of the Company has increased to morethan 4.5 million tons per annum.

Three Wartsila dual fuel generators of 9.7 MW each have been installed and commissioned in September 2018. These generators can run on gas, diesel and furnace oil. Moreover, gas pipeline is being laid and gas will be available in the early part of 2019-20. This will significantly reduce the power cost of the Company.

The Company is studying other cost saving measures and is planning to invest in a Solar Renewal Energy Project of more than 12 MW capacity.

Significant Change in Objectives and Strategies

There is no material change in Company's objectives and strategies from the prior years. However, due to current economic situation and competition in the market, company is focusing on minimizing costs by taking effective cost saving measures as described under the heading 'Forward Looking Statement'.

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 with improvement suggestions are submitted to the Board of Directors.

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

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	Inconsistent / arbitrary changes in Government Policies	Financial capital	Adverse impact on Company's earnings due to changes in Government policies with respect to taxation measures, Power tariff, Axle load and Regulatory matters.	Advocacy through different forums, like APCMA, Pakistan Business Council etc. to timely apprise the relevant Government departments and Regulators of all issues that may have an adverse impact on the Industry or competitive environment. Management regularly monitors the changing regulatory and competitive environment and assesses the impact of any change in Government policy, so as to take timely action.
High	Information System	Financial capital	Loss of confidential information due to data theft IT Systems becoming unavailable because of System/Network failure, cyber-attacks etc.	Information is transmitted through secure connections and firewalls are in place to prevent malicious activities. Appropriate data back-up mechanism is in place. Moreover, alternative data processing sites are also available.Periodic systems audit is performed to identify any weaknesses / non-compliances and any areas for further improvements. Moreover, periodic log reviews further ensure that system related controls are in place and working effectively.

Risk level	Risk	Area of impact	Key source of Risk	Mitigating strategy
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.
High	Interest Rate Risk	Financial capital	Rate of reture fluctuation affecting value of interest-bearing assets.	Economic indicators are carefully monitored on a regular basis and a diversified portfolio of short term investment of funds in Islamic products is maintained.
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.
Moderate	High leverage	Financial capital	There is pressure on leverage due to newly Commissioned Line-III.	The Company tries to manage its leverage on a regular basis. Leverage has increased due to expansion loans but the loans are at very attractive rates. The Company early repaid the loans also.
Low	Employee turnover	Human Capital	Key employees and workers leave the company causing lack of competent workforce.	The Company values its worker and employees and worker 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 coup-up any unwarranted event.

Risks and Opportunities

Opportunities

Opportunity	Impact area	Key source opportunity	Strategy to materialize
Production Capacity	Financial capital	Higher capacity utilization.	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 technology is used in Cement Line-III including WHR and captive power plant.	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 low cost housing projects announced by the Government	Cement Line III, WHR III and captive power plant started commercial production.

Assessment of Risk, Debt Repayments and Capital Structure Adequacy

In connection with risk and opportunities pertaining to Cherat Cement Company Limited, the Board's efforts for determining level of risk, the 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.

Materiality Approach

The Board of Directors of Cherat Cement has given authority and power to the Company's management for taking day to day decisions. The management, however, observes the approach of materiality in applying power and authority.

Materiality is a matter of judgment and the Company thinks that a matter is material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. In order to execute day to day operations / transactions delegation of powers has also been defined clearly and formalized procedures are followed for their execution.

All the matters as required by the Companies Act 2017 are referred to the Board of Directors for its approval.

Governance

Notice of Annual General Meeting

Notice is hereby given that the **38th** Annual General Meeting of the Company will be held on Wednesday, October 16, 2019 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, 2019 with the Directors' and the Auditors' Reports thereon.

2. To consider and approve the payment of final cash dividend @10% (Re. 1.00 per share) and issuance of Bonus Shares in proportion of 10 shares for every 100 shares held i.e. 10% for the financial year ended June 30, 2019 as recommended by the Board of Directors. Further, all fractions of bonus shares shall be consolidated and disposed of in the stock market and to pay the proceeds of sale when realized to a charitable institution.

3. To appoint Auditors for the year 2019/20 and to fix their remuneration.

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

SPECIAL BUSINESS

5. To consider and approve the following resolution as Special Resolution:

   a) "RESOLVED that the transactions carried out in the normal course of business with related parties and associated companies as disclosed in Note 36 of the Financial Statements during the year ended June 30, 2019, be and are hereby ratified and approved."

   b) "FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to approve all transactions to be carried out in the normal course of business with related parties and associated companies during the ensuing year ending June 30, 2020."

   A statement under section 134 of the Companies Act, 2017, pertaining to the above-mentioned Special Business, is attached with the notice.

By Order of
the Board of Directors

Abid Vazir
Executive Director &
Company Secretary

Karachi: August 07, 2019

Notes:

1. The register of members of the Company will be closed from Thursday, October 10, 2019 to Wednesday, October 16, 2019 (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. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Wednesday, October 9, 2019 will be treated in time for the above entitlement.

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.

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 and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. CDC Share Registrar Services Limited 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 investor 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, the information regarding gross dividend, tax/zakat deduction and net amount of dividend will be provided through the Centralized Cash Dividend Register (CCDR), therefore, shareholders should register themselves to CDC's eServices Portal at https://eservices.cdcaccess.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. In case a person's name does not appear in the ATL the applicable tax rate will be increased by hundred percent.

8. In case of joint account, please intimate proportion of shareholding of each account holder along with their individuals status on the ATL.

9. Withholding Tax exemption from the dividend income shall only be allowed if copy of valid tax exemption certificate is made available to CDC Share Registrar Services Limited 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 the Share Registrar of the Company 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 written request.

12. Members may exercise their right to vote by means of postal ballot i.e. by post or through electronic mode subject to the requirements of section 143-145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.

13. Members can also avail video conference facility, in this regard, please fill the following and submit to Head Office of the Company seven (7) 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 seven (7) 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 share(s) as per Registered Folio No.________ hereby opt for video conference facility at _____________".

Statement Under Section 134 of the Companies Act, 2017

The statement sets out material facts concerning "Special Business" to be transacted at the

Annual General Meeting of the Company to be held on October 16, 2019. The approval of the Members of the Company will be sought for:

During the financial year ended June 30, 2019 the Company carried out transactions with its associated companies and related parties in accordance with its policies and applicable laws and regulation. Related party transactions require shareholders' approval under sections 207 and 208 of the Companies Act, 2017. Such transactions are being placed before the shareholders for their approval through special resolution proposed to be passed in the Annual General Meeting.

The shareholders are requested to ratify the transactions which have been disclosed in Note no. 36 of the Financial Statements for the year ended June 30, 2019 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2020.

Party wise breakup of transactions as disclosed in Note no. 36 of the Financial Statements for the year ended June 30, 2019 is given below:

Name of Related Party	Nature of Transaction	Amount (Rs'000)
Cherat Packaging Limited	Purchase of packing material	1,587,705
Cherat Packaging Limited	Dividend paid	19,373
Cherat Packaging Limited	Dividend received	19,438
Cherat Packaging Limited	Sale of goods	11,606
Faruque (Private) Limited	Dividend paid	153,067
Faruque (Private) Limited	Purchase of raw material	163,622
Greaves Pakistan (Private) Limited	Dividend paid	8,796
Mirpurkhas Sugar Mills Limited	Dividend paid	23,081
Mirpurkhas Sugar Mills Limited	Dividend received	394
Mirpurkhas Sugar Mills Limited	Sale of goods	5,023
Zensoft (Private) Limited	I.T support charges	20,325
Zensoft (Private) Limited	Dividend paid	90
Employees Provident and Gratuity Funds	Contribution to fund	91,887

Directors' Profiles

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. and Madian Hydro Power 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 & 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., Madian Hydro Power 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., Unicol Ltd., International Industries Ltd., Indus Motor Company Ltd., Atlas Battery Ltd., Habib University Foundation and State Bank of Pakistan. 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 Limited, Aga Khan Cultural Service Pakistan and a Director on the Board of Jubilee General Insurance Co. Limited and Agha Steel Limited. His association with the Ghulam Faruque Group dates back almost 38 years.

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. 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.

Mr. Abrar Hasan - Director

Mr. Abrar Hasan serves as the Chief Executive Officer and as a Director on the Board of National Foods since 2000. He graduated with a BS in Industrial Management and a minor in Industrial Engineering from Purdue University, Indiana, USA. Mr. Hasan has used his proficiency in Operations Management, Marketing and Finance with diligence to make National Foods one of the largest, most successful and innovative food industries in Pakistan. He was elected on the Board of Cherat Cement Company Limited as an Independent Director on October 16, 2018. Besides this, he is also a Director of Associated Textile Consultants (Pvt.) Ltd., Pakistan Business Council, The Health Foundation and Engro Foods Friesland Campina.

Mrs. Zeeba Ansar - Director

Mrs. Zeeba Ansar has over 28 years of private and corporate banking experience. She did her Bachelors in Economics and Statistics from the University of Punjab and then completed her MBA in Marketing and Finance from the Institute of Business Administration. In her career as a banker she has worked with Deutsche Bank AG as Manager Corporate Banking Department and Faysal Bank as Senior Vice President and Corporate Head-South. She then joined UBL as Executive Vice President and Regional Corporate Head-South and retained the position for 10 years. Her most recent professional engagement was with NIB Bank as Group Head-Corporate and Investment Banking where she worked till 2017. She was elected as an Independent Director on October 16, 2018.

Mr. Yasir Masood - Director

Mr. Yasir Masood is a fellow member of the Institute of Chartered Accountants of Pakistan. He is a Certified Internal Auditor (CIA) and qualified Certified Information Systems Auditor (CISA). He is also a certified Director from Pakistan Institute of Corporate Governance. He is serving on the Boards of Mirpurkhas Sugar Mills Ltd., Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Engineering Services (Pvt.) Ltd., Madian Hydro Power Ltd. and Mirpurkhas Energy Ltd. In the past he has served as an Independent Director on the Board of NBP Exchange Company Ltd.

He is the Chief Operating Officer and Chief Financial Officer of Cherat Packaging Ltd. Mr. Yasir Masood is also serving as Chief Financial Officer of Cherat Cement Company Ltd., Madian Hydro Power Ltd. and Faruque (Pvt.) Ltd. He has been working and contributing in various committees of different business forums.

Chairman's Review

I am pleased to present to you the financial results of the Company for the year 2018/19. It has been a momentous year for the Company as it commissioned Cement Line III in January 2019. The commissioning was carried out by the dedicated and hardworking team before the scheduled time period and within the budgeted costs. Following this expansion, the production capacity of the Company now stands over 4.5 million tons per year.

The year 2018-2019 has been one of many political and economic developments. In an effort to stabilize the economy and improve macroeconomic indicators of the Country, the government had to take some difficult decisions. Cut backs in PSDP budget, increase in interest rates and devaluation of Pak rupee have had an adverse impact on the business industry including cement manufacturers. After years of consistently high growth, the cement industry grew by approximately 2% only in the year under review. Although domestic sales of the industry decreased by almost 2%, exports mainly by sea rose by approximately 37% In these tough times, Cherat Cement's volumetric sales remained at almost the same level as last year. During the year, there was an increase in cost of production due to inflationary factors and rise in finance costs due to long term loans for expansion. The Company also had to reverse the tax benefit availed under section 65-B of the Income Tax Ordinance mainly in respect of Cement Line III due to its reduction from 10% to 5% from retrospective effect by the government.

The outlook for the cement industry remains challenging in the immediate term due to stabilization measures being taken by the government. However, things are expected to improve in the medium to long term as launch of construction work on dams and low-cost housing projects will drive the sales of the cement industry. Your company is ideally placed to take the advantage of such a situation following the expansion of its production capacity.

The year ahead is going to be one of challenges and opportunities. We believe our stakeholders provide us with the motivation to keep getting better and it is our endeavor to continue to deliver the quality.

Karachi: August 07, 2019

Omar Faruque
Chairman

Directors' Report to the Members

For the Year Ended June 30, 2019

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, 2019.

OVERVIEW

There was considerable slowdown in the economic activities of the Country during the year 2018/19 as the overall business environment of the country remained challenging. Economic measures taken by the government to correct the fiscal imbalances affected the performance of the industrial sector. Reduction in PSDP outlays, tightening in monetary policy, currency depreciation, and imposition of regulatory measures dampened industrial activities in the Country including construction, which reduced the demand for cement.

Cement remains one of the primary drivers and indicators of growth in the Country. After several years of impressive growth, cement industry recorded an approximate growth of 2% only during the year 2018/19. While domestic dispatches declined by almost 2%, exports recorded a remarkable growth of approximately 37% from last year. The increase in exports is mostly attributable to rise in exports by sea.

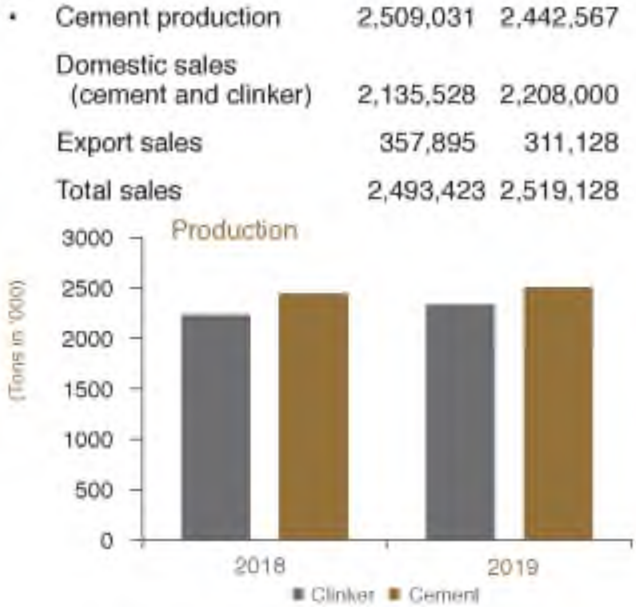
BUSINESS REVIEW

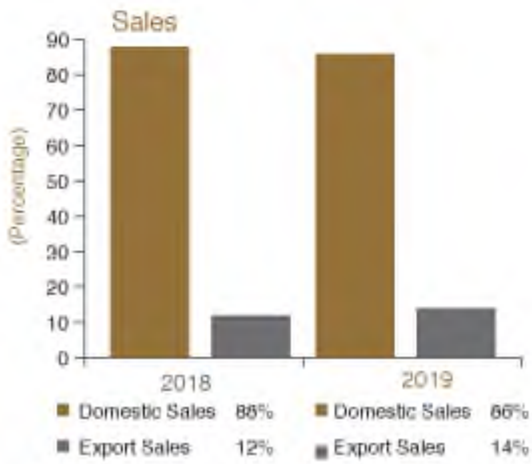
The year 2018/19 was a landmark year for the Company as it commissioned its Line III in January 2019. Although the external market factors created a challenging environment for the businesses to perform, the Company continued to deliver a quality product to its customers both in Pakistan and Afghanistan. Detailed review of the business activities and performance during the year is explained ahead.

PRODUCTION & SEGMENT WISE SALES REVIEW

Comparative production and sales figures are provided under:

	2019	2018
	(in tons)	
• Clinker production	2,338,024	2,234,491
• Cement production	2,509,031	2,442,567
Domestic sales (cement and clinker)	2,135,528	2,208,000
Export sales	357,895	311,128
Total sales	2,493,423	2,519,128





Despite slowdown in construction activities in the Country during the year, cement sales of the Company remained at almost the same level as last year. While local despatches of the Company declined by 3.2% during the year, exports to Afghanistan increased by 15% compared to the last year. Last year's dispatches also include sale of 77,886 tons of clinker.

FINANCIAL PERFORMANCE

The Company achieved net sales of Rs. 15.8 billion during the year under review, which is 10% higher than last year's sales turnover of Rs. 14.4 billion. However, despite the increase in turnover, gross profitability of t he Company declined as compared to last year due to significant increase in cost of sales. During the year, there was a considerable increase in cost of input items. Higher fuel prices and devaluation of Pak rupee led to an increase in the cost of production. While sales prices also increased during this period, they were insufficient to offset the impact of higher cost of production leading to a steep decline in sales margin. There was an increase in other income during the year due to sale of scrap and receipt of dividend income. During the year, finance costs also increased sharply from both an increase in long term loan associated with the erection of new cement line as well as a steep increase in discount rates by the State Bank of Pakistan. Following the announcement in the recent Federal Budget, the Company had to reverse the tax benefit availed under section 65-B of the Income Tax Ordinance mainly in respect of mainly Cement Line III due to its reduction from 10% to 5% from retrospective effect by the government. For the year ended June 30, 2019 the company posted an after-tax profit of Rs. 1.76 billion.

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

	2019	2018
	(Rs. in million)	
Net sales	15,862.65	14,388.35
Cost of sales	12,979.53	11,249.15
Gross Profit	2,883.12	3,139.20
Expenses & taxes	1,120.36	1,007.08
Net Profit	1,762.76	2,132.12

EXPANSION PROJECT - CEMENT LINE-III

During the month of January 2019, the company successfully installed and commissioned Cement Line-III, having capacity of producing more than 6,700 tons of clinker per day, along with Waste Heat Recovery plant. With this expansion, the production capacity of the company has increased to more than 4.5 million tons per annum. The project was completed well before the scheduled time.

DIVIDEND

The Board of Directors at its meeting held on August 7, 2019 has proposed an annual cash dividend @ 10% and 10% bonus shares for the year ended June 30, 2019. The approval of members for the dividend will be obtained at the Annual General Meeting to be held on October 16, 2019.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always strived to play its due role in the society and is aware of its responsibility towards people, environment and climate of Pakistan. 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. The Company has contributed to various reputable charitable institutes 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

For the Company, the safety of the workers is a top priority. The 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. 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. The Company has a dedicated HSE department to oversee the implementation of HSE objectives. The department not only ensures compliance with the best HSE practices but also carries out regular fire and safety training of the staff. Furthermore, personal protective equipment has been provided to the staff. Due to the strong commitment of the company on strict compliance with HSE standards, no major accident was reported during the year.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributed over Rs. 8 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, 2019.

Provident Fund	Rs. 804.55 million
Gratuity Fund	Rs. 305.30 million

BOARD OF DIRECTORS

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

•	Male Directors	7
•	Female Director	1
a.	Independent Directors	3
i.	Mr. Asif Qadir	
ii.	Mr. Abrar Hasan	
iii.	Mrs. Zeeba Ansar	
b.	Non-Executive Directors	4
i.	Mr. Omar Faruque	
ii.	Mr. Akbarali Pesnani	
iii.	Mr. Shehryar Faruque	
iv.	Mr. Arif Faruque	
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 **	4
Mr. Arif Faruque	4
Mr. Saquib H. Shirazi*	1
Mr. Shamshad Nabi *	1
Mr. Asif Qadir	3
Mr. Abrar Hasan *	4
Mrs. Zeeba Ansar *	4
Mr. Yasir Masood **	-

* Mr. Saquib H. Shirazi and Mr. Shamshad Nabi retired as Directors during the year and in their place, Mr. Abrar Hasan and Mrs. Zeeba Ansar were elected as Directors.

** Mr. Yasir Masood was co-opted as a Director with effect from July 1, 2019 in place of Mr. Shehryar Faruque, who had resigned.

- 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. Asif Qadir	4
Mr. Akbarali Pesnani	4
Mr. Arif Faruque	3

- 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. Abrar Hasan	2
Mr. Azam Faruque	2
Mr. Shehryar Faruque *	1
Mr. Omar Faruque *	-

* Following the resignation of Mr. Shehryar Faruque, Mr. Omar Faruque was co-opted as a member of the Human Resource and Remuneration Committee.

- Pattern of shareholding is annexed with the report
- Earnings per share (EPS) during the year was Rs. 9.98 compared to Rs. 12.07 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.

RELATED PARTIES TRANSACTIONS

All transactions with related parties have been executed at arm's length and have been properly disclosed in the financial statements of the Company.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has fully complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. Statement of Compliance is provided under the relevant section of the report.

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 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 South African, Afghan and local 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 2018/19. Despite increase in discount rates, the Company is in a strong position to service its debts on time. During the year, an early repayment of Rs. 500 million was made by the Company.

- Capital Structure

  The Company's current debt to equity ratio is about 3:2 and this is mainly due to the expansion work on Cement line III. The Board of Directors and the management are confident that the capital structure of the company will improve considerably and a more balanced debt to equity ratio will be maintainable once the capacity utilization increases.

FUTURE PROSPECTS

The business environment in the Country remains challenging. The Country is passing through a critical phase as the government has embarked on an economic reform agenda. Due to the corrective measures taken by the government, the macroeconomic indicators of the Country are expected to revert to a stable trajectory in due course. However, the growth rate is likely to be affected in the short term. Despite facing difficult times in the past, the cement industry has grown extensively over the years and has generated significant economic activities in the Country. While structural reforms are being implemented, the government is urged to take immediate steps to kick start the economy by initiating construction of dams and low-cost housing projects in the Country, which will generate the demand for cement. Installation of third cement line by the Company has enhanced its market share and allowed it to achieve higher operational efficiencies. While we remain confident that macroeconomic indicators will start to improve in the Country, devaluation of Pakistani Rupee and rise in interest rates remain 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 07, 2019

Annual Evaluation of Board, Committees and Individual Members

Board evaluation mechanisms facilitate the Board of Directors in evaluating and assessing its performance and ability to provide strategic leadership and oversight to the senior management of the Company. Accordingly appropriate procedures have been developed based on emerging and leading practices to assist in the assessment of the Board, its committees and the individual directors themselves.

Questionnaires have been developed based on relevant criteria such as effectiveness, accountability, planning, leadership and strategy formulation by the Board and also its committees. Directors are also asked to fill out a self-evaluation questionnaire which focuses on their participation and satisfaction with the different proceedings of the Board and their individual role as a member.

These questionnaires are circulated annually and are filled out by the Directors anonymously. The collected answers are then compiled by an independent chartered accountant firm.

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 on November 29, 2018 to apprise the directors of their authorities and responsibilities. Four Directors of the Company namely Mr. Azam Faruque, Mr. Omar Faruque, Mr. Abrar Hasan and Mr. Yasir Masood are also certified under the Board Development Series Program offered by Pakistan Institute of Corporate Governance (PICG).

Policy on Non-Executive and 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 light 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.

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.

Understanding Shareholders Views

Company's shareholders comprise of investors including, mutual funds, investment companies, brokerage houses, insurance companies, foreign shareholders, pension funds, individuals, professionals, high profile individuals to housewivies. The Company regularly interacts with all categories of shareholders, through Annual General Meeting, Extra Ordinary General Meeting, regular Corporate / investor briefings etc. The Company had investor's briefing at PC hotel with institutional investors, Corporate briefing session at Pakistan Stock Exchange, etc. The Chief Finance Officer and the Company Secretary remain available to respond to any shareholder / investor's query. The non-executive members are also kept informed about the views of the major shareholders about the Company.

Governance Practices Exceeding Legal Requirements

Cherat Cement has always believed in going the extra mile and staying ahead of the curve. 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. We are trying to adopt Integrated Reporting framework.

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.

Executive Director(s) serving as Non-Executive and Independent Director in other companies / body corporate

Our Chief Executive Mr. Azam Faruque, and Director & Chief Financial Officer Mr. Yasir Masood are also serving as a Non-Executive and Independent Directors in other companies / body corporated. Details of which are available in the Directors' Profiles section.

Independent Directors

Cherat Cement has ensured that the composition of its Board of Directors is compliant with all prevailing legal and governance requirements with respect to independent directors. All independent Directors have submitted alongwith their consent to act as Director, the declaration as required under the Code or Companies Act, 2017, to the Company that they meet the criteria of independent director.

Female Director

Mrs. Zeeba Ansar was elected as an Independent female Director on October 16, 2018 on the Board and the requirement for a female director on the board of a listed company has been complied.

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.

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 CDC Share Registrar Services Limited (CDCSRSL) 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.

Statement of Management's Responsibility towards 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 light of the same strict compliance of all standards set out by ICAP, the Companies Act, and the International Accounting Reporting Standards have been adhered to and otherwise good and responsible reporting has been our general practice.

Related Party Transactions Policy

Preamble

The Board of Directors (the "Board") of Cherat Cement Company Limited (the "Company") has adopted this Policy pursuant to the provisions of Section 208 of the Companies Act 2017 read with Regulation No. 15 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018 issued by the Securities and Exchange Commission of Pakistan.

Scope of the Policy

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties. Amendments, from time to time, to the Policy, if any, shall be considered and approved by the Board. The policy covers all Related Party Transactions of Cherat Cement Company Limited as defined under Section 208 of the Companies Act 2017. The policy is applicable on all individuals responsible to initiate, authorize, record and report Related Party Transactions.

The Policy is applicable to all Related Party Transactions irrespective of their value and size.

This Policy is intended to work in conjunction with regulatory provisions and other Company policies.

Definitions

(i) Arm's length transaction means a transaction which is subject to such terms and conditions and is carried out in a way, as if-

(a) the parties to the transaction were unrelated in any way;

(b) the parties were free from any undue influence, control or pressure;

(c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgment as to what was in its interests; and

(d) each party was concerned only to achieve the best available commercial result for itself in all the circumstances.

(ii) Office of profit means any office:

(a) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

(b) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

(iii) Related Party includes:

(a) a director or his relative;

(b) a key managerial personnel or his relative;
a key managerial personnel shall mean the following;
- the Chief Executive Officer of the Company;
- the Company Secretary of the Company;
- the whole time Directors on the Board of the Company; and
- the Chief Financial Officer of the Company.

(c) a firm, in which a director, manager or his relative is a partner;

(d) a private company in which a director or manager is a member or director;

(e) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;

(f) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(g) any person on whose advice, directions or instructions a director or manager is accustomed to act:

(h) any company which is:
- a holding, subsidiary or an associated company of such company; or
- a subsidiary of a holding company to which it is also a subsidiary

(i) such other person as may be specified.

(j) relative means spouse, siblings and lineal ascendants and descendants of a person.

Provided that nothing in sub-clauses f and g shall apply to the advice, directions or instructions given in a professional capacity.

*All other terms will be construed as per the Companies Act 2017 and all other relevant laws.

Types of related party transactions

Any contract or arrangement with respect to the following, but not limited to these;

(i) sale, purchase or supply of any goods or materials;

(ii) selling or otherwise disposing of, or buying, property of any kind;

(iii) leasing of property of any kind;

(iv) availing or rendering of any services;

(v) appointment of any agent for purchase or sale of goods, materials, services or property; and

(vi) such related party's appointment to any office or place of profit in the company, its or associated company, provided:

a. where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution;

b. also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

Disclosure and Approval of Related Party Transactions

The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions:

(i) name of related party;

(ii) names of the interested or concerned persons or directors;

(iii) nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;

(iv) detail, description, terms and conditions of transactions;

(v) amount of transactions;

(vi) timeframe or duration of the transactions or contracts or arrangements;

(vii) pricing policy;

(viii) recommendations of the Audit Committee, where applicable; and

(ix) any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.

