



**Cherat Cement
Company Limited**
A Ghulam Faruque Group Company



**building
excellence**
annual report 2020




commitment qualitycreativity perseverance impact

These are some of the hallmarks of achieving excellence.
It is not enough to simply have a philosophy, it must be put into action
and practiced at every level within the organisation.

The pages that follow personify these values where creativity, science,
mathematics, skill and vision are functional at every stage.

At Cherat Cement Company Limited, we approach the craft of cement
manufacturing much like these bulidings which were brought to life by
visionaries and have left a long lasting impact.



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petra Jordan

Petra originally known to the Nabateans as Raqemo, is a historical and archaeological city in Southern Jordan. The city is famous for its rock-cut architecture and water conduit system. Another name for Petra is the Rose City because of the color of the stone out of which it is carved. It has been a UNESCO world heritage site since 1985. Petra is one of the new seven wonders of the World.





chichen itza Mexico

Chichen Itza was a major focal point in the Northern Maya Lowlands from the Late Classic (c. AD 600 - 900) through the Terminal Classic (c. AD 800 - 900) and into the early portion of the Postclassic period (c. AD 900 - 1200).





machu picchu Peru

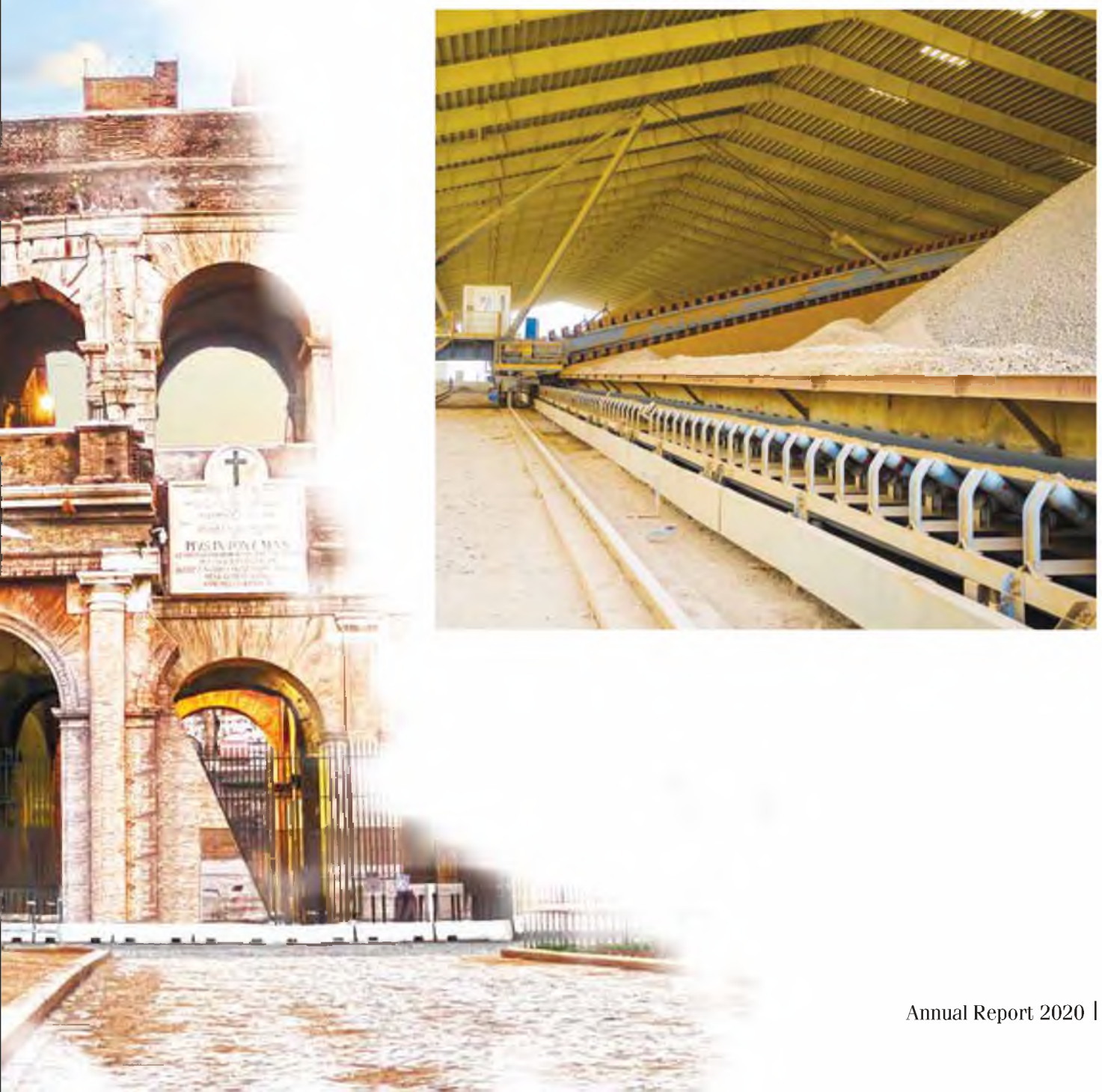
Machu Picchu is a 15th century Inca citadel situated on a mountain ridge 2,430 metres above sea level. It is located in the Cusco Region, Urubamba Province, Machu Picchu District in Peru. It lies above the Sacred Valley, through which the Urubamba River flows, some 80 kilometres northwest of Cusco.





the colosseum Italy

The Colosseum is an oval amphitheater in the centre of the city of Rome, Italy. Construction began sometimes between AD - 70 and AD - 72 during the reign of Emperor Vespasian.





habib bank plaza

Pakistan

It was the Head Office of Habib Bank Limited, measuring 101 meters, it was the tallest building in Asia while still under construction between 1963-68. It also had the distinction of being the tallest building in South Asia till its completion in 1972. It remained the tallest building in Pakistan for four decades until the 116 metres tall MCB Tower was built in 2005.



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.



A collage of images representing various values: a diamond, a bird, hands, a globe, a seedling, and a person.

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 the Company 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

The Company 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

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

Bribery and Corruption

The Company 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 the Company'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 the Company. 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

The Company 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 the Company's Property

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

Equal Treatment and Fair Working Conditions

The Company 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.

To mitigate the risk of rising energy cost and to create efficiencies, the Company has completed Gas Pipeline project and start receiving 5 MMCFD gas for power generations. During the year, the Company is also receiving cheaper electricity under wheeling regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO). Moreover, the Company also initiated to install 13 MW Solar Panels at the factory.

Our Certifications





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

Credit Rating

Long-term rating : A
Short-term rating : A1
Outlook: Positive
(by The Pakistan Credit Rating Agency Limited)

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

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.

Mirpurkhas Sugar Mills Ltd Manufacturer of Cane Sugar

Established in 1964, its principal activity is manufacturing and selling of sugar. It is located about 230 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 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. It also produces flexible packing material as its state-of-the-art facilities. 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

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

It was established in 1998 and is engaged in development 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



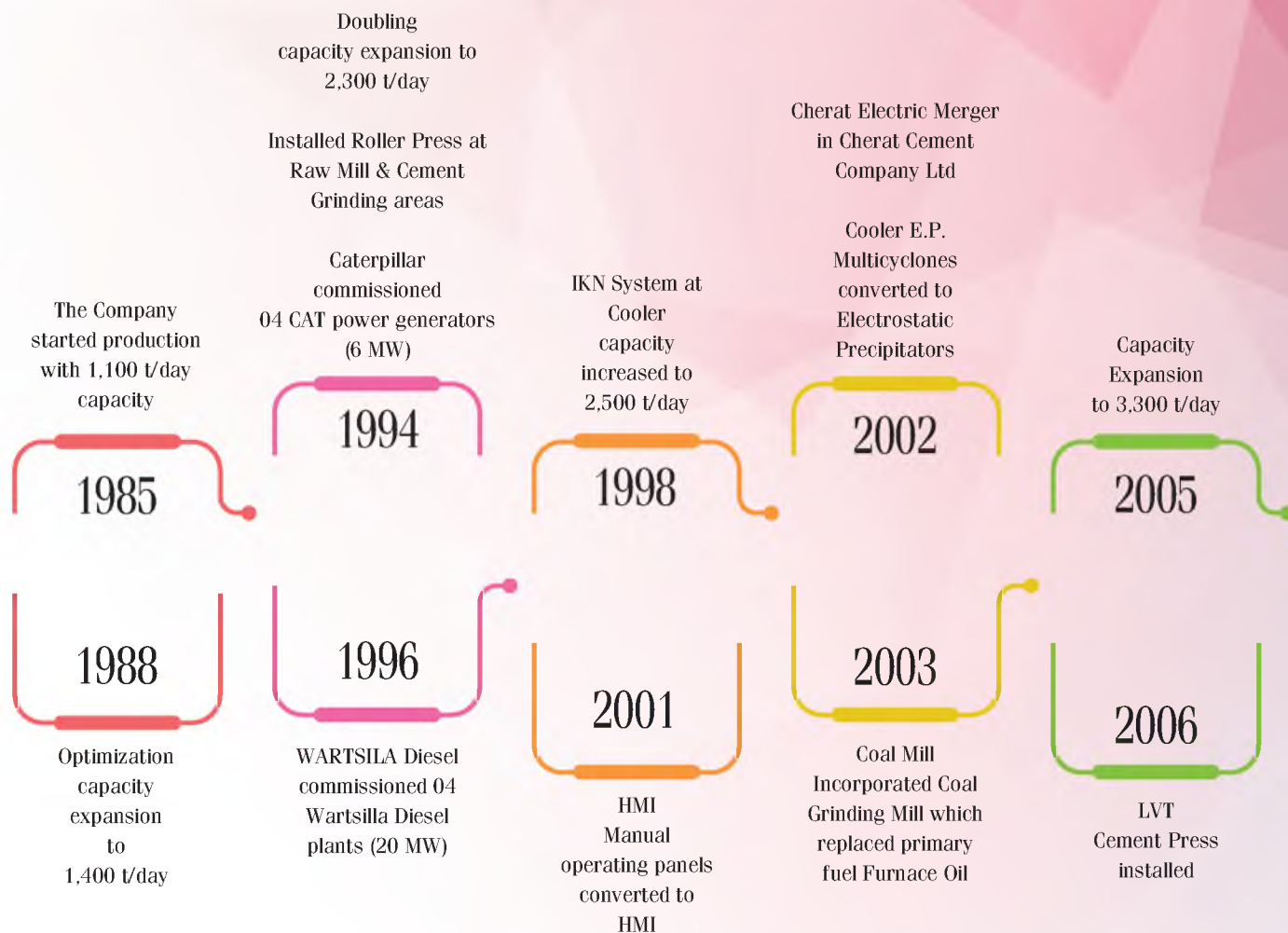
Unicol Ltd
Joint Venture Distillery producing
Ethanol and Liquid Carbon Dioxide
(CO₂)

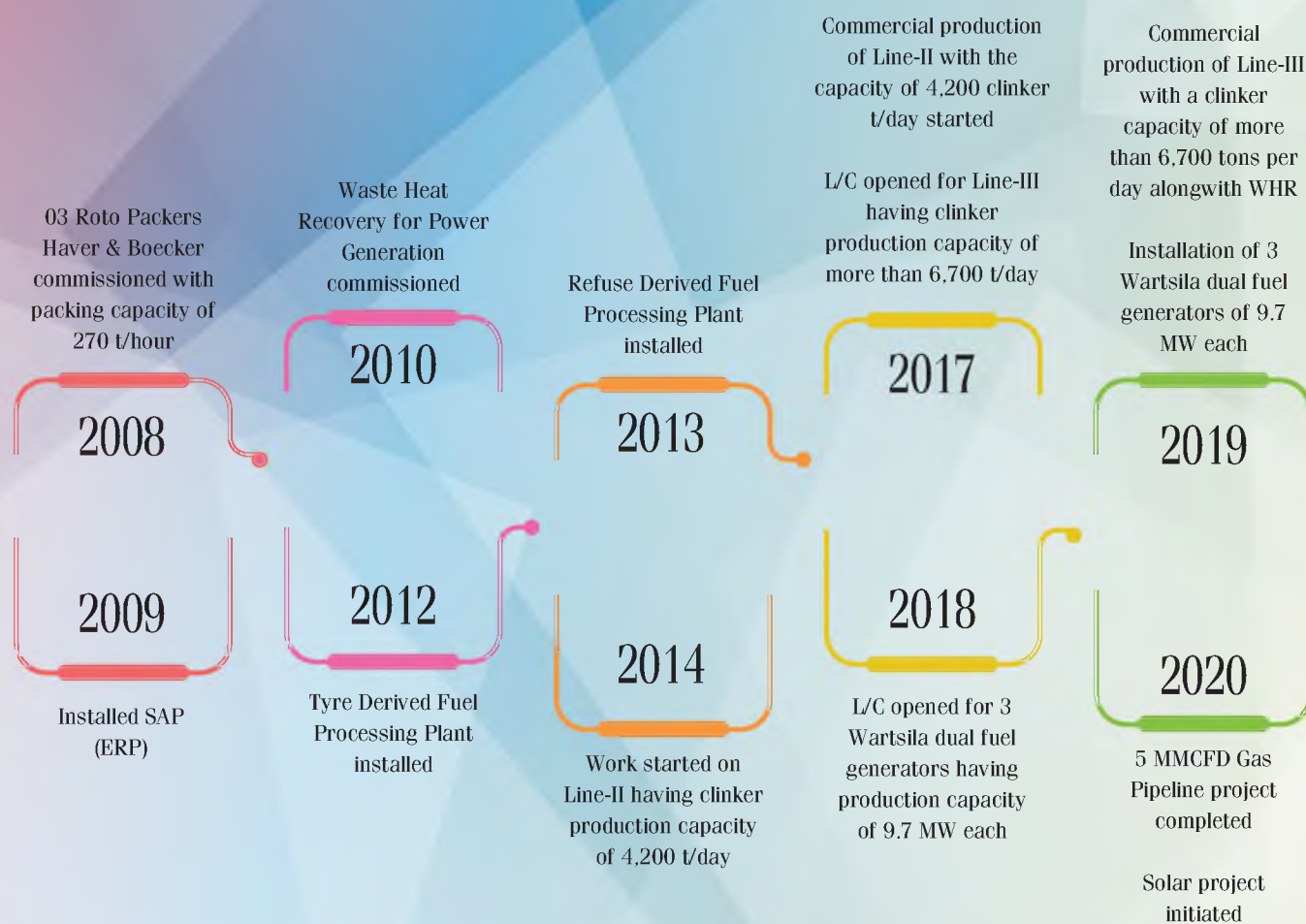
Incorporated in 2003, Unicol is a joint venture distillery project among Mirpurkhas Sugar Mills, Faran Sugar and Mehran Sugar. It is engaged in the production and marketing of ethanol from molasses and CO₂. Its current production capacity is 200,000 litres per day. It is involved in producing various varieties of ethanol. Unicol is the proud recipient of the FPCCI Prime Minister of Pakistan Award and the FPCCI Best Export Performance Award for 2017-18.



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

Our Journey at a Glance





Our National & International Recognition

{ *Best Corporate and Sustainability Report Award by ICAP & ICMAP* }

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.