Identification of Related Party Transactions

Every Director will be responsible for providing a notice containing the following information to the Board of Directors on an annual basis:

(i) a firm, in which the director, manager or his relative is a partner;

(ii) a private company in which the director or manager is a member or director;

(iii) a public company in which the director or manager is a director or holds alongwith his relatives, any shares of its paid up share capital;

(iv) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of the director or manager;

(v) any person on whose advice, directions or instructions the director or manager is accustomed to act.

Terms of the policy

The terms of reference for the Policy are as follows:

(i) The management shall obtain approval of the policy by the Board;

(ii) The management may enter into any contract or arrangement with a Related Party only in accordance with the policy approved by the Board, subject to such conditions as may be specified;

(iii) The management shall obtain approval of the Board for contracts that are not on arm's length basis or not in the ordinary course of business;

(iv) The management shall present all Related Party transactions to the Audit Committee for their recommendation to the Board for approval;

(v) Every contract or arrangement entered into with a Related Party shall be referred to in the Board's report to the shareholders along with justifications;

(vi) Management shall maintain records of the transactions undertaken with Related Parties;

(vii) If a director or any other employee enters into any contract or arrangement with a Related Party without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within 90 days from the date of the contract, such contract or arrangement shall be voidable at the discretion of the Board.

Maintenance of Records

The Company shall maintain one or more registers with regards to transactions undertaken with Related Parties and contracts or arrangements in which directors are interested, in the manner prescribed, and shall enter therein the particulars of:

(i) contracts or arrangements, in which any director is, directly or indirectly, concerned or interested; and

(ii) contracts or arrangements with a related party with respect to transactions to which section 208 of the Companies Act 2017 applies.

Pricing Methodology

Any related party transactions carried out on arm's length basis shall use one of the following pricing methodologies:

(i) Comparable Uncontrolled Price method;

(ii) Resale Price method;

(iii) Cost Plus method; and

(iv) Profit Split method

Scope Limitation

In the event of any conflict between the provisions of this Policy and the Companies Act 2017 or any other statutory enactments, rules, the provisions of s the Companies Act 2017 or statutory enactments, rules shall prevail over this Policy.

Social and Environmental Responsibility Policy

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

The Company also participated in flood relief activities and helped IDP's (Internally Displaced Persons). 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. Ensure that no emission of hazardous materials emits 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.

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.

Conflict of Interest Policy

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

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

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

Management of Conflict of Interest

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

Any Director with personal interest, relationship or responsibility which conflicts with the interest of the Company or its shareholders shall excuse himself or herself from any discussions on the matter that would give rise to 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.


Success

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.

Human Resource Policy

At Cherat Cement Company Limited we attribute our continued success to our people. Our employees are our enduring advantage and it is our ability to create high performance teams in a culture of inclusiveness, professionalism and excellence that drives our growth. To maintain our HR competitiveness, we remain focused on areas of talent management, learning & development; succession planning, and the development of a robust Management Trainee Program.

Attracting the Best Talent

To support the Company's objective of acquiring the best talent, we have recalibrated our Trainee Engineer Program as "Future Leaders Program" to make it dynamic in its offerings to students allowing them to challenge their potential. By providing graduating students with an exhilarating route to enter our Graduate Trainee Engineering programs, we undertook several campus recruitment drives at leading Engineering educational institutions with an aim to find the best talent that would build the company-wide pipeline of emerging leaders and also to be part of our enterprising organizational culture.

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.
- Ongoing 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.

Core Values

Values are what support the vision, shape the culture and reflect what an organization values. They are the essence of the organization's identity – the principles, beliefs or philosophy of values.

We have recently relaunched our Core Values (Respect, Fairness, Quality, Ownership) and have imbedded them in our recruitment process, performance appraisals and recognition initiatives.

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

For the year ended June 30, 2019

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

1. The total number of Directors are 8 (eight) as per the following:

   a. Male: 7
   b. Female: 1

2. The Composition of board is as follows:

   a) Independent Directors 3
   b) Other Non-executive Directors 4
   c) Executive Director 1

3. 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).

4. 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.

5. 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.

6. 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 the Regulations.

7. 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.

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

9. The directors are well aware of their duties and responsibilities under the Code. Further following Directors and Executives attended Directors' Training program till June 30, 2019:

Name of Directors	
Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Shehryar Faruque	Director
Mr. Abrar Hasan	Director

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

During the year the Company has also arranged a Directors' Orientation Program for its Directors conducted by Pakistan Institute of Corporate Governance (PICG).

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

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

12. 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. Abrar Hasan	Chairman
Mr. Azam Faruque	Member
Mr. Shehryar Faruque	Member

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

14. 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 supervised by a qualified Head of Internal Audit who is considered suitably experienced for the purpose and is 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, the 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 07, 2019

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
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 113937 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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 for the year ended 30 June 2019 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 2019.

EY Ford Rhodes

Chartered Accountants
Date: 07 August 2019
Place: Karachi

Role of Chairman and Chief Executive

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 exists 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 2018-19, 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.

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 confidence, 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.

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.

Human Resource & Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Azam Faruque	Member
Mr. Omar Faruque	Member

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;

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.

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

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 2018-2019. 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 Audit Committee has reviewed and approved all related party transactions.
4. 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, 2020 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 05, 2019

Performance and Position

Analysis of the Financial and Non-Financial Performance

Financial Indicators:

Actual Results:

The year 2018-19 was a landmark year for the Company as it commissioned and started commercial production of cement line-III, WHR and Wartsila dual fuel generators during the year. There was considerable slowdown in the economic activities and business environment of the country remained challenging. Economic measures taken by the government to correct the fiscal imbalances affected the performance of the industrial sector. After several years of impressive growth, cement industry recorded a growth of 1.9% only during the year 2018-19. While domestic dispatches declined by almost 2.2%, exports recorded a remarkable growth of 37% from last year. During the year, there was significant increase in cost of input items. Increase in fuel prices in international market coupled with devaluation of Pakistani rupee led to an increase in the cost of production. While sales prices also increased but they were insufficient to offset the impact of higher cost of production leading to a steep decline in sales margin. There was an increase in other income during the year due to sale of scrap and receipt of dividend income. During the year, finance costs also increased due to long term loan obtained by the company to finance the new cement line and rise in discount rates by State Bank of Pakistan. Following the announcement in the recent Federal Budget, the Company had to reverse the tax benefit availed under section 65-B of the Income Tax Ordinance mainly in respect of Cement Line III due to its retrospective reducing effect from 10% to 5% by the government. In line with this for the year ended June 30, 2019 the company posted an after-tax profit of Rs. 1.76 billion.

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

	2019	2018
	(Rs. in million)	
Net sales	15,862.65	14,388.35
Cost of sales	12,979.53	11,249.15
Gross profit	2,883.12	3,139.20
Expenses and taxes	1,120.36	1,007.08
Net profit	1,762.76	2,132.12

Despite slowdown in construction activities in the Country during the year, cement sales of the Company remained at almost the same level as last year. While local cement sales of the company declined by 3.2% during the year, exports to Afghanistan increased by 15% compared to the last year. Last year's dispatches also included sale of 77,886 tons of clinker.

	2019	2018
	(in tons)	
• Domestic sales (cement and clinker)	2,135,528	2,208,000
• Export sales	357,895	311,128
Total sales	2,493,423	2,519,128

Budgeted Results:

After incorporating all internal and external factors i.e. update budget assumptions, review bottlenecks, available funding, steep costing points, obtain department budgets, obtain capital budget requests, manufacturing capacities etc. the budget of 2018-19 has been made, which is quite challenging as line III coming full-fledged in coming year. In this year company has set following sales volumes:

	2019	2019
	Actual	Budget
	(in tons)	
Total sales volume	2,493,423	3,420,000

Actual vs budget figure under respective head is as follows:

	2019	2019
	(Rs. in million)	
Net sales	15,862.65	22,124.00
Cost of sales	12,979.53	16,536.76
Gross profit	2,883.12	5,587.24
Expenses and taxes	1,120.36	1,378.36
Net profit	1,762.76	4,208.88

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 areas. 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 specially when size and capacity of the Company is growing. Cherat is a premium brand of Ordinary Portland Cement in Pakistan and Afghanistan. Our main markets in Pakistan are KPK, FATA, Azad Kashmir and Punjab. As per the data available on the website of All Pakistan Cement Manufacturers Association our market share is around 8% because of our superior quality, Cherat is the first choice of customers in most of the markets. Our market share has increased 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 commissioning of Line III, leverage has increased but loans are acquired at very attractive markup rates.

During the year, Pakistan Credit Rating Agency (PACRA) has maintained the credit rating of the Company at 'A' in the long term and 'A1 in the short term with a positive outlook (2018: A & A1, stable outlook). This portrays that the Company is in strong position to service its debts and meeting its liabilities in short and long terms.

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 III. 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.

Explanation of Negative Changes in Performance over the Period

Main reason is the economic slowdown which badly affect the construction activities. PKR depreciation, higher inputs and finance costs also affected the performance. The appropriate explanation pertaining to the negative changes in performance against prior year is provided in the relevant sections of the analysis of financial statements and the vertical and horizontal analysis of Statement of Financial Position, Statement of Profit or Loss, Quarterly performance and Statement of Cash Flows.

Debt Repayment

Information about default in payment of any debt has been covered in the Directors' Report.

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 books of accounts line wise. Analysis of local and export sales is given in the Director's Report.

Market Share

'Cherat" brand is widely acknowledged as the best quality cement brand of Pakistan. The Company is a leading brand having vast customer base with the presence in almost all over in Pakistan and Afghanistan, where it exported. Presently, due to the effective marketing efforts and superior quality of our brand, we have around 8% market share of cement sales in Pakistan, as evident from the All Pakistan Cement Manufacturing Association (APCMA) website.

Ratio Analysis

For the year ended June 30, 2019

	2019	2018	2017	2016	2015	2014
Profitability Ratios:						
Gross Profit Ratio (percentage)	18.18	21.82	33.31	37.21	30.21	32.59
Net Profit Before Tax to Sales (percentage)	6.61	14.92	26.02	28.98	25.45	26.16
Net Profit After Tax to Sales (percentage)	11.11	14.82	20.28	19.85	19.62	20.40
EBITDA Margin to Sales (percentage)	22.59	24.98	35.16	33.55	30.23	30.65
Operating Leverage Ratio	(1.22)	(0.15)	0.79	2.89	(0.25)	0.53
Return on Equity (average in percentage)	15.38	19.71	19.96	16.37	19.99	30.70
Return on Capital Employed (percentage)	5.98	8.12	12.74	10.68	15.73	25.97
Liquidity Ratios:						
Current Ratio	1.31	1.72	1.78	1.11	2.74	3.30
Quick / Acid Test Ratio	1.05	1.46	1.40	0.94	2.18	2.88
Cash to Current Liabilities	0.00	0.01	0.02	0.01	0.02	0.02
Cash flow from Operations to Sales	0.09	0.18	0.02	0.33	0.25	0.27
Investment / Market Ratios:						
Earnings per Share (Before Tax)	5.93	12.16	14.21	11.61	10.40	12.31
Earnings per Share (After Tax)	9.98	12.07	11.08	7.96	8.01	9.60
Price Earnings Ratio	3.10	8.05	16.14	15.03	10.86	6.82
Price to Book Ratio	0.47	1.54	3.02	2.31	1.92	1.41
Dividend Yield Ratio	0.03	0.05	0.03	0.03	0.03	0.05
Dividend Payout Ratio	0.10	0.41	0.41	0.41	0.37	0.31
Dividend Cover Ratio	9.98	2.41	2.46	2.45	2.67	3.20
Cash Dividend per Share	1.00	5.00	4.50	3.25	3.00	3.00
Stock Dividend per Share (percentage)	10.00	-	-	-	-	10.00
Market Value per Share - Closing	30.96	97.23	178.78	119.57	87.03	65.46
- High	97.64	174.53	212.00	125.22	89.81	84.47
- Low	29.70	88.50	118.31	80.30	50.22	44.82
Break-up Value per Share	66.56	63.26	59.23	51.75	45.44	46.27
Break-up Value per Share including the effect of all Investments	68.00	65.51	62.43	55.77	50.73	59.33
Break-up Value per Share including Investment in Related Party at Market Value	68.00	65.51	62.43	55.77	47.33	47.52
Capital Structure Ratios:						
Financial Leverage Ratio	1.75	1.44	0.61	0.46	0.03	0.06
Weighted Average Cost of Debt	0.09	0.06	0.07	0.06	0.10	0.09
Debts to Equity Ratio (percentage)	58.98	56.81	31.63	30.35	1.99	3.54
Interest Cover Ratio (Times)	1.92	7.02	14.33	47.93	45.15	59.71
Activity / Turnover Ratios:						
Total Assets Turnover Ratio	0.45	0.47	0.51	0.46	0.69	1.00
Fixed Asset Turnover Ratio	0.59	0.60	0.71	0.56	0.96	1.91
Inventory Turnover (Days)	28	26	33	30	33	34
Inventory Turnover (Times)	13	14	11	12	11	11
Debtor Turnover (Days)	34	31	17	-	-	-
Debtor Turnover (Times)	11	12	21	-	-	-
Creditor Turnover (Days)	11	12	18	18	19	19
Creditor Turnover (Times)	33	29	21	21	19	19
Operating Cycle	51	44	32	14	14	15

Comments on Ratios

Profitability Ratios:

Profitability ratios of the Company are declining due to the economic conditions of the country. Devaluation of PKR, higher inflation resulted in increased fuel, energy and raw material costs resulting in lower GP margins. On the other hand, rising interest rate and capitalization of Line III caused the finance cost to surge which results in lower net profit margins and returns on equity and capital employed. However, the impact of all the negative factors was mitigated by efficient utilization of captive power generation and tax credits.

Liquidity Ratios:

The Company's prudent working capital and liquidity management policies resulted in decent liquidity position during the year. The healthy position is due to the suitable utilization of long-term financings for capital expenditures, effective debtor and inventory management, and efficient utilization of idle funds.

Investment / Market Ratios:

The uncertainty on economic and political fronts contributed toward massive volatility at the PSX and decline in the profitability of the Company. These effects are portrayed by the ratios as well. However, the breakup values depict the potential, strength, and growth of the Company.

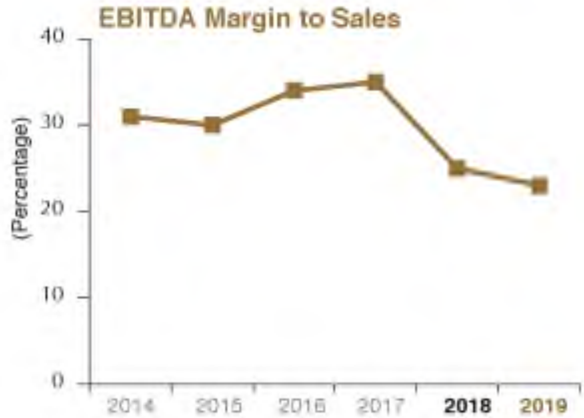
Capital Structure Ratios:

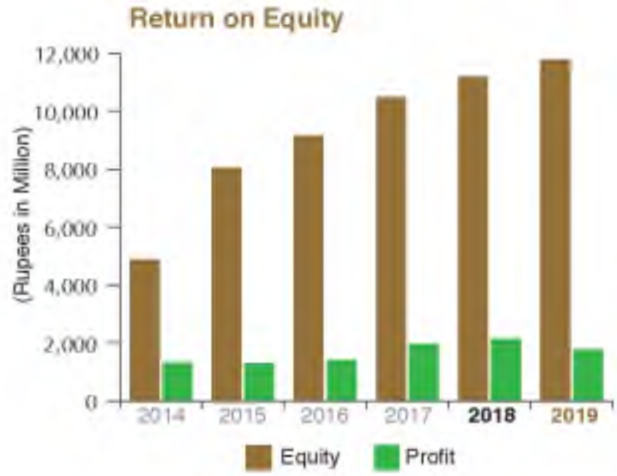
The Company maintains its capital structure to the optimum level by financing value projects through a blend of equity and long-term debts. During the year, the Company successfully installed Line III, Waste Heat Recovery Plant for Line III and Captive Power Plant. All these capital expenditures were financed through economical long-term financings, which lead to higher financial leverage. However, economical financing rates of the debts kept the financing cost to the minimum level.

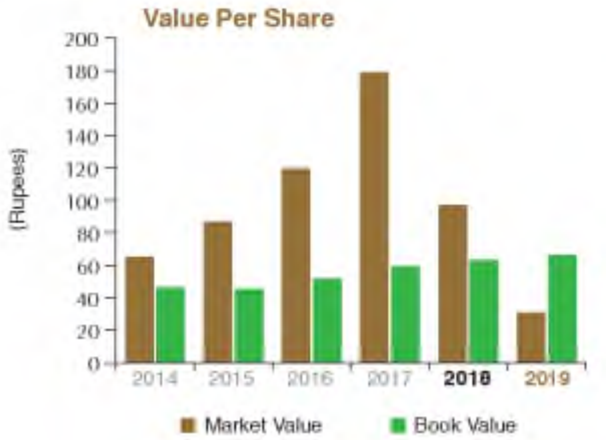
Activity / Turnover Ratios:

The inventory turnover witnessed a slight decline due to scaling up the inventory level after the installation of Line III. Debtor turnover was dropped marginally in order to gain market share. In order to keep a good relationship with the creditors to ensure smooth supply of goods and services, the Company maintained creditor turnover to a minimum level.

Graphical Presentation of Analysis of Financial Statements



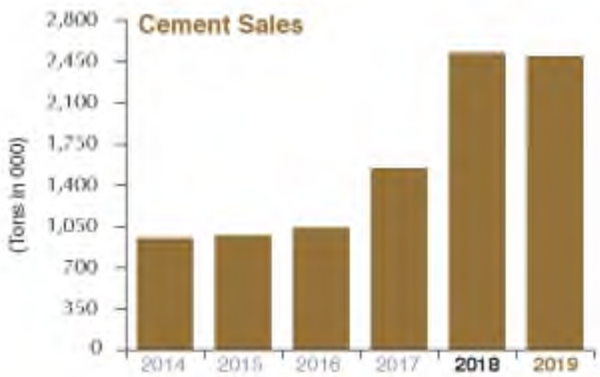


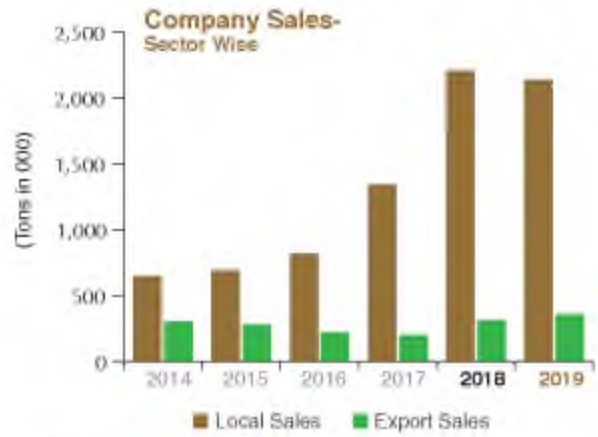

Value Per Share
200
180
160
140
120
100
80
60
40
20
0
(Rupees)
2014
2015
2016
2017
2018
2019
Market Value
Book Value

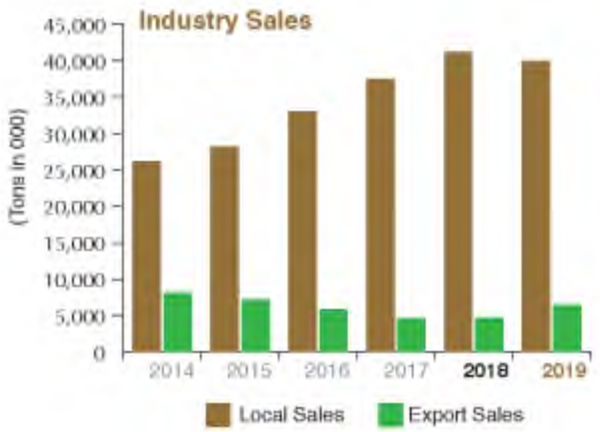

Interest Cover
3,000
2,500
2,000
1,500
1,000
500
0
(Rupees in Million)
2014
2015
2016
2017
2018
2019
Interest
Operating Profit

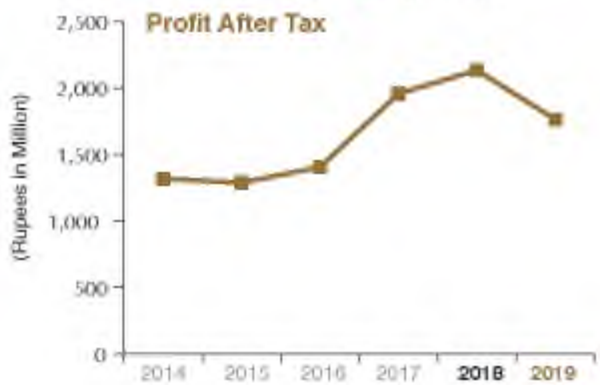

Fixed Asset Turnover Ratio
2.5
2.0
1.5
1.0
0.5
0.0
(Times)
2014
2015
2016
2017
2018
2019


Operating Cycle
60
50
40
30
20
10
0
(Days)
2014
2015
2016
2017
2018
2019
Operating Cycle
Inventory Turnover
Debtor Turnover
Creditor Turnover


Cement Sales
2,800
2,450
2,100
1,750
1,400
1,050
700
350
0
(Tons in 000)
2014
2015
2016
2017
2018
2019


Company Sales-
Sector Wise
2,500
2,000
1,500
1,000
500
0
(Tons in 000)
2014
2015
2016
2017
2018
2019
Local Sales
Export Sales


Industry Sales
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
(Tons in 000)
2014
2015
2016
2017
2018
2019
Local Sales
Export Sales

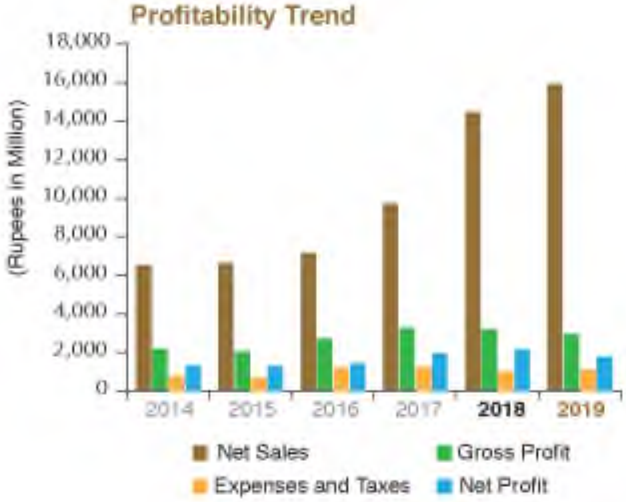

Profit After Tax
2,500
2,000
1,500
1,000
500
0
(Rupees in Million)
2014
2015
2016
2017
2018
2019

Net Profit to Total Assets

Assets and Liabilities

Equity and Long-Term Liabilities

Profitability Trend



Current Assets : Current Liabilities

Sales to Total Assets

DuPont Analysis

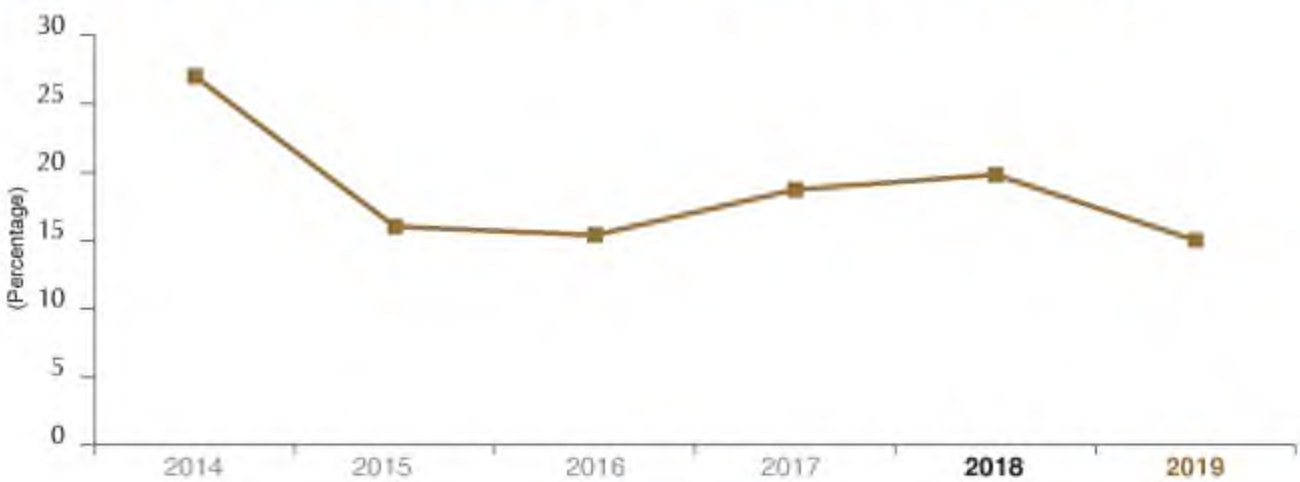
	2019	2018	2017	2016	2015	2014
Operating margin (%)	13.81	17.40	27.97	29.59	26.03	26.61
Assets turnover (times)	0.45	0.47	0.51	0.46	0.69	1.00
Interest burden / efficiency (%)	47.84	85.76	93.02	97.91	97.79	98.33
Tax burden / efficiency (%)	168.24	99.29	77.96	68.50	77.08	77.98
Leverage (times)	3.00	2.73	1.80	1.69	1.18	1.32
Return on Equity (%)	15.00	19.01	18.70	15.37	16.00	27.00

Comments on DuPont Analysis

DuPont analysis is a technique used to decompose the different drivers of return on equity . Decomposition allows the investors to focus on the key metrics of financial performance individually to identify strengths and weaknesses of a company.