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

{ Business Excellence Award }



The Company was awarded with Business Excellence Award in FY 2018 presented by the President of Sarhad Chamber of Commerce and Industry for being the winner for its exports to Afghanistan since FY 2003.

{ South Asian Federation of Accountants (SAFA) Award }



In recognition of the Company's endeavour for transparency in corporate reporting, the annual reports of the Company for the year 2014 and 2017 were nominated in the SAARC Anniversary Awards for Corporate Governance Disclosures Award 2014 and 2017. 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 2014 and 2014.

{ Pakistan Stock Exchange Top Companies Award }

The Company'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 the Company 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.

Geographical Presence



Head Office
Karachi



Sales Office
Peshawar
Lahore
Islamabad



Factory
Nowshera

Main Distribution



- Abbotabad
- Attock
- Bagh
- Bahawalnagar
- Bahawalpur
- Bajaur
- Bannu
- Bhimber
- Bunair
- Chakwal
- Charsadda
- Chilas
- Chitral
- Dera Allah Yaar
- Dera Ghazi Khan
- Dera Ismail Khan
- Dir
- Faisalabad
- Gilgit
- Gujranwala
- Gujrat
- Hunza
- Hyderabad
- Islamabad
- Jhelum
- Karachi
- Karak
- Kasur
- Khairpur
- Khyber

- Kohat
- Kotli
- Kurram
- Khuzdar
- Lahore
- Larkana
- Lodhran
- Malakand
- Mardan
- Mianwali
- Mirpur
- Mirpurkhas
- Mohmand
- Multan
- Muzaffarabad
- Muslim Bagh
- Narowal
- North Waziristan
- Nawabshah
- Nowshera
- Okara
- Orakzai
- Parachinar
- Peshawar
- Quetta
- Rahim Yar Khan
- Rawalakot
- Rawalpindi
- Sahiwal
- Sakrand

- Sanghar
- Sargodha
- Shangla
- Sheikhupura
- Sialkot
- Sibbi
- Skardu
- South Waziristan
- Sukkur
- Swabi
- Swat
- Tank
- Vehari



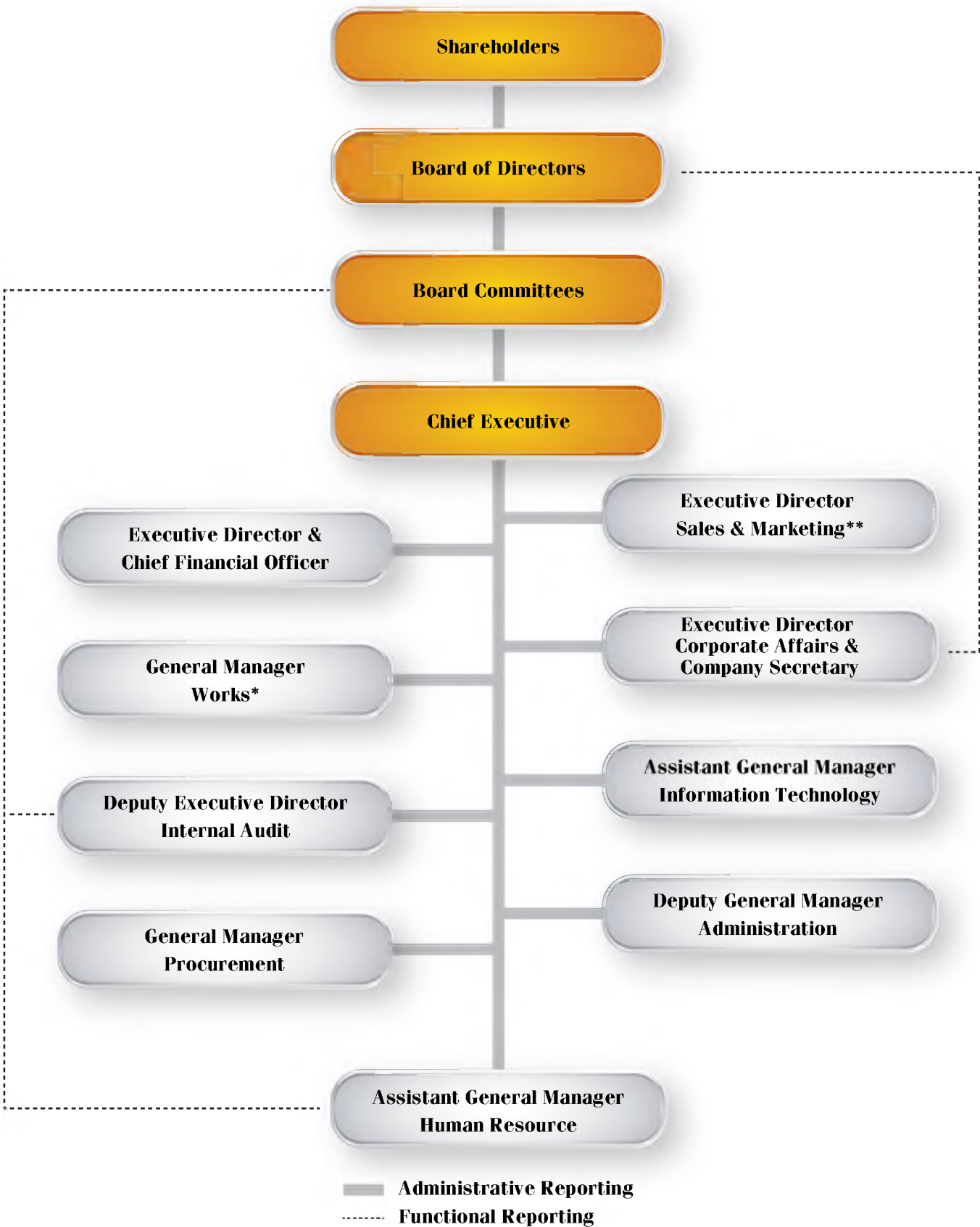
Afghanistan

Main Distribution

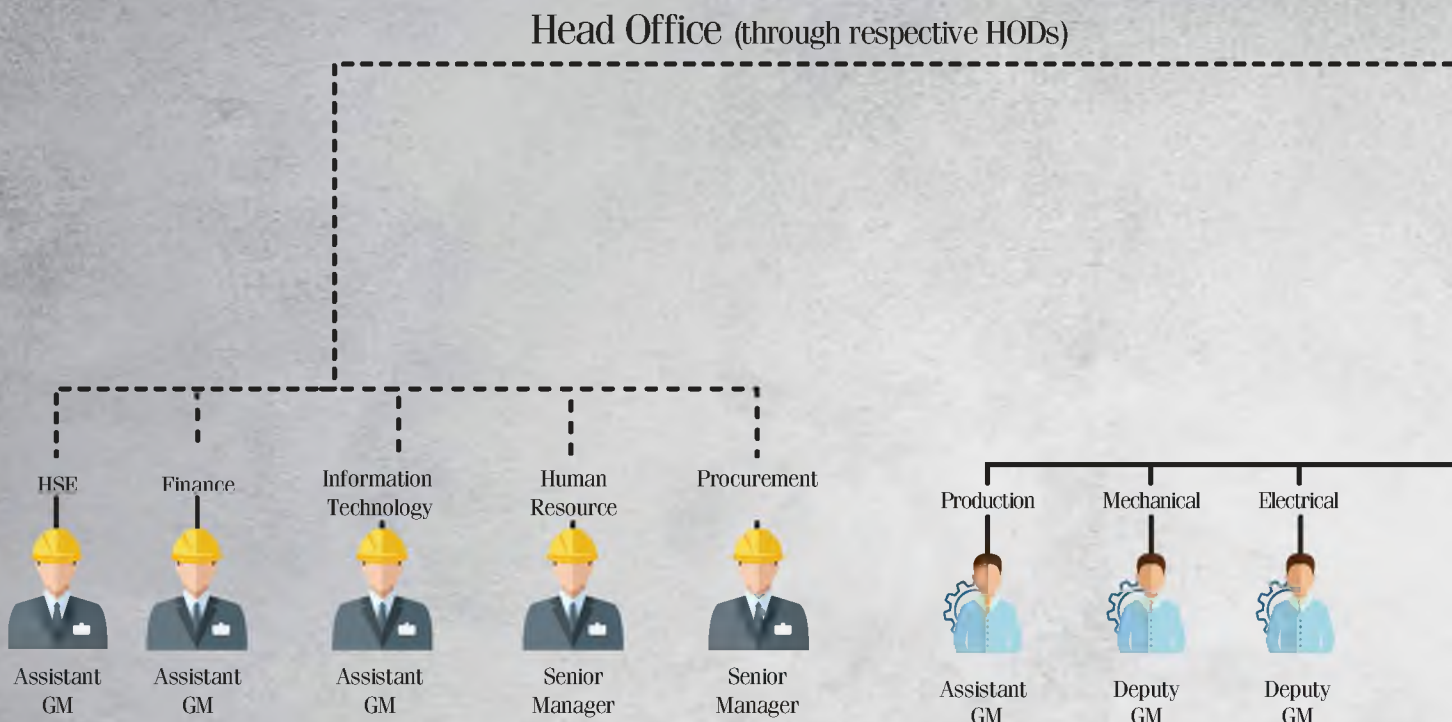
- Jalalabad
- Kandhar
- Kunduz
- Kabul
- Khost
- Mazar-i-Sharif



Organizational Structure

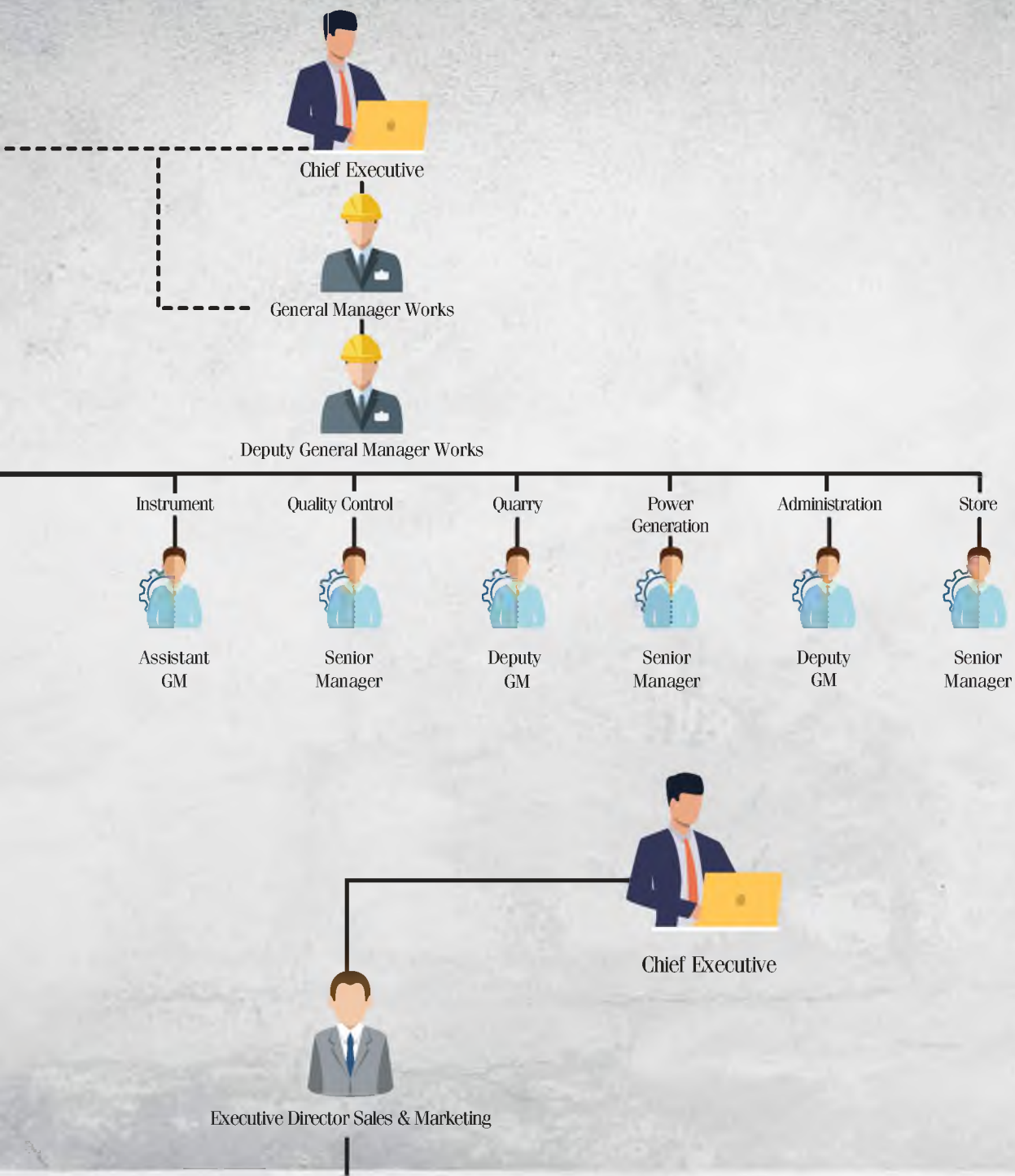


* Factory Site Organizational Structure

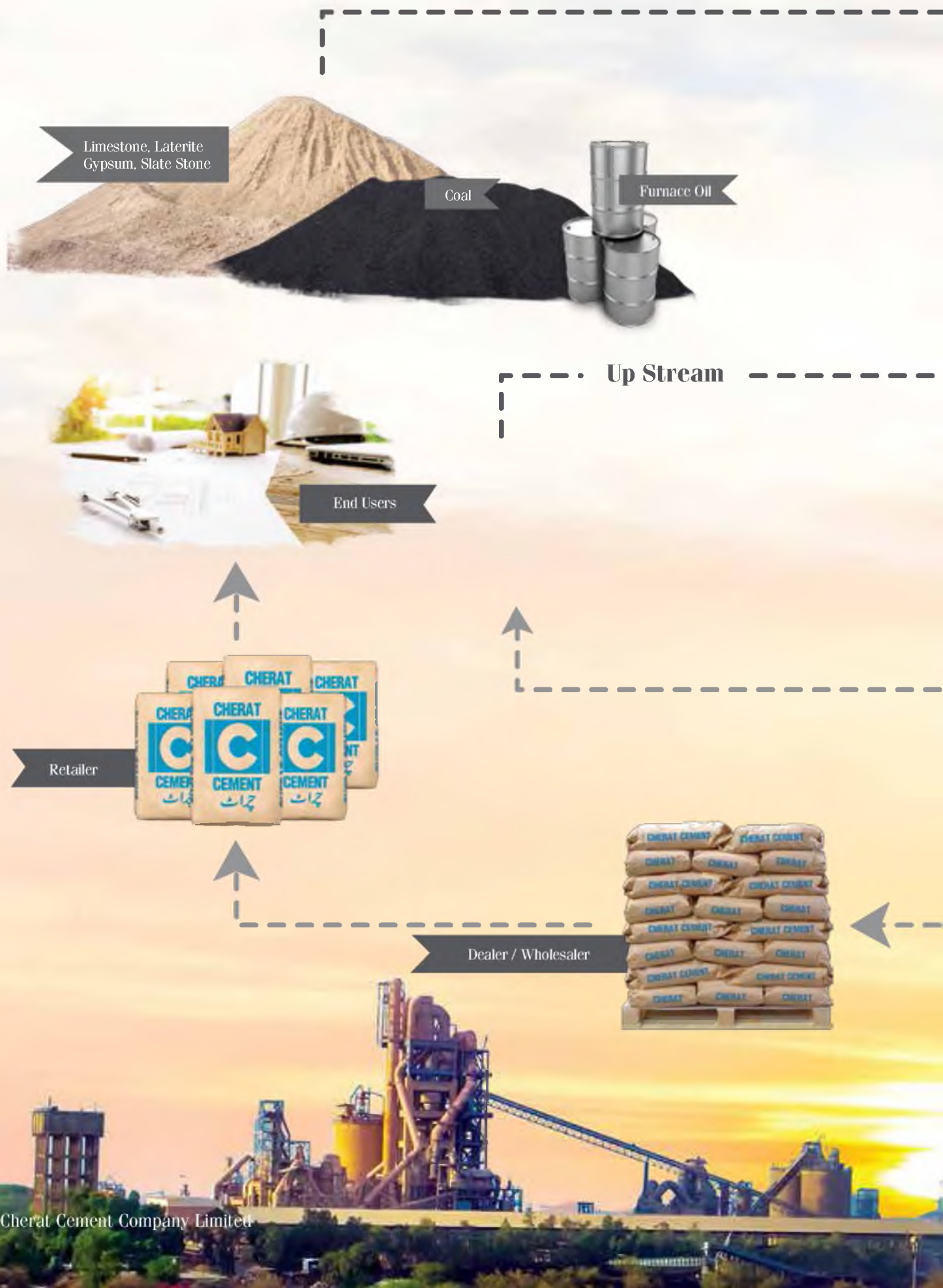


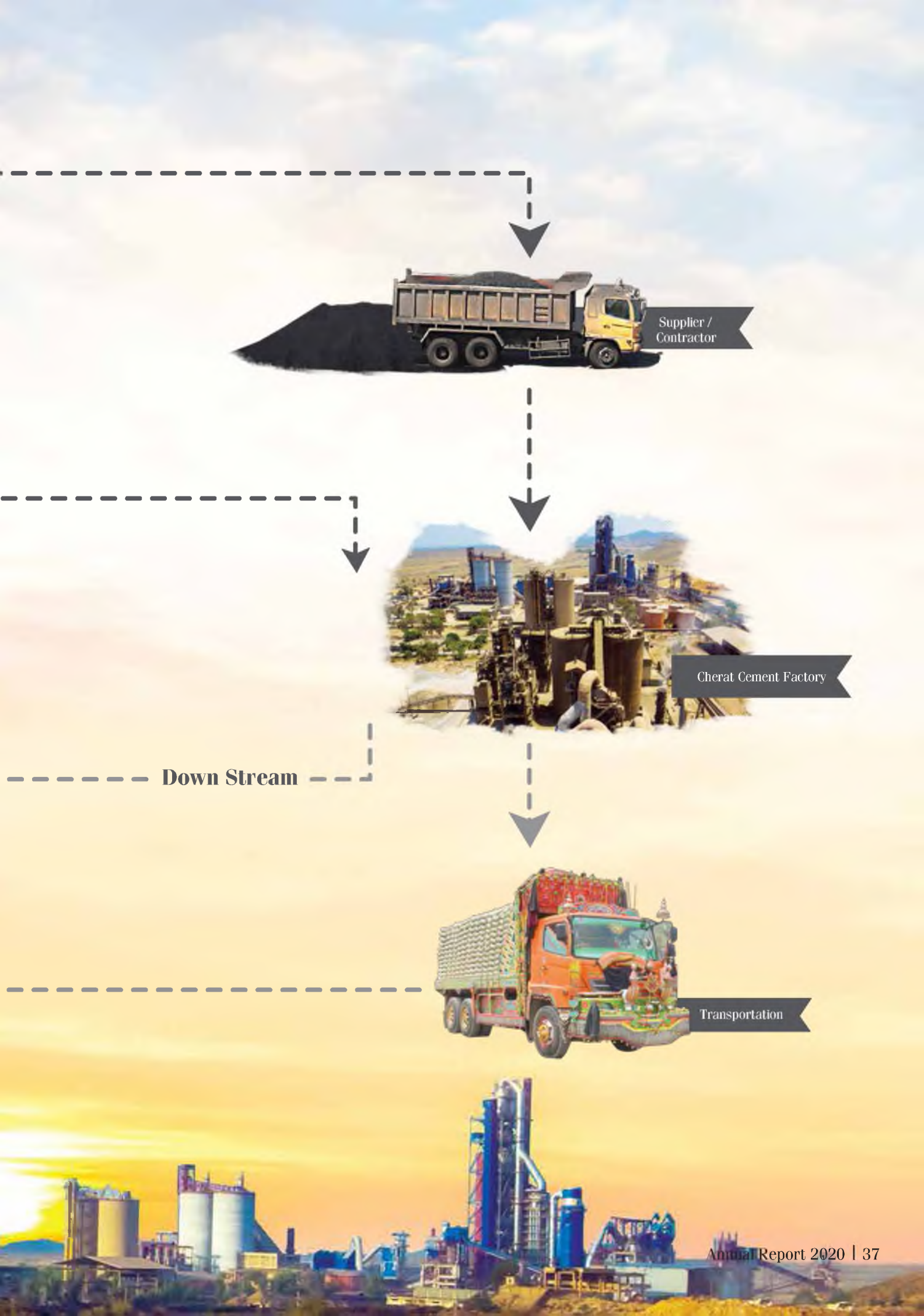
**Sales Offices Organizational Structure





Position within the Value Chain





Competitive Landscape and Market Positioning

Over the years, Cherat Cement Company Limited (CCCL) has grown significantly through expansion of production capacity. Within the country, the Company has developed a distribution network that allows cement to be made easily available in every part of the country.

The Company's focus remains on developing business strategies for the local market that ensure sustainability and increase in market share. The Company utilizes its resources and energy towards development of new markets and territories with the aim of being more accessible to the global construction industry and to cater to the demands of customers in local and international markets.

Power of Suppliers

Transparency, continuity and the building of shared value are the key elements in sustaining healthy relationship with suppliers. Our continuous growth is attributable to engaging dependable and reputed suppliers as our business partners for supply of raw material, industrial inputs, equipment and machinery in addition to supply of debt for meeting working capital and other financial requirements. At CCCL, we believe in maintaining our Social and Relationship Capital to maintain the highest standards of quality. Other procurements, both local and international, were made in line with the Company's approved budget.

Power of Customers