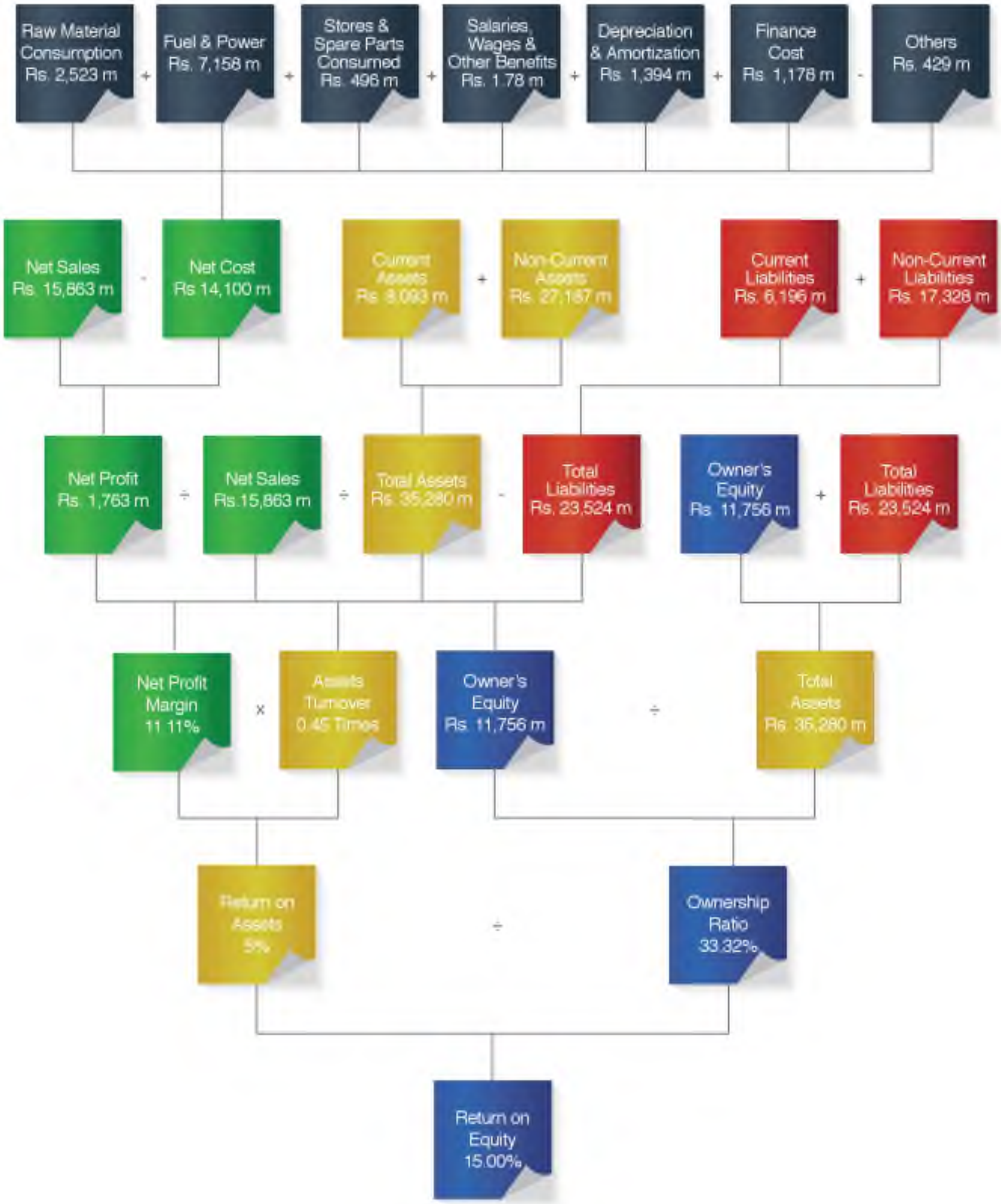
The operating margins of the company has declined due to increase in input costs and decrease in retention price in line with industry, overall economy slowdown. Despite of the PESTLE factors affecting the Return on Equity, the company managed decent returns. Main factors which affected the Return on Equity increase in interest burden due to installation of Line III. However, the expansion has allowed us to increase the tax efficiency.

Graphical Presentation of DuPont Analysis



Return on Equity

DuPont Chart



Free Cash Flows

	2019	2018	2017	2016	2015	2014
	(Rupees in 000)					
Profit before taxation	1,047,768	2,147,367	2,509,791	2,051,397	1,671,188	1,687,739
Adjustment for non-cash items						
Depreciation	1,389,264	1,086,046	689,913	277,202	273,217	258,609
Amortisation	4,278	3,804	2,987	2,711	2,610	2,465
Gain on redemption of short-term investments	-	-	(2,186)	(10,986)	7,597	(42,271)
Gain on disposal of operating property, plant and equipment	(7,335)	(4,977)	(19,101)	(815)	(1,648)	(4,904)
Finance costs	1,142,559	356,585	188,215	43,708	37,855	28,745
Exchange loss	35,635	9,890	1,540	1,054	322	2,405
Share of (gain) / loss from joint venture	(32)	37	-	-	-	-
Dividend income	(19,832)	(20,160)	(21,973)	(14,578)	(7,090)	(5,317)
	2,544,537	1,431,225	839,395	298,296	312,863	239,732
Working capital changes	(2,176,806)	(918,379)	(3,144,694)	(43,582)	(313,104)	(170,441)
Net cash generated from operating activities	1,415,499	2,660,213	204,492	2,306,111	1,670,947	1,757,030
Capital expenditure	(3,931,779)	(11,171,332)	(1,547,620)	(6,112,136)	(3,747,516)	(524,022)
Free cash flows	(2,516,280)	(8,511,119)	(1,343,128)	(3,806,025)	(2,076,569)	1,233,008

Comments on Free Cash Flows

Free cash flow is the amount of cash generated by a business that is available for distribution among its security holders. Security holders include debt holders and equity holders.

The Company's net cash generated from operating activities has been reduced due to increase in cost of sales mainly because of increase in fuel & power in current year. However, the free cash flows of the Company has been improved from last year because of major expenditure pertaing to Line-III incurred in last year.

Graphical Presentation of Free Cash Flows

Economic Value Added

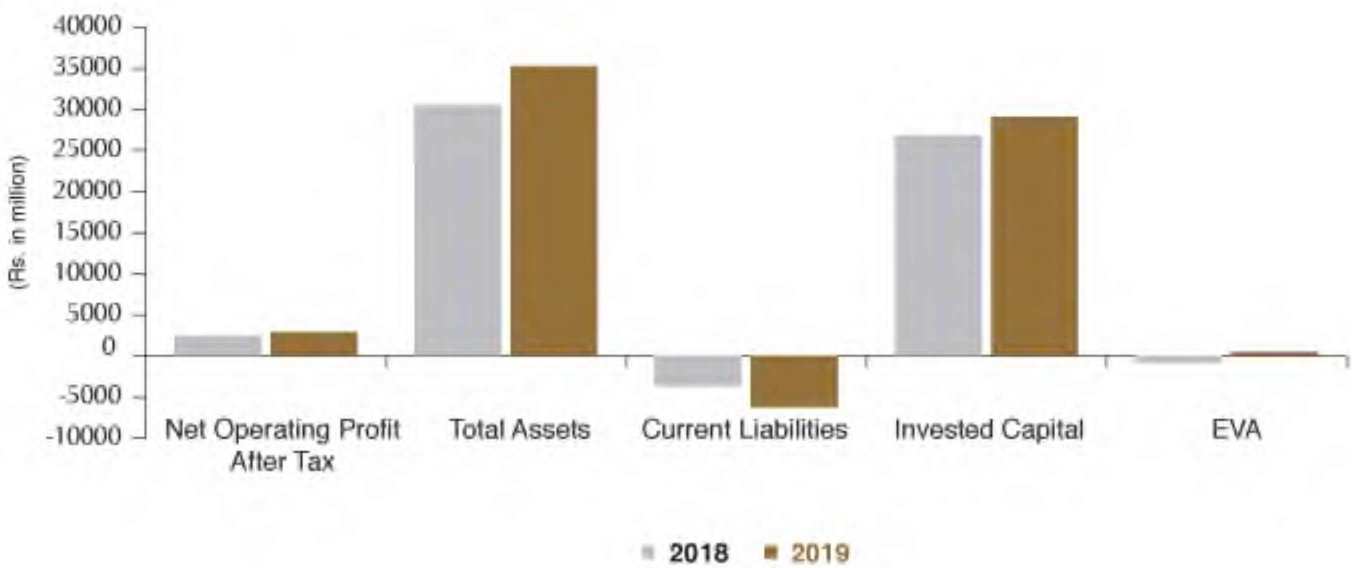
	2019	2018
	(Rs. in '000)	
Net Operating Profit After Tax	2,905,322	2,488,704
Cost of capital	(2,373,230)	(3,261,660)
Economic Value Added	**532,092**	**(772,956)**
Cost of Capital		
Total Assets	35,279,827	30,519,561
Current Liabilities	(6,196,128)	(3,652,506)
Invested Capital	29,083,699	26,867,055
Weighted Average Cost of Capital (%)	8.16	12.14
Cost of capital	**2,373,230**	**3,261,660**

Comments on Economic Value Added

Economic Value Added (EVA) is a measure of an organization's economic profit that takes into account the opportunity cost of invested capital and ultimately measures value created by a company.

Positive EVA shows the Company is producing value from the funds it invested in, assessing its performance. Keeping in view the current economic situation, the business is profitable and it has created wealth and returns for its shareholders

Graphical Presentation of Economic Value Added



Key Financial Information - Last Six Years

	2019	2018	2017	2016	2015	2014
	(Tons in '000)					
Clinker Production	2,338	2,234	1,519	897	937	847
Cement Production	2,509	2,443	1,489	1,042	971	945
Cement Dispatched	2,493	2,519	1,544	1,037	972	949
	(Rupees in Million)					
Summary of Statement of Financial Position						
Assets						
Non-Current Assets	27,187	24,238	14,238	13,457	7,197	3,526
Current Assets	8,093	6,282	4,569	2,005	2,267	2,905
Total Assets	35,280	30,520	18,807	15,462	9,464	6,431
Equity & Liabilities						
Shareholders' Equity	11,756	11,174	10,462	9,140	8,026	4,864
Non-current Liabilities	17,328	15,693	5,774	4,511	611	686
Current Liabilities	6,196	3,653	2,571	1,811	827	881
Equity & Liabilities	35,280	30,520	18,807	15,462	9,464	6,431
Summary of Statement of Profit or Loss						
Turnover & Profit						
Turnover - net	15,863	14,388	9,645	7,079	6,565	6,451
Gross Profit	2,883	3,139	3,213	2,634	1,984	2,103
Operating Profit	2,190	2,504	2,698	2,095	1,709	1,716
Profit Before Taxation	1,048	2,147	2,510	2,051	1,671	1,688
Profit After Taxation	1,763	2,132	1,957	1,405	1,288	1,316
Earnings per share (Rs./share)	9.98	12.07	11.08	7.96	8.01	9.60

Horizontal Analysis - Last Six Years

	2019		2018	
	(Rupees in Million)	19 Vs. 18 %	(Rupees in Million)	18 Vs. 17 %
Statement of Financial Position				
Assets				
Non Current Assets	27,187	12	24,238	70
Current Assets	8,093	29	6,282	37
Total Assets	35,280	16	30,520	62
Equity & Liabilities				
Shareholders' equity	11,756	5	11,174	7
Non current Liabilities	17,328	10	15,693	172
Current Liabilities	6,196	70	3,653	42
Equity & Liabilities	35,280	16	30,520	62
Statement of Profit or Loss				
Turnover - net	15,863	10	14,388	49
Gross Profit	2,883	(8)	3,139	(2)
Operating Profit	2,190	(13)	2,504	(7)
Profit Before Taxation	1,048	(51)	2,147	(14)
Profit After Taxation	1,763	(17)	2,132	9

Comments on Horizontal Analysis

Statement of Financial Position

Non-current assets of the company witnessed massive growth since FY 2015, which portrays Company's aspiration to become one of the leading manufacturers of cement in the industry. During the years under review, the Company installed two production lines to increase production capacity and installed two WHR plants and Captive Power Plant to reduce the cost of production.

The current assets and current liabilities of the Company also increased in line with growth in business activities, depicting the increased level of inventories, debtors, receivables, advance taxes, payables, and short-term borrowings.

The shareholder's activity has been significantly increased during the years under review due to the issuance of the right share in FY 2015 and healthy profitability throughout the years.

Major contributor in the hefty non-current liabilities is long-term financings for funding the capital expenditures carried out by the Company.

2017		2016		2015		2014	
(Rupees in Million)	17 Vs. 16 %	(Rupees in Million)	16 Vs. 15 %	(Rupees in Million)	15 Vs. 14 %	(Rupees in Million)	14 Vs. 13 %
14,238	6	13,457	87	7,197	104	3,526	-
4,569	128	2,005	(12)	2,267	(22)	2,905	89
18,807	22	15,462	63	9,464	47	6,431	27
10,462	14	9,140	14	8,026	65	4,864	31
5,774	28	4,511	638	611	(11)	686	20
2,571	42	1,811	119	827	(6)	881	13
18,807	22	15,462	63	9,464	47	6,431	27
9,645	36	7,079	8	6,565	2	6,451	2
3,213	22	2,634	33	1,984	(6)	2,103	(4)
2,698	29	2,095	23	1,709	-	1,716	1
2,510	22	2,051	23	1,671	(1)	1,688	7
1,957	39	1,405	9	1,288	(2)	1,316	7

Statement of Profit or Loss

Over a period of five years, the Company has been capitalizing over increased production capacity to significantly increase its turnover. The gross profits and operating profits shrunk in the past two years due to inflationary pressures on the production costs and economic conditions. However, the profit after taxation did not fluctuate to a larger extent during the years under review.

Vertical Analysis - Last Six Years

	2019		2018	
	(Rupees in Million)	%	(Rupees in Million)	%
Statement of Financial Position				
Assets				
Non Current Assets	27,187	77	24,238	79
Current Assets	8,093	23	6,282	21
Total Assets	35,280	100	30,520	100
Equity & Liabilities				
Shareholders equity	11,756	33	11,174	37
Non current Liabilities	17,328	49	15,693	51
Current Liabilities	6,196	18	3,653	12
Equity & Liabilities	35,280	100	30,520	100
Statement of Profit or Loss				
Turnover - net	15,863	100	14,388	100
Gross Profit	2,883	18	3,139	22
Operating Profit	2,190	14	2,504	17
Profit Before Taxation	1,048	7	2,147	15
Profit After Taxation	1,763	11	2,132	15

Comments on Vertical Analysis

Statement of Financial Position

Due to the installation of two production lines, WHR plants, and Captive Power Plant, the proportion of non-currents assets has been significantly increased as compared to FY 2014. This depicts the Company's aspiration towards growth and creating value for its shareholders.

The proportion of the non-current liabilities has been increased during the years under review substantiating the fact that capital expenditures are financed from long-term debts with economical costs as compared to equity financing which has a higher cost.

2017		2016		2015		2014	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
14,238	76	13,457	87	7,197	76	3,526	55
4,569	24	2,005	13	2,267	24	2,905	45
18,807	100	15,462	100	9,464	100	6,431	100
10,462	55	9,140	59	8,026	85	4,864	75
5,774	31	4,511	29	611	6	686	11
2,571	14	1,811	12	827	9	881	14
18,807	100	15,462	100	9,464	100	6,431	100
9,645	100	7,079	100	6,565	100	6,451	100
3,213	33	2,634	37	1,984	30	2,103	33
2,698	28	2,095	30	1,709	26	1,716	27
2,510	26	2,051	29	1,671	25	1,688	26
1,957	20	1,405	20	1,288	20	1,316	20

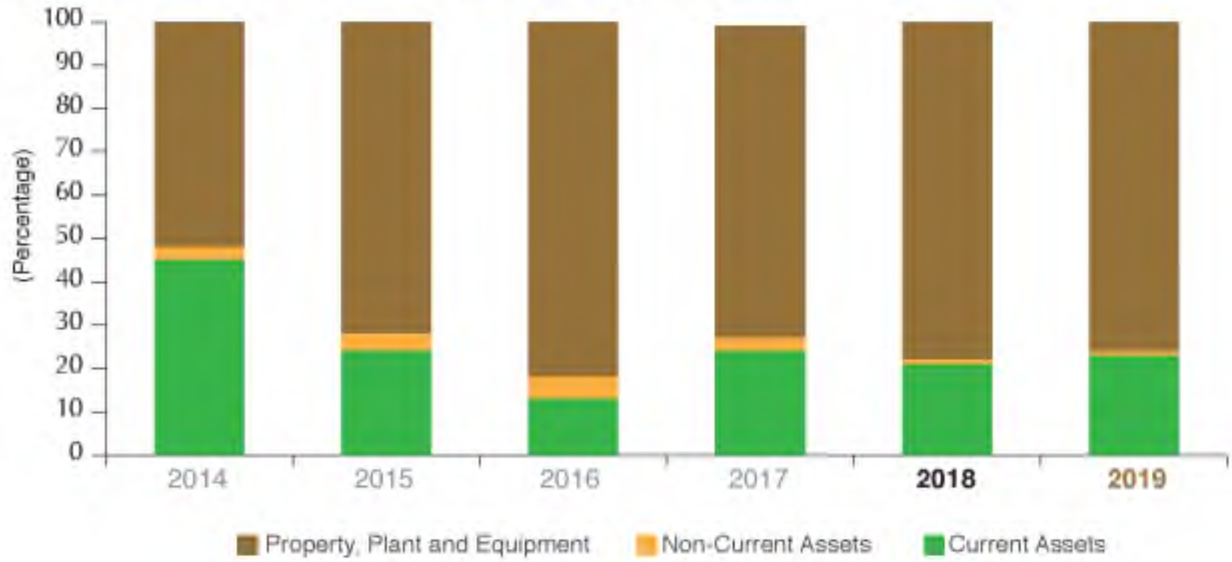
Statement of Profit or Loss

Gross profit margins witnessed a mixed trend during the years under review. During the last three years, it has been plunging due to the adverse economic condition, inflated costs of production material and overheads.

Due to the decline in the GP margin, the resulting operating profit, profit before taxation and profit after taxation margins have also shrunk. However, due to tax credit on capitalization, the profit after taxation margin is greater than the profit before taxation margin in FY 2019.

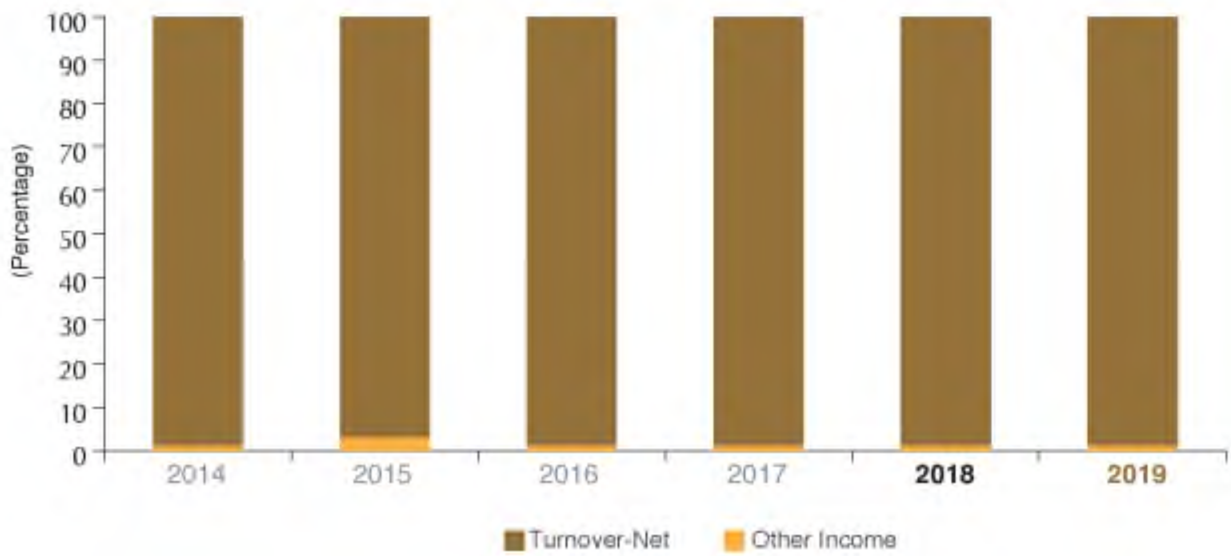
Graphical Presentation of Statement of Financial Position & Statement of Profit or Loss

Statement of Financial Position Analysis - Assets (%)

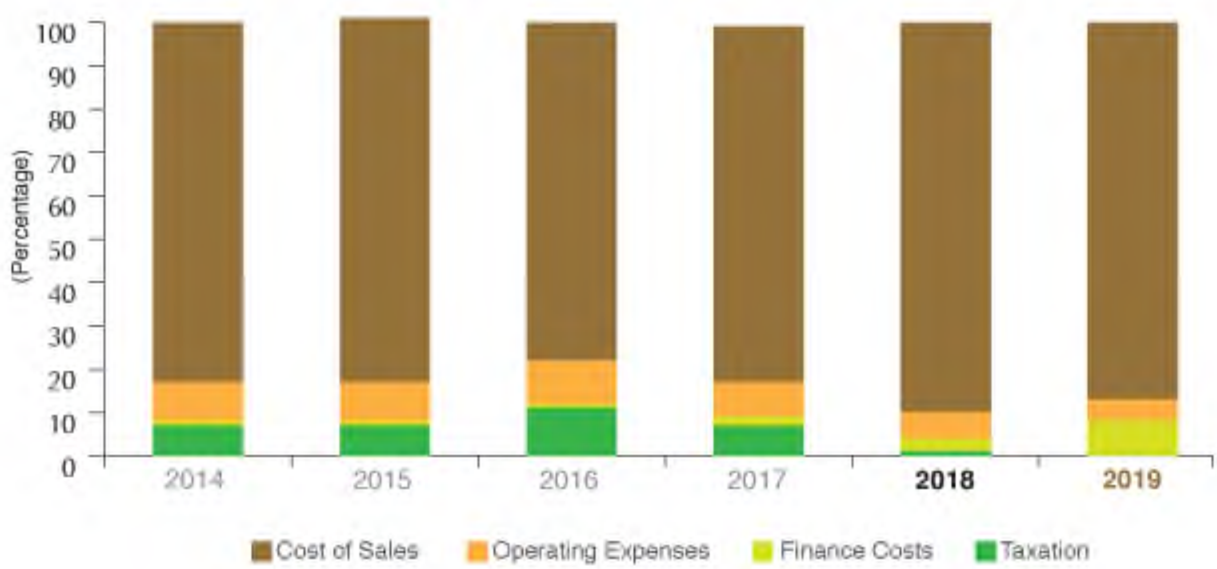


Statement of Financial Position Analysis - Equity and Liabilities (%)

Statement of Profit or Loss Analysis - Income (%)



Statement of Profit or Loss Analysis - Expenses (%)



Statement of Summary of Cash Flows - Last Six Years

	2019	2018	2017	2016	2015	2014
	(Rupees in million)					
Summary of Cash Flows						
Net cash generated from operating activities	1,415	2,660	204	2,306	1,671	1,757
Net cash used in investing activities	(3,891)	(11,170)	(1,555)	(5,557)	(3,102)	(1,373)
Net cash generated from / (used in) financing activities	2,458	8,511	1,373	3,256	1,432	(392)
Change in cash and cash equivalents	(18)	1	23	5	1	(8)
Cash & cash equivalents - Year end	30	47	46	23	18	17

Comments on Statement of Cash Flows

Cash flows from operating activities witnessed fluctuation but remain in the green zone during the years. Most of the years, it is evident that the operations generated healthy cash flows, which is a sign of strong commitment of the management in managing operations efficiently, except in year 2017. In FY 2019, the Company successfully installed its 3rd cement production line and to support the addition in production capacity the Company invested in its working capital and creditors payments related to the Line-III were settled.

Cash utilized in investing activities depicts the Company's desire to grow and become one of the top players in the industry. In FY 2015 and FY 2016 the utilization of cash in investing activities was higher due to the installation of the production Line-II. While in the FY 2018 the Company was in the process of commissioning its largest production Line-III which was successfully commissioned in FY 2019 along with Waste Heat Recovery (WHR) Plant and Captive Power Plant. This resulted in the highest ever utilization of cash in investing activities in the history of the Company.

The Company generated from cash financing activities since FY 2015 to FY 2019. In FY 2015 issued right shares to finance its production Line-II, whereas from FY 2016 to FY 2019, the Company obtained financing facilities to finance its production Line-II, WHR II, production Line-III and WHR-III and Captive power plant which contributed towards positive cash flow from financing activities.