The Company's success and performance depend upon the loyalty of our customers, their preference of the brand and our supply chain management. We take into consideration customers at the core of our decisions which helps to manage the power of customers. CCCL has invested significantly over the years in customer relationship management going beyond extending credit facilities, rebate and commission. The Company continues to be responsive to its customers' needs and come up with high-quality cement which meets their requirements.



Competition and Rivalry

The retail landscape of Pakistan's cement sector comprises competitors of differing sizes and ownership structures.

The Company believes in a healthy competition for maintaining market share and continuously improve the high quality standards of Cement. Most of the cement manufacturers have high fixed cost structures in terms of land, capital equipment and significant personnel related costs. This gives existing competitors a strong economic incentive to strive for market share more aggressively than if they had low fixed costs. Each additional percent of the market allows them to spread their fixed costs and brings a better net margin.

Threat of New Entrants

There is low risk of a new entrant in domestic cement industry due to the fact that it is highly capital intensive industry, scarcity of raw material, limited access to delivery channels and market saturation resulting in the market as unattractive.




Access and ability to extract basic Raw Material i.e. Limestone along with set-up of factory nearby is detrimental for new entrants. Any new competitor would require significant financial resources for infrastructure, machinery, R&D and advertising. Further, current industry players have cost advantages that cannot be easily replicated by a potential entrant.

Threat of Substitute Products

The nature of product is such that the risk of substitute products in the market is minimal.



Factors Affecting the External Environment and the Organization's Response

	POLITICAL	ECONOMIC	SOCIAL
FACTORS			
DESCRIPTION	<ul style="list-style-type: none"> • Political turmoil generally impacts organizations negatively • Change in trade due to COVID -19 • Decline in GDP growth 	<ul style="list-style-type: none"> • Increasing labour cost • High interest costs • High inflation • low economic growth impacts Organization • Exchange rates • Price fluctuation • Extra financial burden due to COVID -19 • lockdowns and other suppression measures i.e. closed factories, businesses and markets • The 'exogenous' economic disruption caused by the pandemic 	<ul style="list-style-type: none"> • CSR responsibilities factors. • Increasing attention in health care • Charity and donation • Providing education facility • Safe and healthy environment • Social impacts of COVID -19 in Pakistan
ORGANIZATIONAL RESPONSE	<ul style="list-style-type: none"> • Management keeps a close eye on the development activities • Industry issues are dealt through Association • As coronavirus continues to sweep the world, management revisit the supply chains markets and related cost impact. 	<p>Strong domestic demand and availability of enhanced production capacity has increased revenue. However, low retention, devaluation of currency, inflation factor and increase variable costs have impact on the profitability of the Company. The Company keeps on applying cost effective measures to manage inflatory pressure. Since the outbreak of COVID -19 the company is still bearing extra expenses in terms of lab testing, sanitizers, PPE's, series of fumigations etc. The 'endogenous' economic disruption caused in response to the pandemic via lockdowns and other suppression measures (closed factories, businesses and markets). The 'exogenous' economic disruption caused by the pandemic suspended supply chains, halted global transportation and logistics links, interrupted flow of goods, people, investment and capital.</p>	<p>The Company donates generously to various social and charitable causes including towards health, education and social sectors. The Company actively participates in various social work initiatives as part of its Corporate Social Responsibility. In Pakistan, pandemic could push millions more into poverty. Spiking COVID-19 rates risk overwhelming Pakistan's health system, slashing growth, derailing recovery, and pushing the country's most vulnerable further into poverty.</p>

TECHNOLOGICAL



- Technical obsolescence of production facility
- Continuous development of information technology infrastructure
- Communication infrastructure

The Company has the most novel production plant from TCDRI in terms of efficiency and speed at extremely competitive prices. It gives competitive edge over its rivals. Company continuously invests in the robust software and hardware for upgradation. The Company is running world renowned SAP (ERP system), equipped with Sophos Endpoint protection product that combines antimalware, web and application control, device control and much more. Company also uses Voice over Internet Protocol (VoIP) technology that allows making voice calls using a broadband Internet connection instead of a regular or analog phone line.

ENVIRONMENTAL



- Adverse weather condition
- Growing attention to environmental protection
- Climate changes
- Natural Disasters
- Air pollution and deforestation
- Solar Energy impact

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

Solar energy plant do not produce air pollution, water pollution or greenhouse gases. Solar energy reduces the use of other energy sources that have large effect on the environment.

LEGAL



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

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

Seasonality of Business:

Cement demand normally on higher side during summer.

Significant Development and Changes from Prior Year

The following significant developments took place during the year:

- Roads and Drainage Development work inside the Factory area has been completed.
- 5 MMCFD Gas Pipeline Project for Power Generation has been completed during the year. The project was initially started in 2010. The Company started receiving gas 5 MMCFD that is sufficient to run all newly installed dual fuel Gensets.
- The Company has signed Wheeling Regime Energy Purchase Agreement with Pakhtunkhwa Energy Development Organization (PEDO) for the supply of electricity at extremely cheaper tariff.
- Environmental Protection Bags Filters have been installed during the year for Raw and Cement Mill for Line-I in line with guidance of Environmental Protection Authority.
- WHR system on generators for power generation.
- Land for Solar Project has been acquired.



Composition of local and imported material and sensitivity analysis due to foreign currency fluctuations

For the year ended June 30, 2020

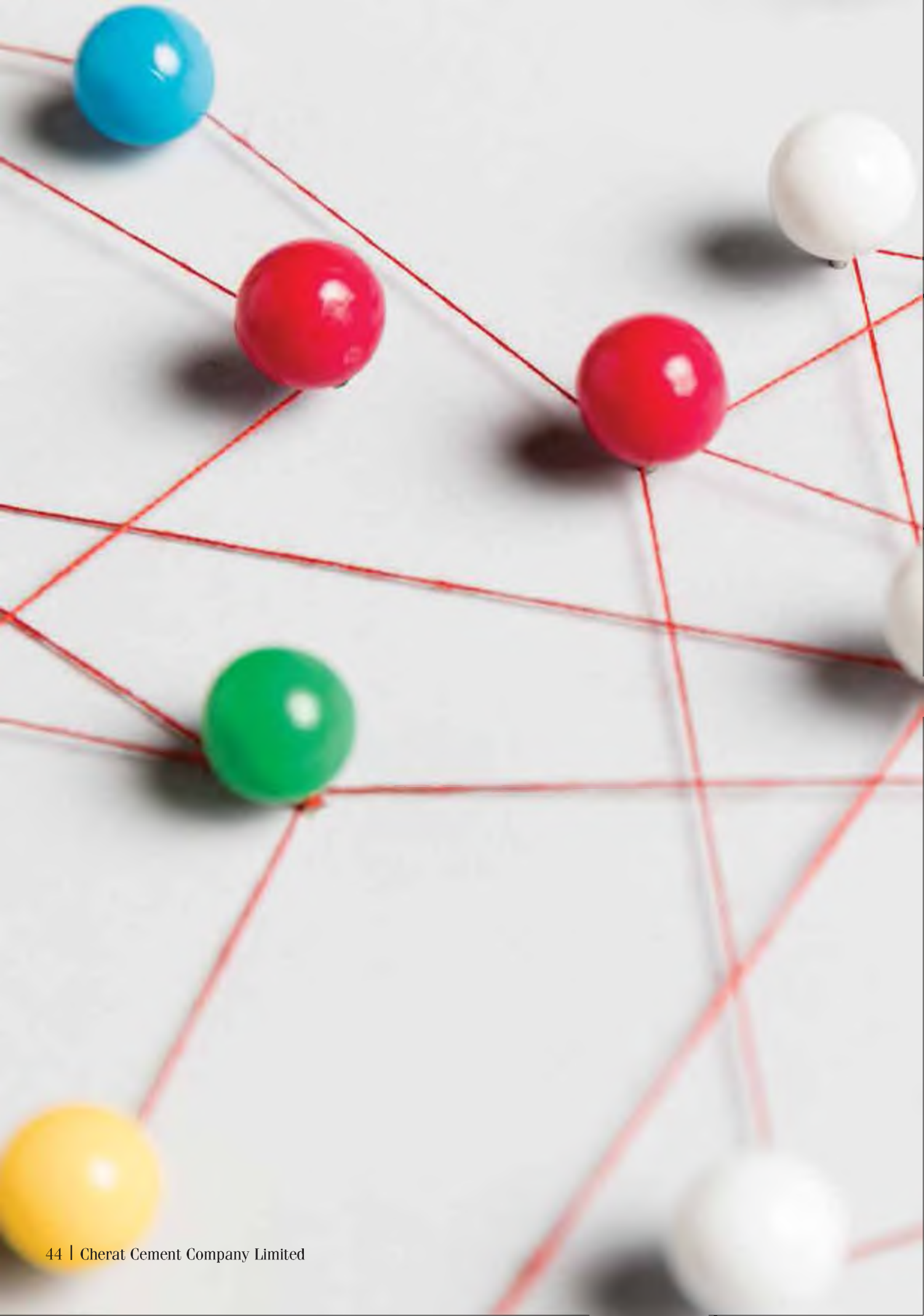
The Company produces Clinker and Cement using mix of local and imported inputs. Imported Fuel (coal) represents significant part of Cost of Sales i.e. 33%.