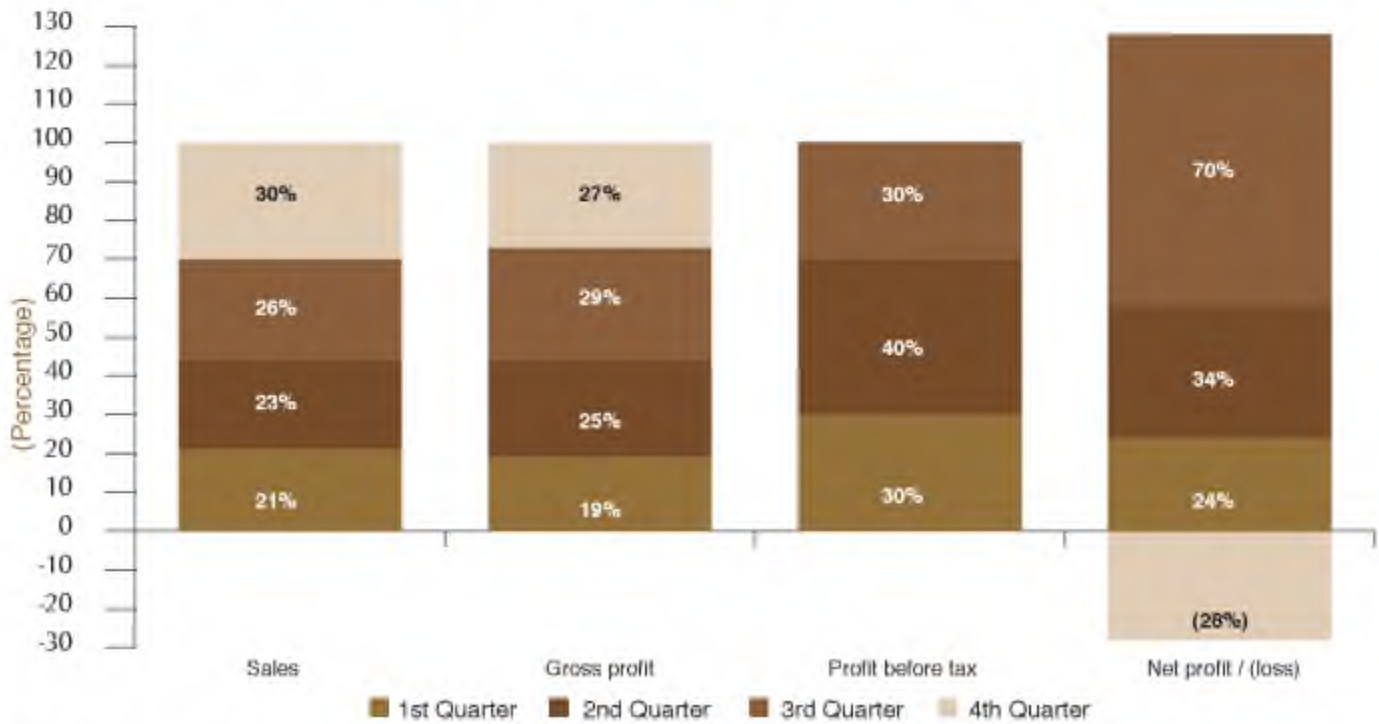
Statement of Cash Flows - Direct Method

	2019	2018
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers-net	15,936,985	14,440,203
Cash paid to suppliers and employees	(14,192,647)	(11,323,588)
Cash generated from operations	1,744,338	3,116,615
Income tax paid	(330,644)	(458,267)
Long-term loans and security deposits - net	1,805	1,865
Net cash generated from operating activities	1,415,499	2,660,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,924,445)	(11,171,332)
Additions to intangible assets	(7,334)	-
Proceeds from disposal of operating property, plant and equipment	21,287	18,124
Investments made	-	(36,700)
Dividend received	19,832	20,160
Net cash used in investing activities	(3,890,660)	(11,169,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing - net	2,600,000	10,199,435
Short-term borrowings - net	1,938,580	(536,464)
Dividend paid	(688,550)	(778,452)
Finance cost paid	(1,392,386)	(373,746)
Net cash generated from financing activities	2,457,644	8,510,773
Net (decrease) / increase in cash and cash equivalents	(17,517)	1,238
Cash and cash equivalents as at the beginning of the year	47,052	45,814
Cash and cash equivalents as at the end of the year	29,535	47,052

Quarterly Performance Analysis

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
	(Rupees in '000)				
Turnover - net	3,340,939	3,692,022	4,128,314	4,701,372	15,862,647
Cost of sales	(2,788,334)	(2,977,624)	(3,277,862)	(3,935,713)	(12,979,533)
Gross profit	552,605	714,398	850,452	765,659	2,883,114
Distribution cost	(91,035)	(100,043)	(100,659)	(104,601)	(396,338)
Administrative expenses	(64,743)	(82,429)	(72,543)	(74,210)	(293,925)
Other expenses	(18,599)	(25,527)	(20,205)	(45,029)	(109,360)
	(174,377)	(207,999)	(193,407)	(223,840)	(799,623)
Other income	24,649	46,448	30,004	5,735	106,836
Operating profit	402,877	552,847	687,049	547,554	2,190,327
Finance cost	(97,639)	(130,198)	(368,420)	(546,302)	(1,142,559)
Profit before taxation	305,238	422,649	318,629	1,252	1,047,768
Taxation	125,873	173,669	903,972	(488,519)	714,995
Net profit / (loss)	431,111	596,318	1,222,601	(487,267)	1,762,763

Graphical Presentation of Quarterly Performance Analysis & Comments



The performance of the Company is better in 1st Quarter, 2nd Quarter & 3rd Quarter. However, the Company witnessed a drastic downfall in 4th Quarter in terms of net profit after tax due to decrease in retention and increase in finance cost because of capitalization of Line III. Moreover, as per the finance act 2019,The Company also reversed tax credit under u/s 65B from 10 % to 5 % in the 4th Quarter.

Share Price Sensitivity Analysis

The share price is directly sensitive to the performance of the Company. Many factors may result in oscillation in the Company's share price. Following are some key factors that may affect the price of the share in the stock exchange:

Selling Price:

The profitability in the cement industry is highly sensitive to the selling prices of cement which eventually has strong effect on the share price of the company.

Industry Performance:

The share price of the Company will move in tandem with share prices of other companies in the industry. The economic and market conditions generally affect the industry in the same manner. The cement industry is highly leveraged and heavily dependent on imported fuels, therefore, any variation in the discount or exchange rates will directly affect the profitability and share price. However, any adverse news related to the competitor will benefit the share price.

Energy Costs:

The Company's major cost of sales is energy cost-driven. Any fluctuation in the energy costs, e.g. coal prices and electricity tariffs will affect the profitability of the Company and resultantly affect the share price. Disruption in the supply of power will force the Company to use costly alternatives which ultimately affect the share price adversely.

Government Policies and Regulations:

The policies adopted and regulations promulgated by the Government have a direct association with share prices. Any policy that will result in increased demand, improved tax rates, reducing production costs, the better economic environment may positively influence the share price. Whereas the policies that create hindrances for the cement industry and for the overall business environment will adversely impact the share price.

Law and Order:

Improved law and order conditions and stable political environment foster the business conditions. Poor law order conditions disrupt business activities and will have a negative effect on performance. Therefore, these have a direct effect on the share price sensitivity of the Company.

Economic Conditions:

The Company's performance has a direct relationship with economic conditions so as the share price. The factors that contribute to economic conditions include the discount rate, currency devaluation, and inflation. Increased in the discount rate will expose the Company to higher cost of debts. Currency devaluations will benefit the Company in terms of exports however, on the other hand, will result in a higher cost of imported raw materials. Higher inflation has an impact on the demand for the commodities and resultantly adverse impact on the performance of the Company. However, all these factors will improve the performance of the company if contributes positively to the economic conditions.

Operational Efficiencies:

Employment of cost reduction techniques, stable plant operations, better production planning, taking benefits of synergies of the production facility will have a significant and positive effect on the profitability of the Company and eventually on the share price as well.

Investor Sentiments:

The share price of the Company is also open to the volatility of investor sentiments or confidence in the stock market and macro-economic conditions. In a strong stock market, the investors' confidence is growing and so as the share prices. Whereas in weak stock market investors' sentiments are negative so do the share prices. Stock market's strength is closely associated with economic conditions.

Sensitivity Analysis of Change in Market Capitalization

Share Price as of 30.06.2019	Rs. 30.96
Market Capitalization as of 30.06.2019	Rs. 5,468,522,169

Change in Share Price by	Change in Market Capitalization
+10%	Rs. 546,852,217
-10%	Rs. (546,852,217)

Share Prices - Trend v/s Volume Traded
Financial Year 2018-2019

Source: Pakistan Stock Exchange

Calendar of Notable Events

July 2018 - June 2019

August '18

7th: Received 1st prize in Best Corporate and Sustainability Report Award 2017 organized by ICAP & ICMAP

14th: Independence Day Celebration

18th: National Tree Plantation Day

18th: Inter-Group Companies Cricket Tournament, Lahore

29th: Board of Directors Meeting - Annual 2018

October '18

16th: 37th AGM at Registered Office

16th: Board of Directors Meeting - 1st Quarter 2019

November '18

22nd-23rd: Inter-regional Cricket Tournament at Islamia College, Peshawar

January '19

19th: Commercial Production of Line-III Started

February '19

13th: Board of Directors Meeting - 2nd Quarter 2019

March '19

8th: International Women Day 2019

16th: Head Office Staff Picnic

17th: Inter-Group Companies Cricket Tournament, Islamabad

23rd: Inter-Group Companies Cricket Tournament, Karachi

April '19

25th: Board of Directors Meeting- 3rd Quarter 2019

May '19

1st: Labour Day Celebration

June '19

1st: Dinner with Dealers, Islamabad

19th: Board of Directors Meeting - Budget 2019

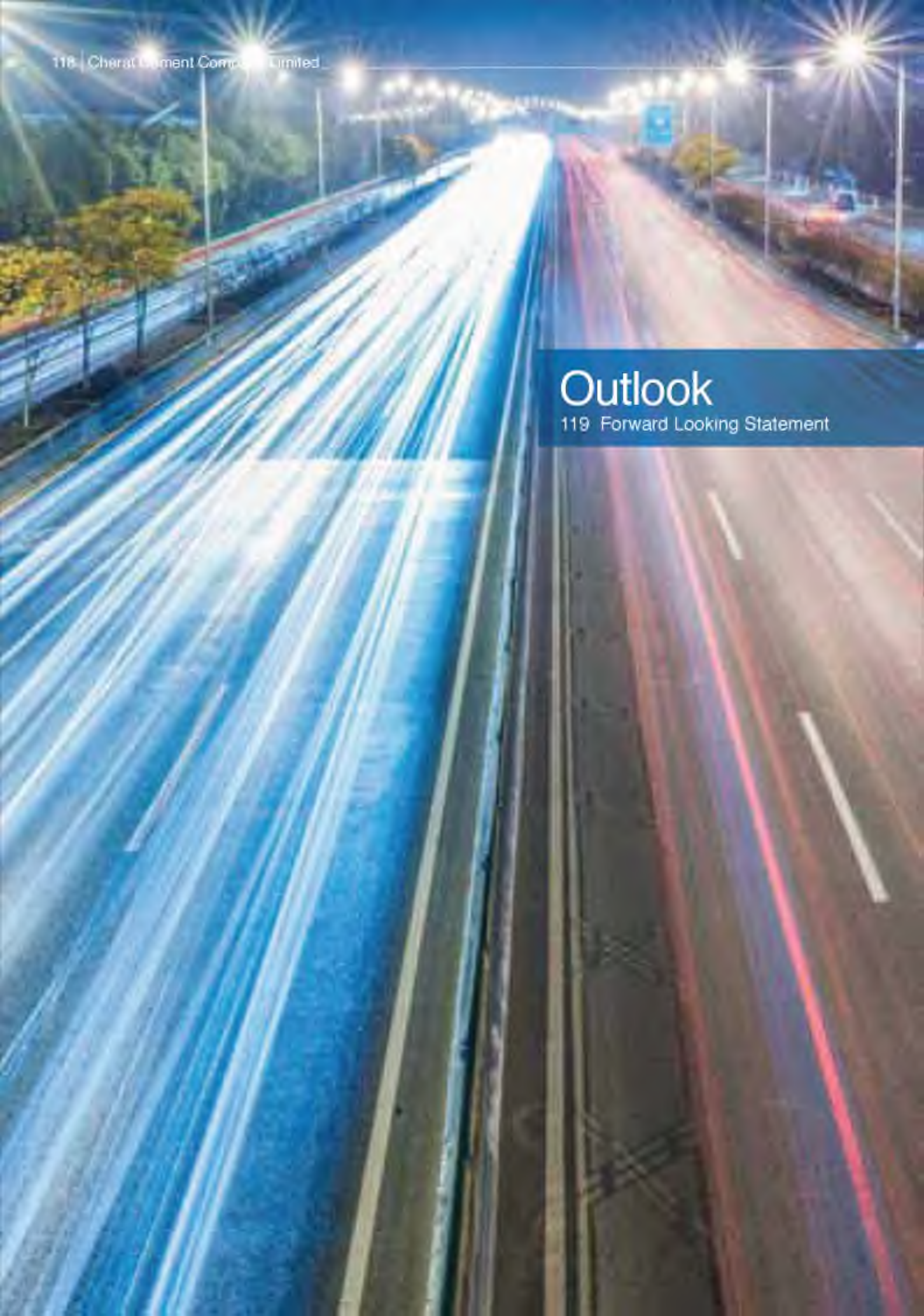
21st: Eid Milan Party

30th: 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.

By incurring major capital expenditure, the Company strives to increase the production capacity which results in enhancement in market share and allowing better allocation of fixed costs. 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

The Government is trying to stabilize the macroeconomic indicators which has slowed down the economic activities of the Country. This is witnessed by Cement Industry as well. Furthermore, the amount allocated to PSDP has also been reduced which affected the demand of local cement adversely. However, cement export sales especially from sea increased significantly during the year and it is anticipated that it will remain stable in the next year. However, due to demand supply scenarios in the market, prices will be affected in future.

In view of these economic conditions, the Company's dispatches were decreased and cost of production increased significantly due to increase in fuel and power cost. However, this decrease/increase were in line with industry. In light of these factors, overall profitability of the Company decreased. However, the recent announcement of low cost Housing Scheme and other projects by the Government can play a vital role in accelerating cement demand in future. Following the enhancement of production capacity by commissioning of Line III, the Company is very well positioned to take maximum benefit from additional industry demand. This enhancement has not only increased the domestic market share but also allow it to achieve greater efficiencies and better allocation of fixed costs.

Availability of power at competitive rates is a critical factor. We always try to manage this through alternate energy options including WHR, Wartsila dual fuel generators and TDF. In order to ensure energy conservation and cost efficiency, for cement plant, the Company is also considering the installation of a 12MW Solar Power Plant of besides the successful commissioning of three Wartsila dual fuel generators in the 1st Quarter 2018-19.

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

We think that the mark up rates have peaked and they will start coming down from this year. After huge devaluation during the last two years, we expect stability however there can be normal devaluation. We expect cement demand will remain flat or slightly negative due to the challenging economic conditions. Local cement demand will also get affected due to the documentation drive of the Government which we support. However, upon axle load restrictions against which we are trying to convince the Government. Although there was significant increase in exports especially from sea last year but we are expecting nominal growth this year.

We are of the view that the conditions will improve and the demand of cement will increase in medium term. We hope that the Company and the industry as a whole will play a key role in the economic development of the Country in the years to come.

Updates on Last year's targets

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. During the year, our project team successfully completed all of his targets i.e. Wartsila dual fuel generators, commissioning of Cement Line III in the month of January 2019 before the scheduled time and commissioning of WHR III thereof. However, due to decrease in local cement demand our dispatches budget target for the year was not met and ultimately our profitability targets were also not met. The markup rates also increased as compared to our budget which eventually increase our finance costs. For liquidity and gearing, cash flows are monitored on a daily basis to achieve the targets.

Sources of information used for projections of future revenue:
For the preparation of budget/projections of future revenue, internal meetings amongst Head Office, Site and Sales offices 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 is envisaging a slight increase in turnover due to expectation of dispatches being flat throughout the next year and additions of new cement lines by our competitors. Moreover, the Company is expecting to increase in revenue year after and expects to take full advantage of extended market share due to induction of Line-III.

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

Year	2020	2021	2022
Revenue – net (Rs. In million)	22,410	25,265	26,718

Company Performance Against Last Year Projections
Cement industry witnessed a negative growth of 2.2% in local market. Export sales increased by 37.4% but mainly through sea. The overall cement demand increased by 1.9%. The sales revenue of the Company witnessed a growth of around 10.25%. 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 except mentioned otherwise.

Additional Disclosures

Fair Value of Property, Plant and Equipment

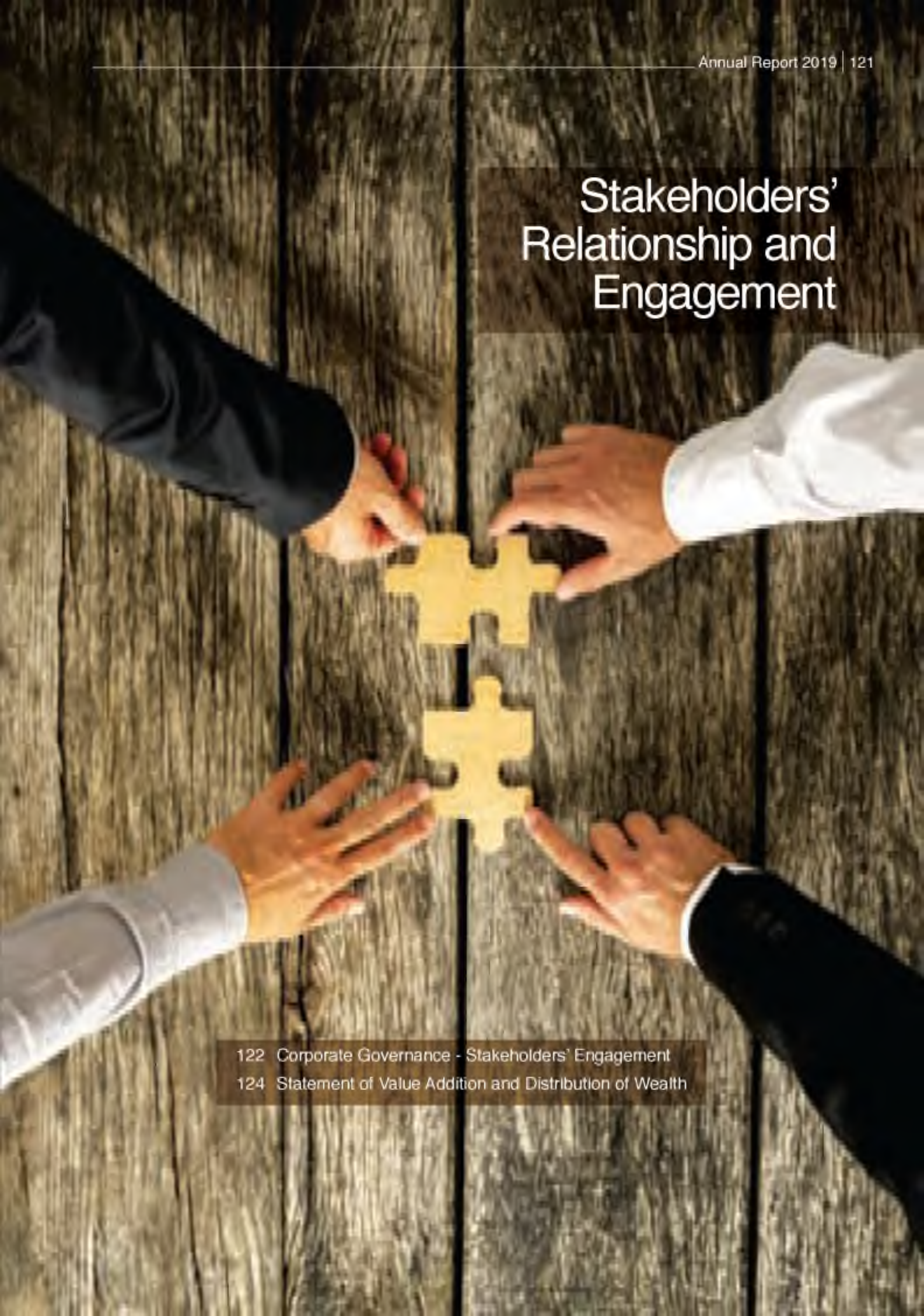
Total Assessed Present Market value of existing plant, machinery and building is more than Rs. 37 billion. However, the same has not been incorporated in financial statements.

Significant Material Assets

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

Plant Capacity

The Company has annual production capacity of morethan 4.5 million tons cement, which is determined on the basis of 300 days operation.



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 stead. The Notice of the AGM is published in Urdu and English language in one issue of a daily newspaper of respective language having a nationwide circulation. Such notice is also placed on the Company's website.

DEALERS, CUSTOMERS AND TRANSPORTERS

Sustaining and developing long-term relationships 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 teams 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.

GOVERNMENT AND REGULATORY BODIES

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.

ANALYST BRIEFING

Corporate / analyst briefings are the interactive sessions between the management of Cherat Cement Company Limited and the investors where the Company takes the opportunity to apprise investors about the Company in explaining its financial performance, business outlook, competitive environment and right perspective of affairs of the Company in which it operates and invests. The Company has strong connections with the institutional investors and analysts. Institutional investors regularly obtain Company'sbusiness briefings and financial reports.

Apart from these regular meetings, the Company also conducted a formal corporate briefing in Pakistan Stock Exchange (PSX) auditorium on September 12, 2019 to apprise the stakeholders about the Company's operational and financial performance during the year 2019. The Chief Financial Officer of the Company summarized the Company's performance and progress highlighted the growth, expansions and opportunities and challenges regarding the cement sector. A Question & Answer session was also held in order to provide further explanation that shown the commitment of the Company towards continuous evolving stakeholders' engagement. The Company also potentialize in institution investors briefing in PC Hotel during the year.

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

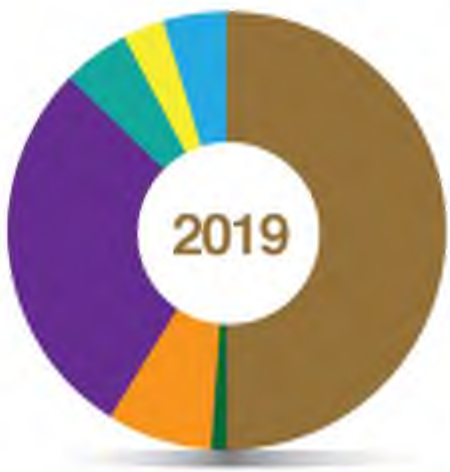
The last AGM was conducted at Cherat Cement Site on Tuesday, October 16, 2018 at 12:00 noon. The meeting was properly organized and attended by the Shareholders. Briefing shareholders on the status of the expansion of cement plant, work on installation of Cement Line-III is progressing and work on installation of WHR plant for Line-III is also progressing which will help in reducing the energy costs of the plant. The company is also installing Wartsila dual fuel generators, which will be beneficial as a gas pipeline is being laid and gas will be available soon.

The Chairman of the Audit Committee answered the questions of 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. Shareholders were briefed on Line-III projects' progress and industry conditions, and exploring new markets and avenues to sustain. Election of Directors of the Company were also held in the AGM.

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.

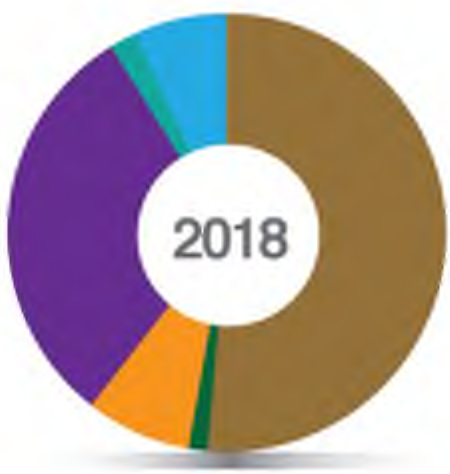
Statement of Value Addition and Distribution of Wealth

	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth Generated				
Turnover (including taxes)	22,515,183	99.53	20,390,313	99.60
Other operating income	106,836	0.47	81,112	0.40
	22,622,019	100.00	20,471,425	100.00
Distribution of Wealth				
Cost of sales (excluding employees' remuneration)	11,672,127	51.59	10,144,305	49.55
Marketing, selling and administrative expenses	313,440	1.39	300,905	1.47
To employees as remuneration	1,779,758	7.87	1,512,996	7.40
To government as direct taxes	(714,995)	(3.16)	15,248	0.07
To government as indirect taxes	6,652,536	29.41	6,001,964	29.32
To providers of finance as financial charges	1,142,559	5.05	356,585	1.74
To society as donations	13,831	0.06	7,303	0.04
To shareholders as dividend	706,527	3.12	794,843	3.88
Retained within the business	1,056,236	4.67	1,337,276	6.53
	22,622,019	100.00	20,471,425	100.00



Distribution of Wealth 2019

Cost of Sales (Excluding Employees' Remuneration)	51.59 %
Marketing, Selling and Administrative Expenses	1.39 %
To Employees as Remuneration	7.87 %
To Government as Direct Taxes	(3.16) %
To Government as Indirect Taxes	29.41 %
To Providers of Finances as Financial Charges	5.05 %
To Society as Donations	0.06 %
To Shareholders as Dividend	3.12 %
Retained within the Business	4.67 %



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 %

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. Our 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.

The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The Company takes the initiative to adopt many of these goals and has made strong efforts in complying the same.

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 Quality Management System (QMS) 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. The Company is regularly participating in KP-Environment Protection Agency meetings to remain updated for their subsequent standards & specification revisions and their compliances.

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. 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 illustrate 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 regards 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 to all three cement lines 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 all the three production lines.

· 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.

· Solar Panel Installation

The Company is also considering to install Solar Panel plant of around 12MW in upcoming year to avail the cost effectiveness and efficiency. These solar panels will directly reduce the cost of energy utilization hence efficient use of available resources.

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 (CAN) of SODERN, France and Prompt Gamma Neutron Activation Analyzer (PGNAA) of SCANTECH, Australia
- X-Ray Spectrometer, ARL (Switzerland)
- X' Pert Powder XRD PANalytical (Netherland)
- TGA-701, (Thermo Gravimetric Analyzer), 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)

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. Number of employees during the year have increased by 127 and at year-end total number of employees were 1,012 including 856 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
- Life insurance
- Education assistance
- Furniture facility
- Leave fare assistance
- Provident fund
- Gratuity
- Earned leaves
- Company maintained vehicle, and
- Others

b. Employee Engagement Activities

The Company has always focused on employee evelopment and motivation. To keep them motivated varies recreational activities has been arranged by the Company. Recreational activities always plays a vital role in development of employee motivation & engagement therefore the Company has ensured engagement of employees from all levels of the organization to participate in them. Activity like the "Inter-Group Companies Cricket Tournament" & "Inter-regional Cricket Tournament" brought together the entire GFG group staff for a friendly competition. Recreational activities include:

- Independence Day Celebration
- Inter-Group Companies Cricket Tournament, Lahore (held on August 18, 2018)
- Inter-regional Cricket Tournament at Peshawar
- International Women Day Celebration
- Staff Picnic at Hawks bay
- Inter-Group Companies Cricket Tournament, Islamabad & Karachi (held on March 17th & 23rd 2019 respectively)
- Employee Loyalty Awards Distribution Ceremony –Wrist Watches & Gold medals for completion of 10 years & 20 years of service with the Company
- Annual Dinner at Factory.

c. 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.

d. 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.

The Company now has Heavy Duty Fire Tender fully equipped with all the necessary and advanced gadgets to encounter all types of fire emergencies at site as well as in local communities for CSR.

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.

e. 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. Following training programs executed at required levels:

- Core Value / Roll Out Sessions
- Leadership Voyage Training Programs
- Advance Ms Excel Trainings

The Company has always worked in the best interest of its employees and for that, the Company has provided the facility of education funding to employees who desire to excel their talent by acquiring additional qualification. Moreover, Apprenticeship and Management Trainee Programs are also in place.

f. 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.

g. Female Employees

The Company encourage females in the work force and ensure more women-friendly congenial environment.

h. 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.

i. 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.

j. Forced or Compulsory Labor

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

k. 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.

l. 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.

m. 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.

n. Health, Safety And Environment (HSE):

A legal and professional responsibility to provide employees with a workplace that is free from recognized hazards that cause or are likely to cause serious physical injury or death, and to maintain working conditions that are safe and healthful for their employees. To cator this needs 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. HSE aims to prevent and reduce accidents, overcome emergencies and health issues at work and to protect the environment. The HSE key performance indicators are as follows:

• HSE Environment:

Workplace injuries and unsafe working environments are bad for employee morale. Employers who maintain a safe and healthy work environment and conduct employee training on safety build a stronger relationship with employees. At Cherat Cement, we have developed safe, high quality, and environmentally friendly processes, working practices and systemic activities that prevent or reduce the risk of harm to people in general, operators, or patients.