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 (%)	3.22	6.44
Decrease in Cost of Sales (%)	(3.22)	(6.44)





Strategy and Resource Allocation

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Strategic Objectives and Strategies in Place

Cherat Cement Company Limited has been constantly striving to improve its efficiency through continuous innovations, effective capacity utilization and better use of available resources in short-term. The Company also intends to grow through further increase in product market avenues, improved management processes, use of alternative energy options, plant modernization and human development in medium-term. Further, the company also have plans for corporate business expansion, increased market penetration, sustainability development and being remain complied with quality standards.

Cherat Cement Company Limited's endeavor to create value for its shareholders by maximizing the risk adjusted return on its investments. The Company also intends to achieve higher level customer satisfaction by way of providing cost effective and quality product. The Company aims to develop the long-term sustainability through grooming and training its employees by providing a congenial work environment with the motivation to perform at high standards. The Company also remained committed to the highest ethical and moral values. In order to support the value creation for all stakeholders, the Company's business is primarily focused on the delivery of the strategic priorities, which aim to increase sustainable growth and cost efficiency.

Short, Medium & Long-Term Objectives

Following are the main strategic objectives of the Company:

Short-Term Objectives:

- Increase market penetration
- Effective capacity utilization of existing production lines
- Efficient use of available resources
- Effective and efficient use of Captive Power Gensets through gas

Medium-Term Objectives:

- Increase Company's market and distribution avenues
- Optimization of management processes and policies
- Modernization of production lines to assure maximum production.
- Installation and operational of Solar power plant
- Implementation of effective HR solutions through personnel development and environment for professional growth

Long-Term Objectives:

- Increased production capacity of the Company
- Increase product market of the Company and market capturing
- Implementation of sustainability goals and community development
- Explore further energy alternative resources, cost reduction planning and increase productivity
- Ensure compliance with local and international environmental and quality standards

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.

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 managed by following energy conservation measures through use of Waste Heat Recovery plant, alternate fuels. Moreover, the Company installed 3 Wartsila dual-fuel Generators of 9.7 MW each having capacity to run on gas, diesel and furnace oil. With the Gas connection functional from third quarter of year 2019-20, we have significantly reduced our power cost. We have also installed WHR system for generation of electricity by using gas emitted from Wartsila generators. During the year, the Company also entered into an agreement with PEDO for supply of low cost electricity. Our new plant Line-III is state of the art technology and most economical in terms of energy consumption. Our reliance on national grid has reduced drastically as we have generated 80% of required electricity from our own sources this year (2019: 34%). In addition to this, the Company uses a combination of both imported and local coal in order to keep the fuel costs low. The Company is also in the process of installation Solar Panels to further reduce its costs.

Efficiencies

We are successful in reducing our cost during the year through strict controls and effective management. Economies of scale helped us in bringing down our fixed cost per unit of production. During the year, coal prices were relatively low 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, self-generation and National Grid.

Financing Facilities

Cherat Cement Company Limited maintains cordial relationship with all the reputable banks and financial institutions of the Country. Adequate unutilized short-term financing facilities are available at the Company's disposal. Moreover, the Company has financed its Line II and Line III through syndicated long-term finances and term finances are obtained to finance WHR plant for Line III and Captive Power Plant.

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. The Company gives key consideration to Human Resource Management. A full fledged HR department is established which is supervised by HR & RC of the Board of Directors.

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

The Company 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. The Company 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
17,090
(Rs. in Million)
Increased by 7.74%



Wealth Distributed
27,231
(Rs. in Million)
Increased by 20.37%



Dispatches
3,377,479
(Tons)
Increased by 35.46%



Market Share
7.06
(In %)
Increased by 32.80%



Cost of Sales
4,945.60
(Per ton)
Decreased by 4.99%



Generation of Own Electricity
80.17 (In %)
Increased by 138.89%



Net Cash Generated from Operating Activities
3,522 (Rs. in Million)
Increased by 148.72%



Fixed Assets Turnover Ratio
0.67 (Times)
Increased by 14.48%

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 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 designs its capital structure to take advantage of the opportunities and makes adjustment to it in light with changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. Long-term debts are only utilized to finance the capital expenditures. For working capital requirements short-term financings are availed to adequately maintain the debt and equity ratio throughout the year. Enhanced sales have considerably supported the liquidity position of the Company. Healthy cash flows and prudent liquidity management aids the Company to achieve a current ratio 1.14 which reflects its strong liquidity position.

Liquidity Strategy

The company has prudent liquidity management policy in place. Under this policy the Company finances all of its capital expenditures through long-term financing facilities. 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 to meet the working capital requirements, the Company has arrangements with commercial banks in form of short-term financing facilities of Rs. 5.2 billion. Out of these facilities, Rs. 1.1 billion are against 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. In order to neutralize impact of COVID-19 on the liquidity, the Company availed relief measures announced by the State Bank of Pakistan (SBP). Under these reliefs, the Company has deferred its principal repayments falling due in the year 2020-21 for one year and refinanced its salary and wages expenses for six months.

Financing Arrangements

Due to strong financing standing and sound financial management, the Company enjoys good business relationship with all reputable banks and financial institutions of the Country. The Company has abundant unutilized short-term financing facilities, under conventional and Islamic modes, to meet its short-term working capital requirements.

Significant Plans and Decisions

Following the installation of Cement Line III during the last financial year, the Company's production capacity now has increased to more than 4.5 million tons per annum and in line with this the Company's market share has also increased.

The Company focused on various cost saving measures. Our gas pipeline project with SNGPL has been completed in the year 2020 and Company has started receiving gas to run dual fuel Wartsila Gensets.

The Company is studying other cost saving measures and is setting up a Solar Renewal Energy Project of more than 13 MW capacity.

Significant Changes in Objectives and Strategies from Prior Year

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, the company is focusing on increasing its market share and to take competitive edge through minimizing costs by taking effective cost saving measures as described under the heading 'Forward Looking Statement'.





Risks and Opportunities

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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 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. Availability of Gas supply and installation of Wartsila dual fuel generators curb the rising energy cost burden.
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 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.

Risks and Opportunities

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.
Moderate	Risk to Exports	Financial capital	<p>Anti-Dumping duties being imposed of on Pakistani Cement manufacturers.</p> <p>Falling exports to Afghanistan, due to competition from low-priced Iranian Cement.</p> <p>Increasing competition and capacity building of local production in our export markets.</p>	<p>The Company continues to identify and develop new markets for its cement exports.</p> <p>With the improved USD/PKR parity, the Company is better able to compete with different regional cement manufacturers.</p>
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	Technology Obsolescence	Manufactured Capital	Technological shift rendering the Company's production process inefficient.	Major investments are made regularly to continuously improve product quality and process efficiency. State-of-the-art newly installed cement production line and wartsila gensets engines are examples. The Company has always led by bringing innovative technologies to its processes.
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.
Moderate	Health & Safety Risks	Social / Human Capital	<p>Personal health and safety risks at operating sites.</p> <p>Risk of pandemic related issues being ineffectively managed</p>	<p>HSE issues are addressed by focusing on safety measures such as conducting appropriate trainings, use of prescribed safety gadgets, equipment and safe practices. There is a dedicated HSE function at plants. Periodic review of safety related incidents and internal audits ensure process effectiveness.</p> <p>The Company has invested in providing awareness to its employees for precautionary measures regarding COVID -19 and about protecting their families and communities.</p>

Risk level	Risk	Area of impact	Key source of Risk	Mitigating strategy
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.
Moderate	Environmental Risks	Natural Capital	Actual or potential threat of adverse effects on environment arising out of the Company's activities	Various environmental friendly projects such as Waste Heat Recovery units, Tyre Derived Fuel and Refuse Derived Fuel units and implemented, thus reducing environmental de-generation. The company focuses on energy conversation, operational efficiencies and carbon footprint reduction. Company's effluent emissions are regularly monitored. Regular environmental audits are also promoted.