We also strive to save the environment by recycling exhaust heat from production process to generate electricity through WHR (Waste Heat Recovery) process. We plant trees for maintaining the green belt in and surrounding areas of the plant sites and offices.

• HSE Management Systems:

Tools that help an organization continually improve its health, safety and environmental performance contain organizational elements that follow a continuous cycle of planning, implementing, checking, and improving. Our workforce is routinely updated about occupational health, safety and environment concerns through a continuous process of training and coaching at different levels. To enhance safety awareness and to build a culture of continuous improvement in personal and process safety, a comprehensive communication structure has been established such as daily, weekly and monthly safety reviews.

Safety measures at Cherat Cement have been taken according to the work environment (by conducting risk assessment) at our plants and the corporate offices. At all offices of Cherat Cement, safety is everybody's responsibility therefore every area/ functional head is the owner of safety practices under the umbrella of HSE principles. The operation teams at all locations collaborate in implementation of HSE policies and procedures. To sustain HSE awareness and to build a culture of continuous improvement in personal and process safety, different committees at appropriate levels are formed and periodic reviews are regularly carried out.

Corporate Social Responsibility Highlights

Corporate Social Responsibility Highlights

We have a well-defined Corporate Social Responsibility (CSR) policy in place which serves as a guiding document and encompasses commitments, targets and responsibilities for effective management of our activities. We support communities through taxes, local procurement, donations, and provision of facilities around the plant site. Most of the spending was in the areas of education, health care, community support and uplift and event sponsorships.

The implementation and monitoring of the social activities are routed through Sr. Manager CSR who also reviews and analyzes the monthly progress. We use various tools to monitor and follow up performance and commitments to society including independent monitors as well as in-house reviews. Progress is reported to the senior management on a continuous basis. Our work in communities is implemented through Ghulam Faruque Welfare Trust, which is a fully dedicated entity to carry out interventions in the fields of healthcare, education, sports and rural development. Acting responsibly in all our activities, we are playing an active role towards sustainable development in areas of operations and support local economic development. The major indirect impacts are enhancing skills and knowledge, jobs in the supply chain and new businesses resulting in economic development of the area. We are raising living standards of population in areas of operations, both directly and indirectly, by creating added value. Our approach is driven by the needs of the targeted community, carried out through surveys, focal groups and meetings with the local community. Based on these guidelines, the interventions are devised to deliver maximum benefit and impact.

We regularly engage with local communities to identify any negative effect of our operations on local communities and as result of these engagements, we identified that there were no significant negative effects on local communities during the year. We have carried out local community engagement, impact assessment and development programs at all (100%) operational locations. As a result of these engagements and assessments, the activities in defined areas are planned and implemented.

Here is an overview of the progress of our community supports and CSR projects for 2018- 19:

A. DONATIONS

1. EDUCATION

Education is an important factor for better societies and a long-term investment for sustainable economic development. Our interventions in the field of education help in uplifting education level and the socio economic development of the surrounding communities.. Donations have been extended to many educational institutes, which includes:

a) School in Shaidu Village

Company in area of education development has financed school in Shaidu village with collaboration of The Citizens Foundation. This benefits the children from under developed area to fulfill their basic education need.

b) Aga Khan University Medical College

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

c) Ghulam Ishaq Khan Institute of Engineering Sciences and Technology

In order to sponsor education to some students reasonable amount is being donated to Ghulam Ishaq Khan Institute of Engineering Sciences and Technology.

d) Approved Religious Institutions

The Company also take pride in supporting religious education and knowledge by supporting local Madarsas & Masjids.

2. HEALTH

Healthy societies are vital for economic development and prosperity we continued our emphasis on provision of health care facilities not only at our plants, adjacent localities but also nationally in collaboration with different entities.
Support extended to health related initiatives includes funding for hospitals and different medical centres which mainly includes:

a) Shaukat Khanum Memorial Trust

Shaukat Khanum Memorial Trust believes that healthcare is a fundamental human right and gives new hopes for cancer patient to save their life, Cherat Cement Company appreciate the efforts of Shaukat Khanum, and contribute in their cause by handsome donations.

b) 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 Center and its postgraduate training institute.

c) Aga Khan University Hospital

Company have always considered promoting a healthier society, this is depicted through donations made to The Aga Khan University Hospital.

d) Nowshera Dialysis Centre

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

e) Treatment Supports

For those people who lack facility of medical treatments or could not afford, company have made efforts by donating a reasonable amount. By providing medical facility to less privileged, it was made easier for them to take care of their health.

Welfare Medical Dispensary In Nowshera

a. Purpose

As company focuses on well-being of society and its people, in this regard a welfare medical dispensary is established in the vicinity of Nowshera in order to provide medical facilities free of cost to the people living in area. By having this facility in area for small villages nearby we have provided basic medical facility to those who couldn't afford.

b. Facilities Available

All basic medical facilities are available at the dispensary including:

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

c. Areas Covered

Four villages in the vicinity of Nowshera are being facilitated through this hospital including:

- Lakrai
- Shaikhai
- Khattak
- Lokhat

d. 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

Health

- The Kidney Center
- Shaukat Khanum Memorial Trust
- Nowshehra Dialysis Center
- Personal Treatments

Charity Account

During the year the Company made a donation of Rs. 13.8M to Ghulam Faruque Welfare Trust, Aga Khan University Hospital, The Kidney Centre, Nowshera Lions Club, Ummah Welfare Trust, D.C Nowshehra, IBP School of Special Education and Others

Special Persons Education & Employment

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

Development & Community

- Pakistan Tennis Federation
- Ummah Welfare Trust
- Anjuman Kashan-e-Atfal-o-Naunihal
- D.C Nowshehra

National Cause Donations

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

Education

- School in Shaidu Village
- Aga Khan University Medical College
- Ghulam Ishaq Khan Institute of Engineering Science & Technology
- Oxford University Press
- Approved Religious Institutions

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 1 - First Time Adoption of IFRSs	01 January 2004
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.

Omar Faruque
Chairman

Karachi: August 07, 2019

Adoption of Islamic Financial Accounting Standards (IFAS)

The Company fully complied with Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017

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

Overview:

This annual report (report) of the Cherat Cement Company Limited (Company) has been prepared in guidelines of the International Integrated Reporting (IR) framework and the Global Reporting Initiative (GRI) Standards. The report is aim to provide its stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, which is vital for its position, performance and reporting capabilities. Since then the Company has adapted its structure in response to global changes and development, the Company advanced its management processes.

Management of the Company is following the spirit of adhering to the best corporate and governance practices. The management is also committed to achieve excellence in all aspects of transparent reporting. The Company also achieved good stage of compliance. The Company also considers the importance and strengthening of this report in terms of information connectivity and demonstration of results impact regarding various capital employed.

Business operations:

The Company is engaged in manufacturing, marketing and sale of cement since 37 years. The data and information presented in this report pertains to its plants, marketing offices and head office.

Objectives and Contents:

The contents of this report are based on Company's engagement with its stakeholders, IR framework and GRI Standards sustainability and to provide quality information of interest of various group of stakeholders of impacts of activities on economy, market, environment and society as well as long-term sustainability of the Company's business.

It is imperative to ensure that the material is being presented in such a way that it enables the stakeholders to better understand these activities. The business strategy information has been linked directly to business activities and non-financial information.

Methodologies:

In compilation of data basic scientific measurements, mathematical calculation methods, accounting principles, actual basis and other different logical methodologies used. The Company makes every effort to ensure the accuracy of the sustainability as well as the information being provided.

Role of the Board:

The Board of Directors (the Board) has crucial role, since directors are elected by shareholders and IR framework is a mechanism of ensuring long-term value creation and increasing transparency. The IR framework requires involvement and support of the Board and Chief Executive.
Henceforth, the Management of the Company is guided to achieve Company objectives by advising, assessing, and monitoring the business strategies and ensuring the execution and modification of these activities.

Role of Management:

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.

Financial and Non-Financial Information:

The report also includes both financial and non-financial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcome attributable to the value creation ability.

The Company has adopted the IR framework to give an overview of the Company's business affairs and philosophy by connecting and presenting the financial and non-financial information considering the varied interest and widenge of stakeholders.

The forward-looking statement explains the future challenges and how the Company plans to address these.

Connectivity, Monitoring and Control:

The Company's reporting is monitored and ensure that the relevant information is shared in the most suited way for the stakeholders. 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.

Other factors:

This report also includes other factors, which challenged the economic performance of the Company. The Company also provides an overview of Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

The analysis and conclusions presented in this report demonstrates various factors that have been taken into account and the management is taking measures to increase the resiliency of the business and its operations.

Users:

This report intended to address the needs of users, investors, stakeholders, suppliers, employee, regulators and society to provide view of value creation potential taking into account risks and opportunities. The Company believes that to the stakeholders provide better understanding of its business strategies, opportunities & risks, business model, governance, performance which creates value to the Company and its shareholders. The Company shall continue to improve the information produced to make it even easier to understand.

Materiality:

The report includes the information relevant for its stakeholders to make decisions on the organization's economic, social and environmental performance.

Reporting period:

This report of the Company is published annually and covers period beginning from July 01, 2018 till June 30, 2019.

Our Report:

This report of 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
- Performance and position
- Stakeholder's relationship and engagement
- Sustainability and corporate social responsibility
- Striving for Excellence in corporate reporting

Omar Faruque
Chairman

Karachi: August 07, 2019

Glossary of Terms and Definitions

Activity / Turnover Ratios: Activity ratios measure the efficiency of the company in using its resources/ assets. These ratios indicate the efficiency with which the assets of the company are managed/utilized.

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

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

Capital Structure Ratios: The capital structure ratios measure how a company finances its overall operations and growth by using different sources of funds.

Captive Power Plant: An electricity generation facility used and managed by an industrial or commercial energy user for their own energy consumption.

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.

Corporate Social Responsibility (CSR): A self-regulating business model that helps a company be socially accountable - to itself, its stakeholders, and the public.

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.

Dividend Cover Ratio: It measures the number of times that a company could pay dividends to its shareholders.

Dividend Mandate: An authorization by a shareholder to the company, to pay his or her dividends directly into a bank account.

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

HR & RC: Human Resource and Remuneration Committee.

HSE: Health, Safety and Environment

Human Capital: Intangible collective resources, like knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed by individuals and groups within an organization. It is a form of wealth available to organizations to accomplish its goals.

IAS: International Accounting Standards.

IASB: International Accounting Standards Board.

IFRIC: International Financial Reporting Issues Committee.

IFRS: International Financial Reporting Standard.

Interest Cover Ratio: It measures how many times a company can cover its current interest payment with its available earnings.

Investment / Market Ratios: Investor ratios are used to measure the ability of a business to earn an adequate return for the owners of the business.

ISO 9001:2015: A standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

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

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.

Liquidity Ratios: A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due.

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).

Manufactured Capital: It is the collection of physical, material and technological objects that are available to a company for use in the production process.

Market Ratio: It helps to determine the market value of a company relative to its actual worth.

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

PESTLE: Political, Economic, Social, Technological, Legal and Environmental.

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).

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.

Profitability Ratios: The Profitability Ratios measure the overall performance of the company in terms of the total revenue generated from its operations.

Relationship Capital: It is the company's relationships with customers, partners, suppliers, shareholders. It is an important business asset.

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).

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

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

Spread: Rate charged by the bank over KIBOR.

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

Financial Statements

Independent Auditors' Report

Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 2019 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.

Building a better working world

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Re-estimation of useful lives of plant and machinery (Line II)	
During the year, the management reviewed the usage and expected pattern of consumption of plant and machinery (Line II) in order to better reflect the pattern in which the economic benefits of the plant and machinery (Line II) are consumed by the Company as mentioned in note 4.1 to the financial statements and resultantly changed the estimate of remaining useful life of the said assets as disclosed in note 2.5.1 to the financial statements. We identified the change in useful life of the said operating assets as a key audit matter because it involves significant management judgment in determining the remaining useful lives and consumption pattern of the operating assets.	Our audit procedures amongst other included: - obtaining an understanding of the process relating to annual review of useful lives of operating assets and testing the design and implementation of the relevant controls; - inquiring from the management to assess whether the management's decision on the useful lives of the operating assets is appropriate. - comparing the revised useful lives of the said operating assets with the average useful lives of operating assets of other entities in the same industry. - inspecting the underlying documents supporting the basis on which the management has revised the useful lives for the said operating assets. - testing whether the approved useful lives are appropriately applied prospectively to the said operating assets. - Assessing the adequacy of disclosure in Company's financial statements with regard to the change in useful lives of the said operating assets.
2. Capital expenditure - Capitalization of plant and machinery - Cement line-III	
During the year, the Company successfully commissioned Cement production Line III, resulting in significant increase of capacity of clinker production. The Company transferred assets from capital work-in-progress to the operating fixed assets as stated in note 4.2 to the financial statements.	- We obtained an understanding of the process and controls in relation to capitalization of assets. - We considered the various items of assets capitalized and assessed whether such items are eligible for capitalization in accordance with the applicable accounting standards.

Building a better working world

Key audit matters	How the matter was addressed in our audit
The significant nature of capital expenditure requires a number of considerations including the determination of a cut-off point on which assets are transferred to operating fixed assets, estimation of economic useful lives and residual values for determining the depreciation and evaluation of the cost that meets the criteria for capitalization under IAS 16 "Property, Plant and Equipment". In view of the above consideration we have identified this as a key audit matter.	- We assessed the useful economic lives assigned with reference to the Company's historical experience, our understanding of the future utilization of assets by the Company and by reference to the depreciation policies employed by the Company for similar assets. - We also obtained and reviewed on test basis various internal documents of the Company with respect to the transfer to operating fixed assets.

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,

Building a better working world

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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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 Tariq Feroz Khan.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: August 07, 2019

Statement of Financial Position

as at June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	26,890,963	23,805,845
Intangible assets	5	18,462	15,406
		26,909,425	23,821,251
Long-term investments	6	254,970	396,794
Long-term loans	7	701	686
Long-term deposits		21,392	19,008
		277,063	416,488
		27,186,488	24,237,739
CURRENT ASSETS			
Stores, spare parts and loose tools	8	3,484,620	2,778,907
Stock-in-trade	9	1,268,194	753,638
Trade debts	10	311,488	188,272
Loans and advances	11	143,862	84,081
Trade deposits and short-term prepayments	12	23,759	25,940
Other receivables	13	1,551,308	1,599,017
Taxation – net		1,280,573	804,915
Cash and bank balances	14	29,535	47,052
		8,093,339	6,281,822
TOTAL ASSETS		35,279,827	30,519,561
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	1,766,318	1,766,318
Reserves	16	9,989,851	9,407,430
		11,756,169	11,173,748
NON-CURRENT LIABILITIES			
Long-term financings	17	16,900,000	14,700,000
Long-term security deposits	18	21,871	17,667
Deferred taxation	19	405,659	975,640
		17,327,530	15,693,307
CURRENT LIABILITIES			
Trade and other payables	20	1,863,434	1,990,431
Accrued mark-up	21	544,086	230,024
Short-term borrowings	22	2,902,527	963,947
Current maturity of long-term financing	17	800,000	400,000
Unclaimed dividend		86,081	68,104
		6,196,128	3,652,506
CONTINGENCIES AND COMMITMENTS	23		
TOTAL EQUITY AND LIABILITIES		35,279,827	30,519,561

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Statement of Profit or Loss

for the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
Turnover - net	24	15,862,647	14,388,349
Cost of sales	25	(12,979,533)	(11,249,153)
Gross profit		2,883,114	3,139,196
Distribution costs	26	(396,338)	(337,132)
Administrative expenses	27	(293,925)	(245,258)
Other expenses	28	(109,360)	(133,966)
		(799,623)	(716,356)
Other income	29	106,836	81,112
Operating profit		2,190,327	2,503,952
Finance costs	30	(1,142,559)	(356,585)
Profit before taxation		1,047,768	2,147,367
Taxation			
Current			
Prior		-	(37,287)
Deferred		145,014	80,373
		569,981	(58,334)
	31	714,995	(15,248)
Net profit for the year		1,762,763	2,132,119
Earnings per share – basic and diluted	32	Rs. 9.98	Rs. 12.07

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Statement of Comprehensive Income

for the year ended June 30, 2019

	2019	2018
	(Rupees in '000)	
Net profit for the year	1,762,763	2,132,119
Other comprehensive income		
Items that may not be reclassified subsequently to the statement of profit or loss		
Unrealized loss on remeasurement of equity investment at fair value through other comprehensive income	(141,856)	(206,144)
Actuarial loss on defined benefit plan	(331,959)	(419,091)
	(473,815)	(625,235)
Total comprehensive income for the year	1,288,948	1,506,884

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Statement of Cash Flows

for the year ended June 30, 2019

	Note	2019	2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,047,768	2,147,367
Adjustment for:			
Depreciation	4.1.4	1,389,264	1,086,046
Amortisation	5.1	4,278	3,804
Gain on disposal of operating property, plant and equipment	4.1.5	(7,335)	(4,977)
Finance costs	30	1,142,559	356,585
Exchange loss	28	35,635	9,890
Share of (profit) / loss from joint venture	29	(32)	37
Dividend income	29	(19,832)	(20,160)
		2,544,537	1,431,225
		3,592,305	3,578,592
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(705,713)	(568,595)
Stock-in-trade		(514,556)	90,182
Trade debts		(123,216)	(57,505)
Loans and advances		(59,781)	(46,758)
Trade deposits and short-term prepayments		2,181	(13,800)
Other receivables		47,709	(1,033,078)
		(1,353,376)	(1,629,554)
		2,238,929	1,949,038
(Decrease) / increase in current liabilities			
Trade and other payables		(494,591)	1,167,577
Cash generated from operations		1,744,338	3,116,615
Income tax paid		(330,644)	(458,267)
Long-term loans and deposits – net		1,805	1,865
Net cash generated from operating activities		1,415,499	2,660,213
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,924,445)	(11,171,332)
Additions to intangible assets	5	(7,334)	-
Proceeds from disposal of operating property, plant and equipment	4.1.5	21,287	18,124
Investments made		-	(36,700)
Dividend received		19,832	20,160
Net cash used in investing activities		(3,890,660)	(11,169,748)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financings – net		2,600,000	10,199,435
Short-term borrowings – net		1,938,580	(536,464)
Dividend paid		(688,550)	(778,452)
Finance costs paid		(1,392,386)	(373,746)
Net cash generated from financing activities		2,457,644	8,510,773
Net (decrease) / increase in cash and cash equivalents		(17,517)	1,238
Cash and cash equivalents at the beginning of the year		47,052	45,814
Cash and cash equivalents at the end of the year	14	29,535	47,052

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Statement of Changes in Equity

for the year ended June 30, 2019

	Issued, Subscribed and Paid-up Capital	Reserves								Total
		Capital Reserves		Revenue Reserves						
		Share premium	Others	General Reserve	Unappropriated profit	Actuarial gain / (loss) on defined benefit plan	Unrealised gain / (loss) on equity investments	Total Reserves		
	(Rupees in '000)									
Balance as at July 01, 2017	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
Balance as at June 30, 2018	**1,766,318**	**1,047,658**	**50,900**	**420,000**	**7,729,273**	**8,371**	**151,228**	**9,407,430**		**11,173,748**
Balance as at July 01, 2018	1,766,318	1,047,658	50,900	420,000	7,729,273	8,371	151,228	9,407,430		11,173,748
Final cash dividend for the year ended June 30, 2018 @ Rs. 4.00/- per share	-	-	-	-	(706,527)	-	-	(706,527)		(706,527)
Net profit for the year	-	-	-	-	1,762,763	-	-	1,762,763		1,762,763
Other comprehensive income	-	-	-	-	-	(331,959)	(141,856)	(473,815)		(473,815)
Total comprehensive income for the year	-	-	-	-	1,762,763	(331,959)	(141,856)	1,288,948		1,288,948
Balance as at June 30, 2019	**1,766,318**	**1,047,658**	**50,900**	**420,000**	**8,785,509**	**(323,588)**	**9,372**	**9,989,851**		**11,756,169**

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2019

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:

- During the year, the Company successfully installed and commissioned Cement Line – III including Waste Heat Recovery (WHR) systems amounting to Rs. 14,153 million having production capacity of clinker in excess of 6,700 tons per day.

- The Company has also installed and commissioned three Captive Power Plant Generators amounting to Rs. 1,829 million having capacity of 9.7 MW each.

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 Companies Act, 2017 (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 and defined benefit plan is measured at present value.

2.3 Standards, interpretations and amendments applicable to financial statements

New standards, amendments and improvements effective during the year

The Company has adopted the following standards, amendments and improvements of IFRS which became effective for the current year:

IFRS 2 - Share-based Payments: Classification and Measurement of Share-based Payments Transactions (Amendments)

IFRS 9 - Financial Instruments

IFRS 15 - Revenue from Contracts with Customers

IAS 40 - Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs issued by IASB in December 2016

IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above standards, amendments and improvements to IFRS did not have any material effect on these financial statements, except for IFRS 15 and IFRS 9 as explained below:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general the contracts for the sale of goods do not provide customers with a right of return. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

IFRS 9 -Financial Instruments

IFRS 9 ' Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). During February 2019, the SECP modified the effective date for applicability of IFRS 9 in place of IAS 39 as reporting period/ year ending on or after 30 June 2019. The Company early adopted IFRS 9 as was allowed to do so by SECP.

The Company's financial assets mainly includes long term investments, long term loans, long term deposits, trade debts, loans, trade deposits, other receivables, cash and bank balances held with commercial banks.

IFRS 9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income and fair value through the statement of profit or loss The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company continues measuring at fair value all the financial assets previously held at fair value under IAS 39. The measurement basis followed by the Company under IFRS 9 are as follows:

- Listed equity investments previously classified as available for sale are now classified and measured at fair value through other comprehensive income.

- Trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

The Classification and measurement of IFRS 9, as descried above did not have a significant impact on the Company's financial statements.

Further, the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach.

Expected Credit Loss (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL.

The adoption of the ECL approach under IFRS 9 resulted in an immaterial impact on the Company's financial assets.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

2.4 Standards, amendments and improvements to IFRSs that are not yet effective

The following standards, amendments and interpretations with respect to the IFRSs 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 - 3	Definition of a Business (Amendments)	01 January 2020
IFRS - 3	Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS - 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS - 10 / IAS 28	Consolidated Financial Statements and 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 - 11	Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS - 16	Leases	01 January 2019
IAS - 1 / IAS 8	Definition of Material (Amendments)	01 January 2020
IAS - 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS - 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS - 23	Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS - 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC - 23	Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application, except for IFRS 16 - 'Leases'. The management of the Company is currently evaluating the impact of this standard on the financial statements of the Company.

In addition to the above standards, amendments and improvements to various IFRS have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 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. The management of the Company expects that below new standards will not have any material impact on the Company's financial statements in the period of initial application.

	IASB effective date (annual periods beginning on or after)
IFRS 1 – First time adoption of IFRSs	01 January 2004
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

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.

Until previous year depreciation on plant and machinery for Line II had been charged to statement of profit or loss at 7.5% of the book value, whereas with effect from July 1, 2018, the rate of depreciation has been changed to 5% in order to better reflect the pattern in which the economic benefits of the plant and machinery are consumed by the Company. Had this change in accounting estimate not been made, the depreciation expense for the year would have been higher by Rs. 136.375 million and profit before taxation would have been lowered by the same amount.

Amount of effect in future years as a result of the change in estimates are given below:

	2020	2021	2022	2023	2024
	(Rupees in '000)				
(Decrease) in depreciation	(121,113)	(105,463)	(91,314)	(78,539)	(67,018)
Increase in profit before taxation	121,113	105,463	91,314	78,539	67,018

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. Instances where the Company's view differ 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 At fair value through other comprehensive income

Equity 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).

All gains or losses from change in the fair value of equity investments are recognised directly in other comprehensive income.

3.2.3 At fair value 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 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 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 value 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, loans, advances and receivables

Trade debts, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans and other receivables. Bad debts are written off when considered irrecoverable.

3.6 Cash and cash equivalents

These are stated at cost. For the purpose of statement of cash flow, 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 at the point in time when control of the asset is transferred to the customer. Revenue is measured at fair value of the consideration received or receivable and is recognised on the following basis:

3.13.1 Sale of goods

Revenue from sale of goods is recognised when or as control of goods have been transferred to a customer either over time or at a point in time, when the performance obligations are met. It is recorded at net of trade discounts and 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 when performance obligations are met.

3.14 Staff retirement benefits

3.14.1 Gratuity fund

The Company operates an approved defined benefit gratuity fund 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 the provisions of 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; 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

	Note	2019	2018
		(Rupees in '000)	
Operating property, plant and equipment	4.1	26,264,797	12,277,573
Capital work-in-progress	4.2	626,166	11,528,272
		26,890,963	23,805,845

4.1 Operating property, plant and equipment

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

2019 Description	COST			DEPRECIATION				Book value as at June 30, 2019	Depreciation rate % per annum
	As at July 01, 2018	Additions* / (disposals)	As at June 30, 2019	As at July 01, 2018	Disposals	Charge for the year	As at June 30, 2019		
	(Rupees in '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	2,701,030	2,664,771	5,365,801	643,592	-	254,957	898,549	4,467,252	7.5
Plant and machinery	12,153,773	11,640,654	23,794,627	4,341,979	-	799,366	5,141,345	18,653,282	5-7.5
Power and other installations	2,294,105	802,705 (228)	3,096,582	416,287	(102)	224,569	640,754	2,455,826	10-20
Furniture and fittings	50,587	18,019	68,606	22,156	-	3,598	25,754	42,852	10-20
Quarry, factory and laboratory equipment	712,261	149,651	861,912	438,905	-	47,162	486,067	375,845	10-20
Motor vehicles	282,458	72,698 (41,256)	313,900	128,376	(27,462)	37,691	138,605	175,295	20
Office equipment	58,962	13,210 (133)	72,039	16,111	(101)	4,898	20,908	51,131	10-20
Computers	96,207	28,532	124,739	73,074	-	17,023	90,097	34,642	33.33
	18,358,053	15,390,440 (41,617)	33,706,876	6,080,480	(27,665)	1,389,264	7,442,079	26,264,797	

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	2,057,436	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**	

* Includes transferred from capital working-progress.

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	2019	2018
		(Rupees in '000)	
Book value at the beginning of the year		12,277,573	12,909,284
Additions during the year – at cost		15,390,440	467,482
Depreciation for the year		(1,389,264)	(1,086,046)
Disposals during the year at book value		(13,952)	(13,147)
Book value at the end of the year		26,264,797	12,277,573

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

	Note	2019	2018
Cost of sales	25	1,356,787	1,058,451
Distribution costs	26	15,917	13,864
Administrative expenses	27	16,560	13,731
		1,389,264	1,086,046

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)					
Motors Vehicles						
Honda City MT Reg. No. B - 2567	1,319	165	330	165	Employee car scheme	Mr. Zafar Iqbal - Employee
Suzuki Mehran VXR Reg. No. UH - 273	619	149	155	6	Employee car scheme	Mr. Imran - Employee
Suzuki Mehran VXR Reg. No. LE - 12 - 7458	618	149	155	6	Employee car scheme	Mr. Haseeb Shafqat - Employee
Suzuki Alto VXR Reg. No. BB - 7849	781	188	195	7	Employee car scheme	Mr. Shamroz - Employee
Suzuki Alto VXR Reg. No. BB - 7730	791	184	198	14	Employee car scheme	Mr. Mareen Shah - Employee
Suzuki Alto VXR Reg. No. BB - 7708	791	184	198	14	Employee car scheme	Mr. Khalid Rauf - Employee
Suzuki Alto VXR Reg. No. BB - 7886	781	181	195	14	Employee car scheme	Mr. Israr-ul-Haq - Employee
Suzuki Cultus VXR Reg. No. AXN - 296	955	270	755	485	Tender	Mr. Raheel Mithani - Karachi
Honda City MT Reg. No. AYG - 711	1,507	398	398	-	Employee car scheme	Mr. Ijaz Ahmed Khan - Employee
Honda City NAV Reg. No. BC - 1135	1,566	417	417	-	Employee car scheme	Mr. Ishtiaq Rehman - Employee

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
	(Rupees in '000)					
Toyota Corolla GLI Reg. No. BAS - 344	1,707	565	1,455	890	Tender	Mr. Raheel Mithani - Karachi
Suzuki Alto VXR Reg. No. BB - 7843	791	177	198	21	Employee car scheme	Mr. Nadeem Qureshi - Employee
DYL Dhoom 70 Motorcycle Reg. No. KEG - 2192	44	6	15	9	Tender	Mr. Sarfaraz - Karachi
Suzuki Sprinter ECO SD110 Reg. No. KED - 0824	62	8	15	7	Tender	Mr. Sarfaraz - Karachi
Toyota Corolla GLI Reg. No. BD - 4873	1,788	996	996	-	Employee car scheme	Mr. Naeem Akhter - Employee
Suzuki Wagon R VX Reg. No. BCE - 559	934	367	810	443	Tender	Mr. Waseem - Karachi
Suzuki Wagon R VX Reg. No. BCR - 209	932	388	865	477	Tender	Mr. Wajahat Ullah Qureshi - Karachi
Suzuki Alto VXR Reg. No. BB - 7715	791	175	198	23	Employee car scheme	Mr. Gulfam Khan - Employee
Suzuki Mehran VXR Reg. No. C - 8472	725	241	241	-	Employee car scheme	Mr. S.M Nasim - Employee
Suzuki Mehran VXR Reg. No. C - 2040	683	182	182	-	Employee car scheme	Mr. Abdul Rauf - Employee
Honda City MT Reg. No. AUY - 031	443	80	342	262	Tender	Mr. Waseem - Karachi
Honda City MT Reg. No. BC - 1350	1,566	417	417	-	Employee car scheme	Mr. Ayaz - Employee
Honda City MT Reg. No. BC - 1351	1,566	417	417	-	Employee car scheme	Mr. Ilyas - Employee
Suzuki Cultus VXR Reg. No. BC - 1606	1,049	280	280	-	Employee car scheme	Mr. Nisar Ali Adil - Employee
Honda City i-VTEC Reg. No. BB - 3880	1,324	221	878	657	Tender	Mr. Naveed Ahmed - Nowshera
Suzuki Cultus VXR Reg. No. BB - 7416	985	209	594	385	Tender	Mr. Naveed Ahmed - Nowshera
Suzuki Cultus VXR Reg. No. BC - 1190	1,048	266	550	284	Tender	Mr. Muhammad Ayaz - Nowshera
Honda City MT Reg. No. AYQ - 351	1,507	393	393	-	Employee car scheme	Mr. Mohsin Ali - Employee
Suzuki Cultus VXR Reg. No. BC - 1590	1,049	308	667	359	Tender	Mr. Saleem Akber - Nowshera
Suzuki Cultus VXR Reg. No. BC - 1635	1,045	273	273	-	Employee car scheme	Mr. Haroon - Employee
Suzuki Mehran VXR Reg. No. BC - 1599	690	180	440	260	Tender	Mr. Ahmed Zeb - Nowshera
Suzuki Cultus VXR Reg. No. BC - 1964	1,049	313	660	347	Tender	Mr. Muhammad Ayaz - Nowshera

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
	(Rupees in '000)					
Suzuki Mehran VXR Reg. No. AYW - 165	637	169	169	-	Employee Car scheme	Mr. Aslam Bukhari - Employee
Suzuki Mehran VXR Reg. No. BC - 6821	721	231	414	183	Tender	Mr. Qasim Khan - Nowshera
Suzuki Mehran VXR Reg. No. BC - 9073	743	246	494	248	Tender	Mr. Muhammad Shahid - Nowshera
Suzuki Wagon R VX Reg. No. BD - 3056	902	525	705	180	Tender	Mr. Misal Khan - Nowshera
Suzuki Wagon R VX Reg. No. BD - 3713	958	451	765	314	Tender	Mr. Qasim Khan - Nowshera
Honda Motorcycle Reg. No. VN - 979	71	11	19	8	Tender	Mr. Usman Ather - Islamabad
Toyota Corolla GLI AT Reg. No. ALB - 679	2,154	1,975	2,154	179	Insurance Claim	M/s. EFU General Insurance Limited
Suzuki Mehran VXR Reg. No. BC - 1649	690	170	386	216	Tender	Mr. Waqarullah - Nowshera
Suzuki Wagon R VX Reg. No. BD - 2634	954	375	732	357	Tender	Mr. Naveed Ahmed - Nowshera
Suzuki Wagon R VX Reg. No. BD - 3865	960	447	765	318	Tender	Mr. Sajjad Iqbal - Nowshera
Suzuki Wagon R VX Reg. No. BD - 3854	960	447	780	333	Tender	Mr. Ayub Durrani - Nowshera
	41,256	13,794	21,265	7,471		
Power and Other Installations	228	126	-	(126)	Write-off	
Office Equipment	133	32	22	(10)	Tender	M/s. Alvi Auctioners
2019	41,617	13,952	21,287	7,335		
2018	72,004	13,147	18,124	4,977		

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 based on an independent valuer's report of May 2017 updated by adding subsequent additions at cost amounts to Rs. 36,656 million (2018: Rs. 32,132 million). However, the same has not been incorporated in these financial statements.

4.2 Capital work-in-progress

Description	Building on leasehold land (4.2.1)	Plant and machinery (4.2.1)	Power and other installations	Furniture and fittings	Quarry, factory and lab equipment	Motor vehicles	Computers	Total
	(Rupees in '000)							
Balance as at June 30, 2017	**79,791**	**571,055**	**44,596**	**3,652**	**12,035**	**10,880**	**1,571**	**723,580**
Capital expenditure incurred / advances made during the year	2,125,509	8,871,470	118,425	36,215	45,694	62,380	12,481	11,272,174
Transferred to operating property, plant and equipment	(90,955)	(197,961)	(40,010)	(26,427)	(46,236)	(52,338)	(13,555)	(467,482)
Balance as at June 30, 2018	**2,114,345**	**9,244,564**	**123,011**	**13,440**	**11,493**	**20,922**	**497**	**11,528,272**
Capital expenditure incurred / advances made during the year	749,977	2,793,031	679,694	22,514	163,307	51,776	28,035	4,488,334
Transferred to operating property, plant and equipment	(2,664,771)	(11,640,854)	(802,705)	(31,229)	(149,651)	(72,698)	(28,532)	(15,390,440)
Balance as at June 30, 2019	**199,551**	**396,741**	**-**	**4,725**	**25,149**	**-**	**-**	**626,166**

4.2.1 Represent costs incurred on the installations of Line – III, Waste Heat Recovery (WHR) Line – III and Captive Power Plant Generators at the existing location in Nowshera, Khyber Pakhtunkhwa Province and include borrowing costs capitalized during the year amounting to Rs. 563.89 million in respect of Islamic banking (2018: Rs. 234.41 million) by using a capitalization rate of 9.33% (2018: 7.38%).

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								
2019	**38,042**	**7,334**	**45,376**	**22,636**	**4,278**	**26,914**	**18,462**	**10**
2018	**38,042**	**-**	**38,042**	**18,832**	**3,804**	**22,636**	**15,406**	**10**

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

	Note	2019	2018
		(Rupees in '000)	
Cost of sales	25	3,298	3,353
Distribution costs	26	125	28
Administrative expenses	27	855	423
		4,278	3,804

6. LONG-TERM INVESTMENTS

Investment in related parties

At fair value through other comprehensive income	6.1	247,285	389,141
Interest in a joint venture	6.2	-	-
Interest in a joint venture	6.3	7,685	7,653
		254,970	396,794

6.1 At fair value through other comprehensive income

	2019	2018
	(Rupees in '000)	
Cherat Packaging Limited		
2,838,666 (2018: 2,468,406) fully paid ordinary shares of Rs. 10/- each.	228,910	354,685
Mirpurkhas Sugar Mills Limited		
262,500 (2018: 262,500) fully paid ordinary shares of Rs. 10/- each.	18,375	34,456
	247,285	389,141

6.2 Interest in a joint venture - Madian Hydro Power Limited (MHPL)

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 (2018: 10,744,997 shares) representing 50% (2018: 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, 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.

	Note	2019	2018
		Un-audited	Audited
		(Rupees in '000)	
6.3 Investment in a joint venture – UniEnergy Limited			
Cost of investment	6.3.1	7,653	7,690
Share of profit / (loss)		32	(37)
		7,685	7,653

6.3.1 Represents 768,999 (2018: 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	2019	2018
		(Rupees in '000)	
Employees	7.1	2,716	2,740
Less: Current maturity	11	(2,015)	(2,054)
		701	686

7.1 Represent loans given to employees as per the Company's policy. These loans carry mark-up @ 15% per annum (2018: 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 single employee.

8. STORES, SPARE PARTS AND LOOSE TOOLS

	2019	2018
	(Rupees in '000)	
Stores	1,586,998	1,508,276
Spare parts	1,268,976	941,147
Loose tools	4,744	1,468
	2,860,718	2,450,891
Stores and spare parts in transit	623,902	328,016
	3,484,620	2,778,907

9. STOCK-IN-TRADE

	Note	2019	2018
		(Rupees in '000)	
Raw and packing material		200,060	146,179
Work-in-process		811,030	422,652
Finished goods		257,104	184,807
		1,268,194	753,638

10. TRADE DEBTS – secured, considered good

	Note	2019	2018
Neither past due nor impaired	10.1	311,488	188,272

10.1 These are secured by way of postdated cheques and promissory notes and do not include any receivables in respect of export sales.

11. LOANS AND ADVANCES – considered good

	Note	2019	2018
		(Rupees in '000)	
Advances to suppliers	11.1 & 11.2	141,847	82,027
Current portion of long-term loans	7	2,015	2,054
		143,862	84,081

11.1 Sector wise analysis is as follows:

	2019	2018
Government sector – secured	107,625	49,533
Other sectors – unsecured	34,222	32,494
	141,847	82,027

11.2 These advances do not carry any interest.

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2019	2018
Short-term prepayments		23,212	25,393
Trade deposits	12.1	547	547
		23,759	25,940

12.1 These deposits do not carry any interest.

13. OTHER RECEIVABLES

	Note	2019	2018
Gratuity fund		-	5,726
Provident fund	13.1	-	-
Sales tax and federal excise duty - adjustable		1,523,488	1,552,300
Insurance claims receivable		2,375	19,184
Duty drawback receivable		23,066	19,153
Others		2,379	2,654
		1,551,308	1,599,017

13.1 Provident fund

	2019	2018
	Un-audited	Audited
	(Rupees in '000)	
Size of the trust	883,183	796,576
Cost of investments	862,923	784,918
Fair value of investments	804,554	854,995
	(Percentage)	
Percentage of investments made	97.71	98.54

Major categories of investments of provident fund are as follows:

	2019		2018	
	Investment	Investment as size of the fund	Investment	Investment as size of the fund
	(Rupees in '000)	%	(Rupees in '000)	%
Government securities	407,953	47	466,295	59
Mutual funds	214,405	25	107,345	14
Listed shares	225,082	26	210,908	27
TFC	5,000	1	-	-
Bank balances	10,483	1	370	0
	862,923	100	784,918	100

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

	Note	2019	2018
		(Rupees in '000)	
Cash in hand			
Foreign currency		14	14
Local currency		4,740	3,755
		4,754	3,769
Bank balances			
Islamic banks			
Current accounts		310	576
Conventional banks			
Current accounts		20,021	18,627
Saving accounts	14.1	4,450	24,080
		24,471	42,707
		29,535	47,052

14.1 These carry effective profit rate of 8% (2018: 4%) per annum.

15. SHARE CAPITAL

15.1 Authorised capital

2019	2018		2019	2018
(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		
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
5,060,000	5,060,000	- Issued for consideration other than cash on amalgamation	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:

	2019	2018
	(Number of shares)	
Faruque (Private) Limited	38,266,685	38,266,685
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	22,500	20,000
	51,101,892	51,099,392

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

16. RESERVES

	Note	2019	2018
		(Rupees in '000)	
Capital reserves			
Share premium		1,047,658	1,047,658
Others	16.1	50,900	50,900
		1,098,558	1,098,558
Revenue reserves			
General reserves		420,000	420,000
Unappropriated profit		8,785,509	7,729,273
Actuarial gain on defined benefit plan		(323,588)	8,371
Unrealized gain on equity investment		9,372	151,228
		8,891,293	8,308,872
		9,989,851	9,407,430

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

17. LONG-TERM FINANCINGS – secured

	Note	2019	2018
		(Rupees in '000)	
Islamic banks			
Syndicated Long-Term Finance Loan – Line - II	17.1	2,545,263	3,284,211
Syndicated Long-Term Finance Loan – Line - III	17.2	12,500,000	10,000,000
		15,045,263	13,284,211
Conventional banks			
Syndicated Long-Term Finance Loan – Line - II	17.1	554,737	715,789
Captive Power Plant Loan	17.3	1,100,000	1,100,000
Waste Heat Recovery Loan – Line III	17.4	1,000,000	-
		17,700,000	15,100,000
Less: Current maturity	17.1	(800,000)	(400,000)
		16,900,000	14,700,000

17.1 Represents long-term financing obtained from Islamic banks under Diminishing Musharika 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 42 months from the date of first draw down i.e. March 2019. The financing is secured against first pari-passu hypothecation charge of Rs. 5,333 million on plant and machinery and immovable fixed assets of the Company.

17.2 Represents a syndicated long-term financing obtained from Islamic banks under Diminishing Musharika. 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 42 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.

17.3 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 30 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.

17.4 Represents a long-term financing obtained from a conventional bank. It carries mark-up at the rate of 6 months KIBOR+ 0.2% per annum. The financing is repayable in 10 equal semi-annual installments commencing after 30 months from first draw down i.e. February 2021. The financing is secured against first pari-passu hypothecation charge of Rs. 1,600 million on plant and machinery.

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.

19. DEFERRED TAXATION	Note	2019	2018
		(Rupees in '000)	
Accelerated tax depreciation		2,997,792	1,564,873
Unused tax loss / minimum tax / tax credits		(2,592,133)	(589,233)
		405,659	975,640

20. TRADE AND OTHER PAYABLES

	Note	2019	2018
Creditors		276,238	388,149
Bills payable		593,892	517,708
Accrued liabilities		132,281	164,988
Gratuity fund	20.1	329,227	-
Advances from customers		193,388	72,300
Retention money		236,875	719,318
Workers' Profits Participation Fund	20.2	55,146	113,019
Others		46,387	14,949
		1,863,434	1,990,431

20.1 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, 2019.

	2019	2018
	(Rupees in '000)	
Gratuity fund asset:		
Present value of defined benefit obligations / payables	634,528	540,225
Fair value of plan assets	(305,301)	(545,951)
Liabilities / (asset) recognised in the statement of financial position	329,227	(5,726)
Current service cost	49,197	35,885
Interest cost	46,958	36,800
Expected return on plan assets	(50,161)	(70,556)
Expense recognized	45,994	2,129
Experience adjustment arising on plan liabilities losses	18,351	18,268
Return on plan assets excluding interest income gains	313,608	400,823
	331,959	419,091
Movement in net asset recognised in the statement of financial position:		
Balance as at July 01	(5,726)	(416,946)
Net charge for the year	45,994	2,129
Re-measurements chargeable in other comprehensive income	331,959	419,091
Contribution to the fund	(43,000)	(10,000)
Balance as at June 30	329,227	(5,726)
Movement in the present value of defined benefit obligation / payables:		
Balance as at July 01	540,225	470,716
Current service cost	49,197	35,885
Interest cost	46,958	36,800
Benefits paid during the year	(20,203)	(21,444)
Actuarial loss	18,351	18,268
Balance as at June 30	634,528	540,225

Movement in the fair value of plan assets:	2019	2018
	(Rupees in '000)	
Balance as at July 01	545,951	887,662
Expected return	50,161	70,556
Contributions	43,000	10,000
Benefits paid during the year	(20,203)	(21,444)
Actuarial loss	(313,608)	(400,823)
Balance as at June 30	305,301	545,951

Principal actuarial assumptions used are as follows:	(Percentage)	
Expected rate of increase in salary level – long term	12.25	8.50
Valuation discount rate	14.25	9.00
Rate of return on plan assets	14.25	9.00

Comparisons for past years: As at June 30	2019	2018	2017	2016	2015
	(Rupees in '000)				
Present value of defined benefit obligations	626,343	540,225	470,716	399,375	353,290
Payables	8,185	-	-	-	-
Fair value of plan assets	(305,301)	(545,951)	(887,662)	(635,807)	(476,842)
Deficit / (surplus)	329,227	(5,726)	(416,946)	(236,432)	(123,552)
Experience adjustment on plan liabilities	(18,351)	(18,268)	(39,229)	(3,956)	(50,666)
Experience adjustment on plan assets	(313,608)	(400,823)	220,174	120,243	169,177
	(331,959)	(419,091)	180,945	116,287	118,511

Sensitivity analysis	2019			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of obligations	603,817	651,657	654,791	600,551

Composition of plan assets is as follows:	2019	2018
	(Rupees in '000)	
Defence Savings Certificates / PIBs / T-bills	76,713	40,757
Special Savings Certificates	17,441	-
Mutual funds / Shares	208,225	490,673
Bank balances	2,922	14,521
	305,301	545,951

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. 263.447 million (2018: Rs. 330.268 million).

		Note	2019	2018
			(Rupees in '000)	
20.2	**Workers' Profits Participation Fund**			
	Opening balance		113,019	130,250
	Interest thereon	30	849	1,622
			113,868	131,872
	Less: Payment made during the year		(113,868)	(131,872)
			-	-
	Charge for the year	28	55,146	113,019
	Closing balance		55,146	113,019

21. ACCRUED MARK-UP

	2019	2018
Islamic banks		
Long-term financings	417,795	183,394
Short-term borrowings	689	-
	418,484	183,394
Conventional banks		
Long-term financings	87,844	33,584
Short-term borrowings	37,758	13,046
	125,602	46,630
	544,086	230,024

22. SHORT-TERM BORROWINGS – secured

	Note	2019	2018
Short-term running finance - Islamic bank	22.1	8,315	-
Short-term running finance - Conventional banks	22.1	2,894,212	963,947
		2,902,527	963,947

22.1 Represents facilities obtained from various conventional banks amounting to Rs.3,750 million (2018: Rs. 3,300 million) out of which Rs. 856 million (2018: Rs. 2,327 million) remains unutilized at the year end. These facilities carry mark-up ranging from 3 months KIBOR + 0.30% per annum to 3 months KIBOR + 0.75% per annum and 1 month KIBOR + 0.50% per annum to 1 month KIBOR + 0.75% per annum. These facilities are secured against registered joint pari-passu ranking charge hypothecation charge over stocks and book debts for Rs. 5,000 million (2018: Rs. 4,400 million). Further, the Company has obtained credit facilities from various Islamic banks amounting to Rs. 550 million (2018: Rs. 550 million) out of which Rs. 542 million (2018: Rs. 550 million) remain unutilized at the year end. These facilties carry profit ranging 1 month KIBOR + 0.6% to 1 month KIBOR + 1%. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 734 million (2018: 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. Last year, 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 Sindh 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 (2018: 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 the above listed 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 2018, a new law was enacted in this regard with change in rates which was challenged through a fresh petition in the SHC and similar type of stay was again obtained. The amount of guarantee issued up to June 30, 2019 is Rs. 137 million (2018: 120 million).

- During the last 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**	Note	2019	2018
			(Rupees in '000)	
	- Letters of credit – conventional banks		960,850	278,484
	- Letters of guarantee – conventional bank		376,060	359,060

24. TURNOVER – net

Local sales – gross	21,231,701	19,618,655
Rebate and commission	(743,149)	(784,432)
	20,488,552	18,834,223
Sales tax	(3,449,244)	(3,198,685)
Federal excise duty	(3,203,292)	(2,803,279)
	(6,652,536)	(6,001,964)
Local sales – net	13,836,016	12,832,259
Export sales – gross	2,188,900	1,703,562
Rebate and commission	(162,269)	(147,472)
Export sales – net	2,026,631	1,556,090
	15,862,647	14,388,349

24.1 All revenue earned by the Company is Shariah Compliant.

25. COST OF SALES

	Note	2019	2018
Raw and packing material consumed			
Opening stock		146,179	120,557
Purchases		2,576,666	1,906,115
		2,722,845	2,026,672
Closing stock	9	(200,060)	(146,179)
		2,522,785	1,880,493
Duty drawback on exports		(8,381)	(9,296)
		2,514,404	1,871,197
Manufacturing overheads			
Salaries, wages and benefits	25.1	1,307,406	1,104,848
Stores and spare parts consumed		496,077	418,204
Fuel and power		7,157,815	6,161,587
Rent, rates and taxes		250,730	228,405
Insurance		129,673	112,061
Vehicle running expenses		133,184	71,811
Travelling and conveyance		17,554	15,789
Printing and stationery		4,363	3,167
Legal and professional charges		4,816	19,692
Depreciation	4.1.4	1,356,787	1,058,451
Amortisation	5.1	3,298	3,353
Repairs and maintenance		46,604	46,152
Communication		3,351	2,749
Stores written-off		337	285
Others		13,809	15,598
		13,440,208	11,133,349
Work-in-process			
Opening		422,652	556,621
Closing	9	(811,030)	(422,652)
Cost of goods manufactured		13,051,830	11,267,318
Finished goods			
Opening		184,807	166,642
Closing	9	(257,104)	(184,807)
		12,979,533	11,249,153

25.1 Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 33.71 million and Rs. 33.64 million, respectively (2018: Rs. 25.15 million and Rs. 1.51 million, respectively).

26. DISTRIBUTION COSTS

	Note	2019	2018
		(Rupees in '000)	
Salaries, wages and benefits	26.1	280,862	248,259
Export expenses		1,779	1,165
Travelling and conveyance		9,670	6,944
Staff training expenses		1,522	416
Vehicle running expenses		16,894	12,962
Communication		5,641	4,698
Printing and stationery		1,898	2,585
Rent, rates and taxes		13,581	11,851
Utilities		6,915	5,314
Repairs and maintenance		7,764	6,016
Insurance		3,352	3,131
Advertisement		26,176	12,860
Entertainment		3,067	2,675
Depreciation	4.1.4	15,917	13,864
Amortisation	5.1	125	28
License and subscription		862	1,809
Others		313	2,555
		396,338	337,132

26.1 Include expenditure in respect of provident fund and gratuity fund amounting to Rs. 8.23 million and Rs. 6.74 million, respectively (2018: Rs. 6.85 million and Rs. 0.41 million, respectively).

27. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Salaries, wages and benefits	27.1	191,490	159,889
Travelling and conveyance		7,739	5,592
Staff training expenses		1,316	446
Vehicle running expenses		8,814	6,865
Communication		5,015	5,978
Printing and stationery		3,946	3,478
Rent, rates and taxes		6,369	3,822
Utilities		1,645	1,732
Repairs and maintenance		10,338	4,209
Legal and professional charges		24,216	26,221
Insurance		4,059	3,180
License and subscription		4,615	3,923
Advertisement		1,558	1,638
Depreciation	4.1.4	16,560	13,731
Amortisation	5.1	855	423
Entertainment		1,871	1,655
Others		3,519	2,476
		293,925	245,258

27.1 Include expenditure in respect of provident fund and gratuity fund amounting to Rs.6.94 million and Rs. 5.61 million, respectively (2018: Rs. 5.63 million and Rs. 0.21 million, respectively).

28. OTHER EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Workers' Profits Participation Fund	20.2	55,146	113,019
Auditors' remuneration	28.1	4,748	3,717
Donations	28.2	13,831	7,303
Exchange loss		35,635	9,890
Share of loss from joint venture		-	37
		109,360	133,966

28.1 Auditors' remuneration

	2019	2018
Audit fee	1,250	1,100
Half yearly review and CCG certification	530	470
Tax and other corporate services	2,676	1,872
Out of pocket expenses	292	275
	4,748	3,717

28.2 Donations

	Note	2019	2018
		(Rupees in '000)	
Shaukat Khanam Memorial Trust		3,000	-
Ghulam Faruque Welfare Trust	28.2.1	1,000	1,500
Aga Khan Hospital & Medical College Foundation		500	-
Nowshera Lion Club		1,100	700
Masjid Manki Sharif		1,038	-
Karwan-e-Hayat Mental Hospital		500	-
Ghulam Ishaq Khan Institute of Engineering & Technology		500	-
Others		6,193	5,103
		13,831	7,303

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	2019	2018
		(Rupees in '000)	
Income from financial assets			
Profit on bank accounts – conventional banks		3,073	826
Dividend income from related parties		19,832	20,160
		22,905	20,986
Income from non-financial assets			
Gain on disposal of operating property, plant and equipment	4.1.5	7,335	4,977
Scrap sales		74,338	51,854
Share of profit from joint venture		32	-
Miscellaneous income		2,226	3,295
		83,931	60,126
		106,836	81,112

30. FINANCE COSTS

	Note	2019	2018
Islamic banks			
Mark-up on long-term financings		834,723	250,647
Mark-up on short-term borrowings		717	-
Bank charges and commission		1,357	1,285
		836,797	251,932
Conventional banks			
Mark-up on long-term financings		180,622	49,722
Mark-up on short-term borrowings		110,802	38,094
Bank charges and commission		13,489	15,215
		304,913	103,031
Interest on workers' profits participation fund	20.2	849	1,622
		1,142,559	356,585

31. TAXATION

31.1 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 31.2)
	(Rupees in '000)		
2018	-	-	-
2017	(626,868)	(626,868)	-
2016	562,871	562,871	-

31.2 Provision for taxation as per accounts is the aggregate of current tax expense and prior tax expense recorded in subsequent year.

31.3 The Company has filed its return of income up to tax year 2018. 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 which was eligible for a tax credit under section 65B of the Income Tax Ordinance, 2001 (the tax credit). The tax credit is in addition to tax exemption on profit and gains derived from Line - II under clause 126L of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The management believes that the Company is eligible for both the above benefits for Line-II, and therefore, has taken both the benefits in the income tax returns filed for the tax years 2017 and 2018. However, in view of anticipated challenge by the tax department of claiming both the benefits simultaneously, the management as a matter of prudence had earlier recognized the benefit under clause 126L only but had not recognized the tax credit u/s 65B of the Income Tax Ordinance 2001.

During the year, the Deputy Commissioner Inland Revenue has finalized the assessment for the Tax Year 2017 and rejected the Company's claim under clause 126L of the Second Schedule to the ITO 2001 but allowed claim u/s 65B of the ITO 2001. The management filed first Appeal before the Commissioner (Appeals) to claim both the above benefits simultaneously. The Commissioner (Appeals), while disposing off the appeal also rejected claim under clause 126L and allowed claim under section 65B of the ITO 2001. The management has intention to prefer second appeal before Appellate Tribunal Inland Revenue to contest for simultaneous acceptance of claim under clause 126L of the Second Schedule to the ITO 2001. However, as a matter of prudence and other inherent uncertainties and delays involved, the management has revised the current and deferred tax provisions based on the allowance of claim u/s 65B of the ITO 2001.

31.4 Provision for current taxation is based on Minimum Tax at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

31.5 During the year, the Company has recorded tax credit under section 65B of ITO, 2001 @ 10% on commissioning and installation of Line – III as per law. Through Finance Act, 2019, the government has reduced tax credit under section 65B of ITO, 2001 from 10% to 5% retrospectively for the tax year 2019 and abolished the same for subsequent years. However, the management is hopeful that retrospective change may not be maintainable in the eyes of law and is in the process of challenging this amendment. As a matter of prudence, the Company has reduced tax credit from 10% to 5% in these financial statements and reversed the excess tax credit recorded in third quarter during the year.

31.6 Reconciliation between tax expense and accounting profit

	2019	2018
	(Rupees in '000)	
Accounting profit before taxation	1,047,768	2,147,367
Tax at applicable rate of 29% (2018: 30%)	303,853	644,210
Effect of minimum tax on turnover	(183,169)	-
Effect of Alternative Corporate Tax	-	(17,278)
	120,684	626,932
Tax effects of:		
- income taxed at reduced rates	2,975	3,024
- income taxed under final tax regime	20,266	12,534
- income exempt from tax	-	(576,778)
- tax credit	(861,972)	(28,425)
- prior year	(145,014)	(80,373)
- expenses that are admissible / inadmissible in determining taxable income	148,066	58,334
	(714,995)	15,248

32. EARNINGS PER SHARE

	2019	2018
Net profit for the year (Rupees in '000)	1,762,763	2,132,119
Weighted average number of ordinary shares in issue	176,631,853	176,631,853
Earnings per share – basic	Rs. 9.98	Rs. 12.07

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

33. LINE - WISE RESULTS

As fully explained in note 31.3 to the financial statements, 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 Line – II.

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:

	(Increase) / decrease in basis points	Effect on profit before tax
2019		(Rupees in '000)
KIBOR	+100	(206,025)
KIBOR	-100	206,025
2018		
KIBOR	+100	(49,639)
KIBOR	-100	49,639

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).

	2019	2018
	('000)	
Trade and other payables – US Dollar	2,561	3,119

The following exchange rate have been applied at reporting dates:

	2019	2018
	(Rupees)	
Exchange rate - US Dollar	164.50	121.60

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 2019 - US Dollar	**+10**	**(42,127)**
	- 10	**42,127**
30 June 2018 – US Dollar	+10	(39,927)
	- 10	39,927

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. 247.285 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 24.73 million on the statement of other comprehensive income or statement of profit or loss 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	2019	2018
		(Rupees in '000)	
Trade debts	10	311,488	188,272

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:reference to external credit ratings or to historical information about counterparty default rates:

	Note	2019	2018
		(Rupees in '000)	
Long-term investments			
Counter parties without credit rating	6.1	247,285	389,141
Bank balances			
A1+		24,781	43,156
A1		-	127
		24,781	43,283

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.

	2019					2018				
	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	800,000	16,900,000	17,700,000	-	17,700,000	400,000	14,700,000	15,100,000	-	15,100,000
Long-term security deposits	-	-	-	21,871	21,871	-	-	-	17,667	17,667
Trade and other payables	-	-	-	1,808,288	1,808,288	-	-	-	1,877,412	1,877,412
Accrued mark-up	-	-	-	544,086	544,086	-	-	-	230,024	230,024
Short-term borrowings	2,902,527	-	2,902,527	-	2,902,527	963,947	-	963,947	-	963,947
Unclaimed dividend	-	-	-	86,081	86,081	-	-	-	68,104	68,104
	3,702,527	16,900,000	20,602,527	2,460,326	23,062,853	1,363,947	14,700,000	16,063,947	2,193,207	18,257,154

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 are as follows:	2019	2018
	(Rupees in '000)	
Long-term financings	17,700,000	15,100,000
Accrued mark-up	544,086	230,024
Short-term borrowings	2,902,527	963,947
Total debt	21,146,613	16,293,971
Cash and cash equivalents	(29,535)	(47,052)
Net debt	21,117,078	16,246,919
Share capital	1,766,318	1,766,318
Reserves	9,989,851	9,407,430
Total capital	11,756,169	11,173,748
Capital and net debt	32,873,247	27,420,667
Gearing ratio	64.24%	59.25%

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 by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	2019			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Investments at fair value through other comprehensive income	34.5.1	247,285	-	-	247,285
		2018			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Investments at fair value through other comprehensive income	34.5.1	389,141	-	-	389,141

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.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	29,282	219,942	25,684	198,244
Bonus	11,992	83,368	12,592	100,661
Housing allowance	1,452	96,111	1,452	75,302
Retirement benefits	4,797	33,903	4,197	25,807
Utilities	1,545	21,104	1,041	16,541
Leave fare assistance	2,399	13,201	2,099	16,777
	51,467	467,629	47,065	433,332
Number	1	74	1	61

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. 1.80 million (2018: 7 directors - Rs. 1.84 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	2019	2018
		(Rupees in '000)	
Associate	Purchases	1,751,327	1,350,186
	Sale of goods	16,629	67,013
	Sale of fixed assets	-	1,739
	IT support charges	20,325	17,784
	Dividend received	19,832	20,160
	Dividend paid	204,407	225,771
	Investments made	-	36,700

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 Limited	Common directorship	2.74
Faruque (Private) Limited	Common directorship	21.66
Greaves Pakistan (Private) Limited	Common directorship	1.25
Mirpurkhas Sugar Mills Limited	Common directorship	3.27
Zensoft (Private) Limited	Common directorship	0.01
Madian Hydro Power Limited	Common directorship	Nil
UniEnergy Limited	Common directorship	Nil
Greaves Airconditioning (Private) Limited	Common directorship	Nil
Jubilee General Insurance Company Limited	Common directorship	Nil
International Industries Limited	Common directorship	Nil
Indus Motors Company Limited	Common directorship	Nil
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:

	2019		2018	
	(Number)			
	Total	Factory	Total	Factory
Total number of employees	1012	856	885	748
Average number of employees during the year	949	802	817	685

38. PRODUCTION CAPACITY

	2019	2018
	(Tons)	
Annual installed capacity - Clinker	4,320,000	2,310,000
Annual installed capacity - Cement	4,536,000	2,425,500
Actual production - Clinker	2,338,024	2,234,491
Actual production - Cement	2,509,031	2,442,567

In view of installation of Line III during the year, the production capacity of the Company has been enhanced. Actual production is less than the installed capacity due to commissioning of Line III in January 2019. Planned maintenance shut downs are 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 87% during the year ended June 30, 2019 (2018: 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 39% of the Company's total sales during the year ended June 30, 2019 (2018: 42%).

40. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 07, 2019 by the Board of Directors of the Company.

41. DIVIDEND AND APPROPRIATIONS

Subsequent to year ended June 30, 2019, the Board of Directors in its meeting held on August 07, 2019 has proposed final cash dividend @ Re. 1.00 per share amounting to Rs. 176.63 million (2018: Rs. 4.00/- per share amounting to Rs. 706.52 million) and bonus shares @ 10% (17,663,185 shares) for approval of the members at the Annual General Meeting.

42. GENERAL

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

Omar Faruque
Chairman

Azam Faruque
Chief Executive

Yasir Masood
Director &
Chief Financial Officer

Pattern of Shareholding

as at June 30, 2019

No. of Shareholders	Shareholding From		To	Shares Held
780	1	to	100	34,982
1444	101	to	500	531,082
865	501	to	1000	759,049
1550	1001	to	5000	4,247,097
519	5001	to	10000	4,107,845
190	10001	to	15000	2,383,552
138	15001	to	20000	2,480,249
92	20001	to	25000	2,122,488
46	25001	to	30000	1,296,398
34	30001	to	35000	1,105,716
32	35001	to	40000	1,216,994
22	40001	to	45000	924,072
33	45001	to	50000	1,591,007
20	50001	to	55000	1,047,292
14	55001	to	60000	826,520
11	60001	to	65000	691,950
9	65001	to	70000	609,656
8	70001	to	75000	587,036
2	75001	to	80000	159,500
13	80001	to	85000	1,070,740
3	85001	to	90000	264,081
3	90001	to	95000	281,600
10	95001	to	100000	992,250
1	100001	to	105000	101,000
6	105001	to	110000	648,260
1	110001	to	115000	114,374
4	115001	to	120000	475,442
3	120001	to	125000	375,000
4	125001	to	130000	511,986
1	130001	to	135000	130,500
5	135001	to	140000	689,796
1	140001	to	145000	142,000
2	145001	to	150000	298,500
2	150001	to	155000	301,515
2	160001	to	165000	321,891
1	170001	to	175000	175,000
3	175001	to	180000	535,000
2	185001	to	190000	371,854
1	190001	to	195000	193,065
2	195001	to	200000	400,000
1	200001	to	205000	201,500
2	205001	to	210000	419,000
1	210001	to	215000	214,480
1	215001	to	220000	220,000
3	225001	to	230000	682,400
2	230001	to	235000	466,500
2	235001	to	240000	475,727
1	240001	to	245000	241,631
1	245001	to	250000	245,723
3	250001	to	255000	759,898
1	260001	to	265000	262,700
1	265001	to	270000	270,000
2	270001	to	275000	548,500
2	295001	to	300000	596,800

No. of Shareholders	Shareholding From		To	Shares Held
1	315001	to	320000	320,000
1	330001	to	335000	334,784
1	350001	to	355000	351,000
1	355001	to	360000	360,000
2	365001	to	370000	734,600
1	390001	to	395000	394,000
1	405001	to	410000	407,400
1	450001	to	455000	451,391
1	485001	to	490000	485,900
1	495001	to	500000	497,800
1	500001	to	505000	500,160
1	520001	to	525000	521,160
1	540001	to	545000	542,500
1	570001	to	575000	572,700
1	595001	to	600000	600,000
1	615001	to	620000	617,234
1	635001	to	640000	638,200
1	675001	to	680000	679,350
1	695001	to	700000	695,076
1	715001	to	720000	719,192
1	725001	to	730000	725,784
1	735001	to	740000	736,143
1	795001	to	800000	799,600
1	805001	to	810000	805,343
2	850001	to	855000	1,708,092
1	855001	to	860000	859,000
1	885001	to	890000	890,000
2	890001	to	895000	1,785,155
1	900001	to	905000	905,000
2	970001	to	975000	1,948,979
3	995001	to	1000000	2,995,109
1	1075001	to	1080000	1,075,689
1	1115001	to	1120000	1,115,900
1	1160001	to	1165000	1,163,250
1	1205001	to	1210000	1,208,254
1	1240001	to	1245000	1,241,555
1	1280001	to	1285000	1,282,802
1	1435001	to	1440000	1,436,633
1	1590001	to	1595000	1,591,626
1	1715001	to	1720000	1,716,597
1	2005001	to	2010000	2,008,800
1	2095001	to	2100000	2,100,000
1	2115001	to	2120000	2,116,094
1	2195001	to	2200000	2,199,093
1	2295001	to	2300000	2,299,900
1	2860001	to	2865000	2,861,361
1	3135001	to	3140000	3,139,803
1	3210001	to	3215000	3,214,164
1	4240001	to	4245000	4,243,362
1	4340001	to	4345000	4,343,800
1	4495001	to	4500000	4,500,000
1	4945001	to	4950000	4,948,500
1	5040001	to	5045000	5,043,533
1	5065001	to	5070000	5,068,992
1	5770001	to	5775000	5,770,252
1	7370001	to	7375000	7,373,358
1	38265001	to	38270000	38,266,685
5965				176,631,853

Categories of Shareholding

as at June 30, 2019

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive and their spouse(s) and minor children			
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	83,000	0.05
MRS. SAKINA PESNANI W/O. MR. AKBARALI PESNANI	1	66,000	0.04
MR. SHEHRYAR FARUQUE	1	1,205,094	0.68
MR. ARIF DINO FARUQUE	1	2,050,178	1.16
MR. ABRAR HASAN	1	500	0.00
MR. ASIF QADIR	1	500	0.00
MRS. ZEEBA ANSAR	1	100	0.00
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	38,266,685	21.66
CHERAT PACKAGING LIMITED	1	4,843,362	2.74
MIRPURKHAS SUGAR MILLS LIMITED	1	5,770,252	3.27
GREAVES PAKISTAN (PRIVATE) LIMITED	1	2,199,093	1.25
ZENSOFT (PRIVATE) LIMITED	1	22,500	0.01
Executives		1,467,433	0.83
Public Sector Companies and Corporations	7	3,362,164	1.90
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	32	18,524,015	10.49
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	22,096	0.01
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	893,955	0.51
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	1,115,900	0.63
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	695,076	0.39
MCFSL - TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	5,000	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	4,000	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	7,373,358	4.17
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	485,900	0.28
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	117,458	0.07
CDC - TRUSTEE NAFA STOCK FUND	1	638,200	0.36
CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	1	262,700	0.15
CDC - TRUSTEE NBP SARMAYA IZAFA FUND	1	49,500	0.03
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	1	7,000	0.00
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	1	10,000	0.01
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	110,000	0.06
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	1	254,000	0.14
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	150,000	0.08
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	5,500	0.00
CDC - TRUSTEE NBP BALANCED FUND	1	48,800	0.03
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	15,000	0.01
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	859,000	0.49
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	367,000	0.21
CDC - TRUSTEE APF-EQUITY SUB FUND	1	40,000	0.02
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	72,500	0.04
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	407,400	0.23
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	48,500	0.03

Shareholders' Category		No. of Shareholders	Shares Held	Percentage
General Public				
a. Local		5665	44,270,159	25.06
b. Foreign		58	1,656,609	0.94
Foreign Companies		24	7,766,098	4.40
OTHERS		133	25,930,672	14.68
	Totals	**5,965**	**176,631,853**	**100.00**

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

اور208 کی رو سے ممبران کی منظوری حاصل کرنا لازمی ہے۔ لہذٰا سالانہ اجلاس عام میں ایک خصوصی قرارداد کے ذریعہ اس لین دین کی معلومات منظوری کیلئے ممبران کے سامنے پیش کرنے اور منظور کرنے کی تجویز ہے۔

شیئر ہولڈرز سے درخواست ہے کہ وہ اس لین دین کی توثیق کریں جو سال مختتمہ 30جون 2019 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر36 میں درج ہے نیز بورڈ آف ڈائریکٹرز کو سال مختتمہ30 جون 2020 کیلئے متعلقہ پارٹیز یا ایسوسی ایٹڈ کمپنیز کے ساتھ لین دین کا مجاز قرار دیں۔

پارٹیز کے لحاظ سے لین دین کی معلومات جو سال مختتمہ30 جون 2019 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر36 میں درج ہیں،

متعلقہ کمپنی کا نام	لین دین کی نوعیت	(رقم روپے 000)
چیراٹ پیکیجنگ لمیٹڈ	پیکنگ میٹریل کی خریداری	1,587,705
چیراٹ پیکیجنگ لمیٹڈ	ڈیویڈنڈ کی ادائیگی	19,373
چیراٹ پیکیجنگ لمیٹڈ	ڈیویڈنڈ کی آمدنی وصول ہوئی	19,438
چیراٹ پیکیجنگ لمیٹڈ	مال فروخت کیا گیا	11,606
فاروق (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	153,067
فاروق (پرائیویٹ) لمیٹڈ	خام مال کی خریداری	163,622
گریور پاکستان (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	8,796
میرپورخاص شوگر ملز لمیٹڈ	ڈیویڈنڈ کی ادائیگی	23,081
میرپورخاص شوگر ملز لمیٹڈ	ڈیویڈنڈ کی آمدنی وصول ہوئی	394
میرپورخاص شوگر ملز لمیٹڈ	مال فروخت کیا گیا	5,023
زین سوفٹ (پرائیویٹ) لمیٹڈ	آئی ٹی اخراجات کی ادائیگی	20,325
زین سوفٹ (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	90
چیراٹ سیمنٹ ایمپلائز پراویڈنٹ فنڈ اور گریجویٹی فنڈ	اسٹاف کے پرویڈنٹ اور گریجویٹی فنڈ کی ادائیگی	91,887

اکاؤنٹ میں وصول کرنے کیلئے ای ڈیویڈنڈ مینڈیٹ فارم پر کریں جو کمپنی کی ویب سائٹ: www.gfg.com.pk پر دستیاب ہے اور اس پر دستخط کر کے شناختی کارڈ کی کاپی کے ہمراہ ،فزیکل شیئرز ہونے کی صورت میں کمپنی کے رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B - 99 بلاک B، ایس ۔ ایم ۔سی ۔ایچ۔ایس، شارع فیصل کراچی -74400 میں بھجوادیں۔اور اگر شیئرز سی ڈی سی میں ہیں تو ای ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈر کے بروکر/شریک/سی ڈی سی اکاؤنٹ سروسز کے پاس جمع کرائے جائیں۔IBAN جمع نہ کرانے کی صورت میں،کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) ریگولیشنز 2017 کے تحت کمپنی منافع منقسمہ کی ادائیگی روک لے گی نیز مجموعی ڈیویڈنڈ ٹیکس/زکوۃ کی کٹوتی اور ڈیویڈنڈ کی خالص رقم کی معلومات سینٹرلائزڈ کیش ڈیویڈنڈ رجسٹرڈ (CCDR) کے ذریعہ فراہم کی جائیں گی، لہذا شیئر ہولڈرز کو چاہیئے کہ وہ خود کو CDC کے ای سروسز پورٹل https://eservices.cdcaccess.com.pk پر رجسٹر کروائیں۔

۷۔ تمام شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ ایف بی آر کی ویب سائٹ پر دستیاب فعال ٹیکس گزاروں کی فہرست (ATL) میں اپنا status چیک کریں اور اگر ضرورت ہوتو اپنا نام ATL میں درج کروانے کیلئے ضروری کارروائی کریں۔اگر کسی شخص کا نام ATL میں نہ پایا گیا تو لاگو ٹیکس کی شرح سو فیصد زیادہ ہوگی۔

۸۔ مشترکہ اکاؤنٹ ہونے کی صورت میں ہر اکاؤنٹ ہولڈر کے شیئر ہولڈنگ کی نسبت اور ATL میں ہر ایک کے status کے بارے میں مطلع کریں۔

۹۔ منافع منقسمہ کی آمدنی سے ودہولڈنگ ٹیکس کی کٹوتی سے استثنیٰ اسی صورت میں حاصل ہوگا جب ٹیکس سے استثنیٰ کا کارآمد سرٹیفکیٹ کتب کی بندش کے پہلے دن سے قبل سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کے پاس دستیاب ہوگا۔

۱۰۔ 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 ہوئے 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 کرادیا جائے گا یا (فزیکل شیئرز ہونے کی صورت میں) ایس ای سی پی کو پہنچادیا جائے گا۔ جو شیئر ہولڈرز اپنے ڈیویڈنڈز/فزیکل شیئرز ابھی تک حاصل نہیں کر سکے ہیں ان سے درخواست ہے کہ وہ اپنے غیر کلیم شدہ ڈیویڈنڈ یا شیئرز، اگر کوئی ہیں، حاصل کرنے / کے بارے میں معلومات کیلئے کمپنی کے شیئر رجسٹرار سے رابطہ کریں۔

۱۱۔ بحوالہ SECP کے جاری کردہ SRO 787(1)/2014 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 بھجوادیں کہ آیا وہ آڈٹ شدہ فنانشل اسٹیٹمنٹ اور اجلاس عام کی اطلاع بذریعہ ای میل منگوانے کے خواہشمند ہیں۔تاہم اگر اس کے علاوہ شیئر ہولڈرز چاہیں تو ان کی تحریری درخواست پر آڈٹ شدہ فنانشل اسٹیٹمنٹ کی ہارڈ کاپی ان کی درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کردی جائے گی۔

۱۲۔ ممبرز اپنے ووٹ کا حق پوسٹل بیلٹ یعنی بذریعہ ڈاک یا الیکٹرونک ذریعہ سے استعمال کر سکتے ہیں جو کمپنیز ایکٹ 2017 کے سیکشن 145-143 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز، 2018 کے لاگو شقوں سے مشروط ہے۔

۱۳۔ ممبرز ویڈیو کانفرنس کی سہولت بھی حاصل کر سکتے ہیں،اس کیلئے ،برائے مہربانی درج ذیل معلومات پُر کر کے سالانہ اجلاس عام سے کم از کم سات (7) دن پہلے کمپنی کے ہیڈ آفس میں جمع کرائیں۔

اگر کمپنی کو ایک ہی جغرافیائی حدود میں رہنے والے اور مجموعی طور پر %10 یا اس سے زیادہ کے شیئرز کے حامل ممبران کی جانب سے اجلاس کی تاریخ سے کم از کم سات (7) دن پہلے ویڈیو کانفرنس کے ذریعہ شرکت کی خواہش کا اظہار موصول ہو تو کمپنی ویڈیو کانفرنس کا انتظام کردے گی بشرطیکہ کہ اس شہر میں اس کی سہولت دستیاب ہو۔

"میں / ہم ---------------------- سکنہ ------------------ چیراٹ سیمنٹ کمپنی لمیٹڈ کے ممبر ہونے کی حیثیت سے رجسٹرڈ فولیو نمبر ---------- کے مطابق ---------- عمومی شیئرز کے حامل ہیں اور -------------- پر ویڈیو کانفرنس کی سہولت حاصل کرنے کے خواہشمند ہیں۔

کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت اسٹیٹمنٹ

"خصوصی امور" سے متعلق اہم حقائق کے اسٹیٹمنٹ کی کارروائی 16 اکتوبر 2019 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں انجام پائے گی۔درج ذیل کے بارے میں کمپنی کے ممبران سے منظوری حاصل کی جائے گی:

مالی سال مختتمہ 30 جون 2019 میں کمپنی نے اپنی ایسوسی ایٹڈ کمپنیز اور متعلقہ پارٹیز کے ساتھ لین دین کے امور اپنی پالیسیز اور لاگو قوانین اور ضابطوں کے مطابق انجام دیئے۔ متعلقہ پارٹیز سے لین دین کیلئے کمپنیز ایکٹ 2017 کے سیکشن 207

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا **38** واں سالانہ اجلاس عام بروز بدھ 16 اکتوبر 2019 دن 12:00 بجے ، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع فیکٹری کی حدود، گاؤں لکرئی نوشہرہ، خیبر پختونخوا میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال مختتمہ 30 جون 2019 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

۲۔ بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق مالی سال مختتمہ 30 جون 2019 کے لئے شیئر ہولڈرز کو حتمی نقد منافع بحساب 10% (1.00 روپیہ فی شیئر) کی ادائیگی اور ہر 100 شیئرز پر 10 شیئرز یعنی 10% کے حساب سے بونس شیئرز کے اجراء پر غور کرنا اور منظوری دینا۔ نیز بونس شیئرز کے ہر بقیہ جزو (Fraction) کو یکجا کرکے اسٹاک مارکیٹ میں فروخت کرنا اور فروخت کا عمل مکمل ہوجانے پر کسی فلاحی ادارے کو پیش کردینا۔

۳۔ سال 2019/20 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

۴۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی کرنا۔

خصوصی امور:

۵۔ درج ذیل قرارداد پر بطور خصوصی قرارداد غور کرنا اور اس کی منظوری دینا:

a) "طے پایا کہ کاروبار کے معمولات کے مطابق متعلقہ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ لین دین کے عمل کی، جو مالیاتی اسٹیٹمنٹ برائے سال مختتمہ 30 جون 2019 کے نوٹ نمبر 36 میں درج ہے، توثیق کی جاتی ہے اور منظوری دی جاتی ہے۔"

b) "مزید طے پایا کہ آئندہ سال مختتمہ 30 جون 2020 کے دوران میں کاروبار کے معمولات کے مطابق متعلقہ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ کئے گئے اور کئے جانے والے لین دین کے عمل کی منظوری کیلئے کمپنی کے بورڈ آف ڈائریکٹرز بااختیار ہیں اور رہوں گے۔

کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت درج بالا خصوصی امور سے متعلق اسٹیٹمنٹ اس نوٹس کے ساتھ منسلک ہے۔

بحکم بورڈ آف ڈائریکٹرز

عابد وزیر
ایگزیکٹیو ڈائریکٹر اور کمپنی سیکرٹری

کراچی: 7 اگست 2019

نوٹس:

۱۔ کمپنی کے ممبران کا رجسٹر جمعرات 10 اکتوبر 2019 تا بدھ 16 اکتوبر 2019 (بشمول دونوں ایام) بند رہے گا اور اس مدت کے دوران میں کوئی منتقلی عمل میں نہیں آئے گی۔ کمپنی کے شیئر رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ (CDCSRSL)، سی ڈی سی ہاؤس، B-99 بلاک B، ایس۔ ایم۔ سی۔ ایچ۔ ایس، شارع فیصل کراچی 74400 میں بدھ 9 اکتوبر 2019 کو کاروباری اوقات کے اختتام تک موصول ہونے والے شیئرز درج بالا اہلیت کیلئے بروقت تصور کئے جائیں گے۔

۲۔ 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 کرسکتا/سکتی 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 ہوجانی چاہئے۔

۳۔ کمپنی کے وہ شیئر ہولڈرز جن کے شیئرز سینٹرل ڈپازٹری سسٹم (CDS) میں ان کے اکاؤنٹ/سب 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 شراکت دار کا آئی ڈی نمبر ہمراہ لائیں۔

۴۔ 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۔

۵۔ 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۔

۶۔ 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 بینک اکاؤنٹ میں براہ راست جمع کرائی جائے۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ نقد منافع منقسمہ براہ راست اپنے بینک

ڈسکاؤنٹ ریٹس میں اضافہ کے باوجود کمپنی اپنے قرضہ جات کی بروقت ادائیگی کرنے میں کامیاب رہی ۔ سال کے دوران کمپنی نے 500 ملین روپے کے قرضہ جات کی بھی قبل از وقت ادائیگی کردی۔

کیپٹل اسٹرکچر

اس وقت کمپنی کے قرضہ اور ایکوئٹی کی نسبت 3:2 ہے اور یہ سیمنٹ لائن III کی وجہ سے ہے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھروسہ ہے کہ گنجائش کے استعمال میں اضافہ ہونے کے ساتھ ہی کمپنی کے کیپٹل اسٹرکچر میں نمایاں طور پر بہتری آجائے گی اور قرضہ اور ایکوئٹی کی نسبت کا توازن بھی بہتر ہوگا

مستقبل کے امکانات

ملک میں کاروباری حالات کیلئے کئی چیلنج موجود ہیں۔حکومت کی جانب سے معاشی اصلاحات کے ایجنڈے پر کام شروع کرنے کے سبب کمپنی کو شدید مشکلات کا سامنا ہے۔حکومت کے تصحیح کے اقدامات کے باعث توقع ہے کہ کچھ عرصہ میں ملک میں میکرو اکنامکس کے اشاریوں کا رخ استحکام کی طرف مڑ جائے گا۔تاہم قلیل المدت میں اضافہ کی شرح متاثر ہوسکتی ہے۔ماضی میں مشکلات سے گزرنے کے بعد حالیہ سالوں میں سیمنٹ کی صنعت میں غیر معمولی ترقی ہوئی ہے اور ملک میں معاشی سرگرمیوں میں نمایاں اضافہ ہوا ہے۔اسٹرکچرل ریفارمز کے نفاذ سے حکومت کی جانب سے ملک میں ڈیمز اور کم قیمت مکانات کی تعمیر کا آغاز معیشت میں تیزی سے اضافہ کا سبب ہوں گے جس سے سیمنٹ کی طلب میں اضافہ ہوگا۔تیسری سیمنٹ لائن کی تنصیب سے کمپنی کے مارکیٹ میں شیئر اضافہ ہوا ہے جس سے ہم زیادہ آپریشنل استعداد کا ہدف حاصل کرنے میں کامیاب ہوئے ہیں۔ہم کو اعتماد ہے کہ ملک میں میکرو اکنامکس کے اشاریوں میں بہتری آنا شروع ہوگی، تاہم روپے کی قدر میں کمی اور شرح سود میں اضافہ باعث تشویش اور کمپنی کے لئے کاروباری خدشہ ہے۔

آڈیٹرز کا تقرر

موجودہ آڈیٹرز میسرز EY فورڈ روڈس، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں اور اہل ہونے کی بناء پر اپنے دوبارہ تقرر کی پیشکش کی ہے۔

اعتراف

ہم تمام مالیاتی اداروں کے بہترین کاروباری تعلقات برقرار رکھنے، ڈیلرز اور صارفین کے مسلسل تعاون اور اعتماد رکھنے پر 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۔

عمر فاروق
چیئرمین

اعظم فاروق
چیف ایگزیکٹیو

کراچی 7 اگست 2019

ڈائریکٹر کا نام	اجلاس میں حاضری
• جناب ابرارحسن	2
• جناب اعظم فاروق	2
• جناب شہریار فاروق*	1
• جناب عمر فاروق*	-

*جناب شہریار فاروق کے استعفیٰ دینے کے بعد جناب عمر فاروق کو بطور ممبر ہیومن ریسورس اینڈ ریمونریشن کمیٹی منتخب کیا گیا۔

- شیئر ہولڈنگ کا طرز اس رپورٹ کے ساتھ منسلک ہے۔
- سال کے دوران فی شیئر آمدنی (EPS) 9.98روپے رہی جو گزشتہ سال 12.07روپے تھی۔

ڈائریکٹرز کا مشاہرہ

کمپنی کے آرٹیکلز کے مطابق بورڈ آف ڈائریکٹرز، وقتاً فوقتاً نان ایگزیکٹیو اور خودمختار ڈائریکٹرز کے مشاہروں کا تعین کرنے کے مجاز ہیں۔اس سلسلے میں بورڈ آف ڈائریکٹرز نے کمپنی کے نان ایگزیکٹیو اور خودمختار ڈائریکٹرز کے مشاہروں کی پالیسی اختیار کی ہے۔

متعلقہ پارٹیز کے ساتھ لین دین

تمام متعلقہ پارٹیز سے لین دین غیر جانبدارانہ طور پر کیا جاتا ہے اور اسے کمپنی کے مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔

کوڈ آف کارپوریٹ گورنس کے مطابق عمل درآمد کا اسٹیٹمنٹ

کمپنی ،لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورنس) ریگولیشنز 2017 کی شرائط کی مکمل پابندی کرتی ہے۔عمل درآمد سے متعلق اسٹیٹمنٹ رپورٹ کے متعلقہ سیکشن میں درج ہے۔

یونی انرجی لمیٹڈ

یونی انرجی ایک جوائنٹ وینچر 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 کردی گئی ہے۔ پروجیکٹ کی جاری مالیاتی ضروریات کیلئے جے وی پارٹنرز نے کمپنی میں ابتدائی ایکویٹی سرمایہ کاری کردی ہے۔اس سلسلے میں چراٹ 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 مینجمنٹ

اپنی ذمہ داریوں کے سلسلے میں بورڈ آف ڈائریکٹرز کے ممبران نے ہمیشہ سماجی اور معاشی صورتحال اور ان سے متعلق اندرونی اور بیرونی خدشات پر گہری نظر رکھی ہے جو تحفظ، جاری آپریشن اور کمپنی کی کارکردگی پر اثر انداز ہوسکتے ہیں۔تمام اسٹیک ہولڈرز کے مفاد کا خیال کرتے ہوئے سال کے دوران 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 جائے گا اور اس بات کو یقینی بنایا جائے گا کے خدشات کے خاتمے کیلئے کوئی کمی باقی نہیں ہے۔

- 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 ہوسکتا 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۔کوئلے اور/یا بجلی کے ٹیرف میں اتار چڑھاؤ، کمپنی کے لئے ایک مستقل خدشہ کی حیثیت رکھتا ہے۔اس خدشہ پر قابو پانے کیلئے کمپنی ساؤتھ افریقن ،افغان اور مقامی کوئلہ کا مکس استعمال کرتی ہے۔آگے چل کر اگر قیمتوں میں غیر معمولی اضافہ ہوا تو اس کیلئے کمپنی کے پاس کوئلے کے متبادل کی گنجائش موجود ہے، جیسے ری فیوز ڈیرائیوڈ فیول (Refuse Derived Fuel)اور ٹائر ڈیرائیوڈ فیول (Tyre Derived Fuel)۔اس کے علاوہ کمپنی نے پاور کی لاگت میں کمی لانے کیلئے ویسٹ ہیٹ ریکوری پلانٹ بھی نصب کرلیا ہے۔

معاشی لحاظ سے ایک اور خدشہ جو کمپنی کو درپیش ہے وہ اس کی مین ایکسپورٹ مارکیٹ افغانستان کو برآمدات میں کمی آنے کا خدشہ ہے جس کی وجہ سیاسی غیر یقینی کیفیت اور کم قیمت کے ایرانی سیمنٹ کی دستیابی ہے۔ تاہم ہماری حکمت عملی کے تحت فیکٹری کی ایک مناسب ترین لوکیشن نوشہرہ، جو افغان بارڈر سے نزدیک ترین ہے اور افغانستان میں چراٹ کی برانڈ ویلیو کی پہچان کے باعث ہماری افغانستان کو سیمنٹ کے ٹاپ برآمد کنندگان کی حیثیت برقرار رکھنے میں مددگار ہے۔

- قرضہ جات کی ادائیگی

کمپنی نے باقاعدگی کے ساتھ اور مستعدی سے اپنے تمام واجبات ادا کردیئے ہیں جس کا پلان اور بجٹ سال 2018-2019 کے دوران میں ہی تیار کرلیا گیا تھا۔

تحفظ کے آلات بھی فراہم کئے گئے ہیں۔ کمپنی کے HSE کے معیارات پر سختی سے عمل درآمد کی کڑی نگرانی کے نتیجے میں سال کے دوران میں کوئی بڑا حادثہ پیش نہیں آیا۔

قومی خزانے میں حصہ

کمپنی نے ٹیکسز، ایکسائز ڈیوٹیز، انکم ٹیکس اور سیلز ٹیکس کی صورت میں قومی خزانے میں 8 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 رقومات 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 (6) سال کی بنیادی 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 گریجویٹی فنڈز کا انتظام کرتی ہے۔ فنڈ کی سرمایہ کاری کی مالیت کی قدر بمطابق 30 جون 2019 درج ذیل ہے:

پراویڈنٹ فنڈ	804.55 ملین روپے
گریجویٹی فنڈ	305.30 ملین روپے

بورڈ آف ڈائریکٹرز

بورڈ کے ڈائریکٹرز کی کل تعداد 8 ہے، جن کی ترتیب درج ذیل ہے:

• مرد	7
• خاتون	1

a) خودمختار ڈائریکٹرز	3
i. جناب آصف قادر	
ii. جناب ابرار حسن	
iii. مسز زیبا انصار	
b) نان ایگزیکٹیو ڈائریکٹرز	4
i. جناب عمر فاروق	
ii. جناب اکبر علی پسنانی	
iii. جناب شہریار فاروق	
iv. جناب عارف فاروق	
c) ایگزیکٹیو ڈائریکٹر	
i. جناب اعظم فاروق	1

- اس سال کے دوران بورڈ آف ڈائریکٹرز کے 5 اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب عمر فاروق	5
جناب اعظم فاروق	5
جناب اکبر علی پسنانی	5
جناب شہریار فاروق**	4
جناب عارف فاروق	4
جناب ثاقب ایچ شیرازی*	1
جناب شمشاد نبی*	1
جناب آصف قادر	3
جناب ابرار حسن*	4
مسز زیبا انصار*	4
جناب یاسر مسعود**	-

* سال کے دوران جناب ثاقب ایچ شیرازی اور جناب شمشاد نبی بطور ڈائریکٹر ریٹائر ہو گئے اور ان کی جگہ جناب ابرار حسن اور مسز زیبا انصار ڈائریکٹر منتخب ہوئے۔

** یکم جولائی 2019 سے جناب یاسر مسعود نے جناب شہریار فاروق کی جگہ بطور ڈائریکٹر عہدہ سنبھالا جنہوں نے استعفیٰ دیدیا تھا۔

- سال کے دوران آڈٹ کمیٹی کی چار میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ ریکارڈ درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری
• جناب آصف قادر	4
• جناب اکبر علی پسنانی	4
• جناب عارف فاروق	3

- سال کے دوران ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی دو میٹنگز ہوئیں جن میں ہر ڈائریکٹر کی حاضری کا ریکارڈ درج ذیل ہے:

سال کے دوران تعمیراتی سرگرمیوں میں سست روی کے باوجود کمپنی کے سیمنٹ کی فروخت تقریباً گزشتہ سال کی سطح کے برابر رہی۔ اگرچہ سال کے دوران کمپنی کی سیمنٹ کی مقامی سیلز میں 3.2% کمی آئی، لیکن گزشتہ سال کے مقابلے میں افغانستان کو برآمدات میں 15% اضافہ ریکارڈ کیا گیا جب کہ گزشتہ سال کی ترسیلات میں 77,886 ٹن کلنکر کی فروخت بھی شامل تھی۔

مالیاتی کارکردگی

زیرِ جائزہ سال کے دوران کمپنی نے خالص سیلز میں 15.8 بلین روپے کی آمدنی حاصل کی جو کہ گزشتہ سال کی سیلز کی آمدنی 14.3 بلین روپے کے مقابلے میں 10% زیادہ ہے تاہم آمدنی میں اضافے کے باوجود کمپنی کا منافع گزشتہ سال کے مقابلے میں کم ہوا جس کی وجہ سیلز کے اخراجات میں نمایاں اضافہ تھی۔ سال کے دوران پروڈکٹ کی تیاری کے آئٹمز کی قیمتیں بھی خاصی بڑھیں۔ نیز فیول کی قیمتوں میں اضافے اور پاکستانی روپے کی قدر میں کمی کے نتیجے میں بھی پیداواری لاگت میں اضافہ ہوا۔ اگرچہ اس مدت میں سیلز کی قیمتوں میں بھی اضافہ ہوا لیکن وہ پیداواری لاگت میں اضافہ کا اثر کم کرنے کیلئے ناکافی تھا اور اس کے سبب سیلز کے مارجن میں نمایاں کمی آئی۔ سال کے دوران دیگر آمدنیوں میں اضافہ ہوا جو سکریپ کی فروخت اور ڈیویڈنڈ کی آمدنی کی صورت میں حاصل ہوا۔ سال کے دوران مالیاتی لاگت میں بھی دوطرح سے اضافہ ہوا، ایک نئی سیمنٹ لائن کی تنصیب کیلئے طویل المدت قرضہ میں اضافہ دوسرے اسٹیٹ بینک آف پاکستان کی جانب سے ڈسکاؤنٹ ریٹ میں نمایاں اضافہ ہوا۔ حالیہ وفاقی بجٹ کے اعلان کے بعد کمپنی کو سیمنٹ لائن III کے سلسلے میں معاملہ الٹ ہوگیا جو کہ انکم ٹیکس آرڈیننس کے سیکشن 65-B کے تحت حاصل ٹیکس میں چھوٹ جو کہ گزشتہ حکومت میں 10% تھی کم ہوکر 5% کردی گئی۔ سال مختتمہ 30 جون 2019 کیلئے کمپنی کو بعداز ٹیکس 1.76 بلین روپے کا فائدہ ہوا۔

گزشتہ سال کے مقابلے میں موجودہ سال کیلئے کمپنی کی کارکردگی مختصر طور پر درج ذیل ہے:

	2018	2019
	(ملین روپے میں)	
خالص سیلز	14,388.35	15,862.65
سیلز کی لاگت	11,249.15	12,979.53
مجموعی منافع	3,139.20	2,883.12
اخراجات اور ٹیکسز	1,007.08	1,120.36
خالص منافع	2,132.12	1,762.76

منصوبے کی توسیع۔ سیمنٹ لائن III

جنوری 2019 میں کمپنی نے سیمنٹ لائن III کامیابی کے ساتھ تنصیب کرلی اور اس نے کام کرنا بھی شروع کردیا۔ اس کی پیداواری گنجائش روزانہ 6,700 ٹن کلنکر سے زیادہ ہے۔ اس کے ساتھ ویسٹ ہیٹ ریکوری پلانٹ بھی نصب کیا گیا ہے۔ اس توسیع سے کمپنی کی پیداواری گنجائش 4.5 ملین ٹن سالانہ سے بھی زیادہ تک بڑھ گئی ہے۔ یہ پروجیکٹ اپنے مقررہ وقت سے کافی پہلے مکمل ہوگیا ہے۔

منافع منقسمہ (Dividend)

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منعقدہ 7 اگست 2019 میں 30 جون 2019 کو ختم ہونے والے سال کیلئے 10% کے حساب سے سالانہ نقد منافع منقسمہ اور 10% بونس شیئرز کی تجویز پیش کی ہے۔ ممبران سے نقد منافع منقسمہ کی منظوری 16 اکتوبر 2019 کو منعقد ہونے والے سالانہ اجلاس عام میں حاصل کی جائے گی۔

اجتماعی سماجی ذمہ داری (CSR)

کمپنی ہمیشہ معاشرے میں اپنے کردار کو بھرپور طریقے سے ادا کرنے کے لئے کوشاں رہتی ہے اور وہ پاکستان کے لوگوں، ماحولیات اور آب و ہوا سے متعلق اپنی ذمہ داری سے آگاہ ہے۔ اپنی اجتماعی سماجی ذمہ داری کی پالیسیز کے تحت کمپنی اپنے مینوفیکچرنگ پلانٹس اور گردونواح میں رہنے والوں کے حالات میں بہتری لانے کیلئے پرعزم ہے انفرااسٹرکچر کی ڈیولپمنٹ اور مسلسل شجرکاری کے کام ساتھ ساتھ ہورہے ہیں تاکہ علاقے کے لوگوں اور آب وہوا، دونوں کے فائدے کو یقینی بنایا جاسکے۔ کمپنی کئی سالوں سے مختلف معروف فلاحی اداروں 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

اپنے کارکنوں کا تحفظ کمپنی کی اوّلین ترجیح ہے۔ 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۔ پروڈکشن پلانٹس صنعت میں جاری تحفظ کے معیارات کی مکمل پیروی میں قائم کئے گئے ہیں اور چلائے جاتے ہیں اور ان کو اپ ڈیٹ کیا جاتا ہے۔ WHR پلانٹس کی تنصیب نے بھی ٹیکنالوجی اور اس کے اردگرد کے علاقوں کے ماحول میں بہتری لانے میں مدد دی ہے۔ کمپنی کو ISO 14001 سرٹیفکیشن بھی حاصل ہے۔

کمپنی کا ایک خصوصی HSE ڈپارٹمنٹ ہے جو HSE کے مقاصد پر عمل درآمد کی نگرانی کرتا ہے۔ ڈپارٹمنٹ نہ صرف HSE پر بہترین طریقے سے عمل درآمد کو یقینی بناتا ہے بلکہ اسٹاف کیلئے آگ اور تحفظ کی باقاعدہ ٹریننگ کا اہتمام بھی کرتا ہے۔ اس کے علاوہ ملازمین کو ذاتی

ڈائریکٹرز رپورٹ برائے ممبران

برائے سال مختتمہ 30 جون 2019

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019 کو ختم ہونے والے سال کیلئے کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کئے جارہے ہیں۔

عمومی جائزہ

2018/19 کے دوران ملک میں معاشی سرگرمیاں ست روی کا شکار رہیں جس کی بڑی وجہ ملک کے کاروباری ماحول کو پیش آنے والے چیلنجز تھے۔ غیر متوازن مالیاتی صورتحال پر قابو پانے کیلئے حکومت کی جانب سے کئے گئے معاشی اقدامات سے صنعتی شعبہ کی کارکردگی پر نمایاں اثرات مرتب ہوئے۔ PSDP کے اخراجات میں کمی، مانیٹری پالیسی میں سختی، کرنسی کی قیمت میں کمی اور ریگولیٹری اقدامات کے نفاذ سے ملک میں صنعتی شعبہ بشمول تعمیراتی شعبہ پر دباؤ کے باعث سیمنٹ کی طلب میں کمی واقع ہوئی۔

سیمنٹ ملک میں ترقی کا بنیادی جز اور اس کی علامت ہے۔ کئی سال تک نمایاں اضافہ کے بعد سال 2018/19 کے دوران سیمنٹ کی صنعت میں محض تقریباً 2% اضافہ دیکھنے میں آیا۔ اگرچہ اندرون ملک سیمنٹ کی ترسیل میں تقریباً 2% کمی آئی لیکن برآمدات میں گزشتہ سال کے مقابلے میں تقریباً 37% کا نمایاں اضافہ ہوا۔ برآمدات میں اضافہ کی بڑی وجہ سمندری راستے سے برآمد میں اضافہ تھی۔

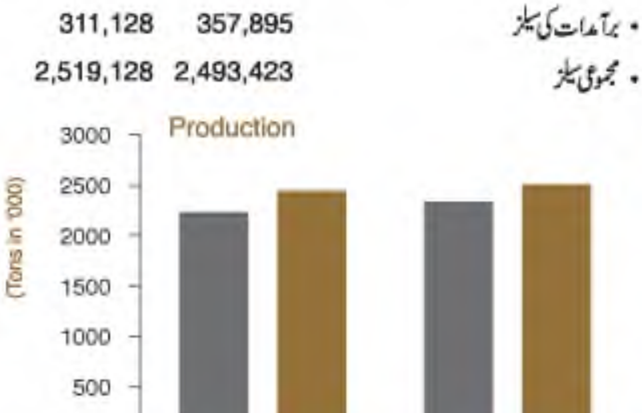
کاروبار کا جائزہ

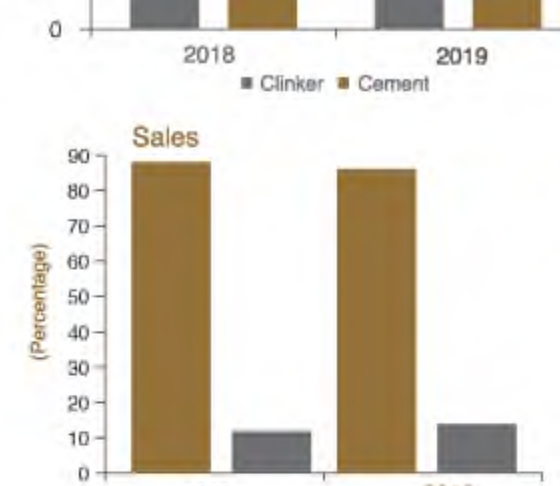
2018/19 کا سال کمپنی کیلئے ایک سنگ میل ثابت ہوا اس لئے کہ جنوری 2019 میں اس کی لائن III نے کام شروع کردیا۔ اگرچہ بیرونی مارکیٹ کے عناصر نے کاروباری کارکردگی میں چیلنج کی صورتحال پیدا کردی مگر کمپنی نے پاکستان اور افغانستان میں اپنے صارفین کو معیاری مصنوعات کی ترسیل جاری رکھی۔ کاروباری سرگرمیوں کا تفصیلی جائزہ اور سال کے دوران کارکردگی آگے دی گئی ہے۔

پیداوار اور سیلز کا جائزہ۔

تقابلی پیداوار اور سیلز کے اعداد وشمار درج ذیل ہیں:

2018	2019	
(ٹن میں)		
2,234,491	2,338,024	• کلنکر کی پیداوار
2,442,567	2,509,031	• سیمنٹ کی پیداوار
2,208,000	2,135,528	• ملکی سیلز (سیمنٹ اور کلنکر)
311,128	357,895	• برآمدات کی سیلز
2,519,128	2,493,423	• مجموعی سیلز





Jama Punji
Be aware, Be alert, Be safe
Learn about investing at www.jamapunji.pk
Key features:
Licensed Entities Verification
Scam meter*
Jamapunji games*
Tax credit calculator*
Company Verification
Insurance & Investment Checklist
FAQs Answered
Stock trading simulator (based on live feed from KSE)
Knowledge center
Risk profiler*
Financial calculator
Subscription to Alerts (event notifications, corporate and regulatory actions)
Jamapunji application for mobile device
Online Quizzes

Proxy Form

38th Annual General Meeting

Cherat Cement Company Limited
A Ghulam Faruque Group Company

CHERAT CEMENT

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 38th Annual General Meeting of the Company to be held Wednesday, October 16, 2019 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)

Important

1. 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.
2. CDC Shareholders, entitled to attend, speak and vote at this meeting, must bring with them their Computerized National Identity Card (CNIC) / Passports in original to prove his/her identity, and in case of Proxy, must enclose an attested copy of his / her CNIC or Passport.
3. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee should be attached with the proxy form.

Shares Held: ____________________

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

CNIC No. [ ][ ][ ][ ][ ] - [ ][ ][ ][ ][ ][ ][ ] - [ ]

چراٹ سیمنٹ کمپنی لمیٹڈ

پراکسی فارم

38 واں سالانہ اجلاسِ عام

میں مسمی / مسماۃ ____________ سکنہ ____________

ضلع ____________ بحثیت ممبر چراٹ سیمنٹ کمپنی لمیٹڈ، مسمی / مسماۃ ____________

سکنہ ____________ کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاسِ عام (یا جو بھی صورت حال ہو)، جو مورخہ 16 اکتوبر 2019 بروز بدھ دوپہر 12:00 بجے بمقام فیکٹری کی حدود، گاؤں لکرئی، نوشہرہ، خیبر پختونخوا میں منعقد ہوگا، اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بولے اور ووٹ ڈالے۔

گواہان

1 دستخط ____________

نام ____________

پتہ ____________

CNIC/ پاسپورٹ نمبر ____________

ریونیو اسٹیمپ

دستخط شیئر ہولڈر

(دستخط کمپنی میں درج نمونہ کے مطابق ہونے چاہئے)

2 دستخط ____________

نام ____________

پتہ ____________

CNIC/ پاسپورٹ نمبر ____________

اہم نوٹ

۱۔ 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 ہوجائے۔

۲۔ سی ڈی سی حصص داران اجلاس ہذا میں شرکت کرنے، بولنے اور ووٹ دینے کیلئے اہل ہیں اور اپنی شناخت ثابت کرنے کے لیے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ ساتھ لائیں اور پراکسی کی صورت میں اپنے کمپیوٹرائزڈ قومی شناختی کارڈ/پاسپورٹ کی تصدیق شدہ کاپی ساتھ لگائیں۔

۳۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمعہ نمائندہ کے دستخط پراکسی فارم کے ساتھ لف کرنے ہوں گے۔

مجموعی شیئرز ____________

رجسٹرڈ فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شراکتی نمبر	اکاؤنٹ نمبر

کمپیوٹرائزڈ شناختی کارڈ نمبر | | | | | | - | | | | | | | | - | |

E-Dividend Mandate Form

Cherat Cement Company Limited
A Ghulam Faruque Group Company

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																						

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 CDC Share Registrar Services Limited.
CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-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
Web: www.gfg.com.pk

ThinkTank