Opportunities

Opportunity	Impact area	Key source opportunity	Strategy to materialize
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
Modern Equipment	Manufactured capital	Most modern and state-of-the-art machinery including WHR and captive power plant.	Efficient machinery enables the company to operate with 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
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.
Growth of Cement industry	Relationship capital, Manufactured capital	Expected growth in Cement industry owing to CPEC, PSDP and low housing projects announced by the Government	The company has regularly invested in its production facilities to furnish the production/supply demand to materialize potential growth.

Assessment of Risks of Liquidity, Debt Repayments, Capital Structure Adequacy, Business Model and Future Prospects

In connection with the risk and opportunities pertaining to the Cherat Cement Company Limited, the Board's efforts for determining level of risks, the Board's statement regarding robust assessment of risks, information about liquidity, debt repayments, default in payment of any debt, inadequacy in capital structure and future prospects have been covered in the Directors' Report. However, the Business Model have been covered in a separate section of this report.

Materiality Approach

The Board of Directors of Cherat Cement Company Limited 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

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Notice of Annual General Meeting

Notice is hereby given that the

39th Annual General Meeting

of the Company will be held on Tuesday, October 27, 2020 at 11:30 a.m. at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa to transact the following businesses:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2020 with the Directors' and the Auditors' Reports thereon.
2. To appoint Auditors for the year 2020/21 and to fix their remuneration.
3. To transact any other business with the permission of the chair.

SPECIAL BUSINESS

4. To consider and approve the following resolution as a 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 39 of the Financial Statements during the year ended June 30, 2020, 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, 2021."

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 26, 2020

Notes:

1. The register of members of the Company will be closed from Wednesday, October 21, 2020 to Tuesday, October 27, 2020 (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 Tuesday, October 20, 2020 will be treated in time.
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. Shareholders are hereby reminded that 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.cdaccess.com.pk>.
7. With reference to S.R.O. 787(I)/2014 dated September 8, 2014 issued by SECP; shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent to the Company's Head Office to update our record if they wish to receive Annual Audited Financial Statements and Notice of 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.
8. Members can also avail video conference facility, in this regard, please fill the following and submit to the 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 27, 2020. The approval of the Members of the Company will be sought for:

During the financial year ended June 30, 2020 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. 39 of the Financial Statements for the year ended June 30, 2020 and further to authorize the Board of Directors to conduct transactions with related parties or associated companies for the year ending June 30, 2021.

Party wise breakup of transactions as disclosed in Note no. 39 of the Financial Statements for the year ended June 30, 2020 is given below:

Name of Related Party	Nature of Transaction	(Rupees in '000)
Cherat Packaging Limited	Purchase of packing material	2,102,903
Cherat Packaging Limited	Sale of goods	356
Cherat Packaging Limited	Dividend received	7,097
Cherat Packaging Limited	Dividend paid	4,843
Mirpurkhas Sugar Mills Limited	Purchase of fixed assets	2,000
Mirpurkhas Sugar Mills Limited	Dividend paid	5,770
Faruque (Private) Limited	Purchase of raw material	204,349
Faruque (Private) Limited	Dividend paid	38,267
Greaves Pakistan (Private) Limited	Dividend paid	2,199
Greaves Airconditioning (Private) Limited	Purchase of fixed assets	4,304
Zensoft (Private) Limited	IT support charges	20,898
Zensoft (Private) Limited	Dividend paid	23
Jubilee General Insurance Company Limited	Insurance premium paid	60,387



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 44 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, Agha Steel Limited and Pakistan Cables Limited. His association with the Ghulam Faruque Group dates back almost 39 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 29 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.

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 Cherat Cement Company Ltd., Greaves Airconditioning (Pvt.) Ltd., Greaves CNG (Pvt.) Ltd., Greaves Engineering Services (Pvt.) Ltd., Madian Hydro Power Ltd. and Mirpurkhas Energy 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

The outbreak of COVID-19 has caused major disruptions on the economic activity worldwide. Pakistan's economy was also affected by the pandemic as it ended the year with a negative growth of 0.4% for the year 2019-20. Unlike other sectors, the cement industry was moderately impacted by COVID-19. Although domestic dispatches of the industry declined by 1% during the year, exports registered a growth of 20%. On an overall basis, cement dispatches of the industry registered a growth of 2% over last year.

In its effort to revive the economic activities in the country and generate employment, the government took several steps including monetary and fiscal measures such as reduction in discount rates, payroll financing, announcement of construction package etc. Furthermore, the government also presented the federal budget 2020-21 without imposing any new taxes.

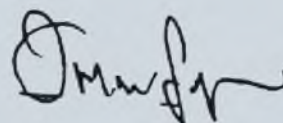
During the year 2019-20, there has been a 35% increase in the aggregate cement dispatches of your company as it benefited from availability of higher production capacity for the entire year following the commissioning of Cement Line III in January 2019. Local sales of the company increased by 36% and export sales to Afghanistan rose by 32%. Exports to Afghanistan, which had the potential to be much higher, were affected by the closure of border due to emergence of COVID-19 in March 2020.

I would like to report that the Board of Directors has performed its duties and responsibilities diligently and has made positive contributions in guiding the company in its strategic affairs. In today's volatile macroeconomic environment, it has focused on major risk areas and remained involved in the strategic planning process of the company. The Board recognizes that well defined corporate governance processes are important to preserve and enhance stakeholder value. All Directors including Independent Directors, fully participated and contributed in the decision making process of the Board. The Board carried out its annual self-evaluation in line with the requirements of Code of Corporate Governance.

Despite challenging conditions, the outlook for the cement industry looks promising due to the launch of construction work on dams and low-cost housing projects. Furthermore, announcement of the construction package is also expected to drive the sales of the industry. Your company is also ideally placed to benefit from improvement in situation in Afghanistan, which will lead to reconstruction activities in the country.

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 a quality product.

I would like to extend my appreciation to employees, customers, suppliers, bankers, Board of Directors, and shareholders for their commitment and hard work.



Omar Faruque
Chairman

Karachi: August 26, 2020



Directors' Report to the Members

For the Year Ended June 30, 2020

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, 2020.

OVERVIEW

The outbreak of COVID-19 pandemic has had a major impact on global economy including Pakistan. Economic activities, which were already facing a slowdown before COVID-19, came to a standstill because of the imposition of countrywide lockdown. While most industries were severely affected by COVID-19, the impact on cement industry was fortunately not as severe. To mitigate the adverse impact of COVID-19, the government and State Bank of Pakistan introduced various relief measures to support businesses. While a reduction in discount rates, and announcement of the Government's Construction Package are a positive development, the most significant impact is likely to come from the SBP's directive to banks to increase the share of housing finance in their loan portfolio. These initiatives are expected to revive the economy and provide a boost to the construction activities in the country.

During the year under review, the cement industry was hampered by subdued demand, rising costs, and lower prices. For the year 2019/20, cement dispatches of the industry recorded a growth of only 2% over the previous year. During this period, domestic dispatches declined by almost 1%, but exports recorded a remarkable growth of approximately 20%. The increase in exports is mostly attributable to rise in export of clinker by sea. However, despite closure of the Afghanistan border in the last quarter, following the outbreak of COVID-19, exports to Afghanistan increased by 10% over last year.

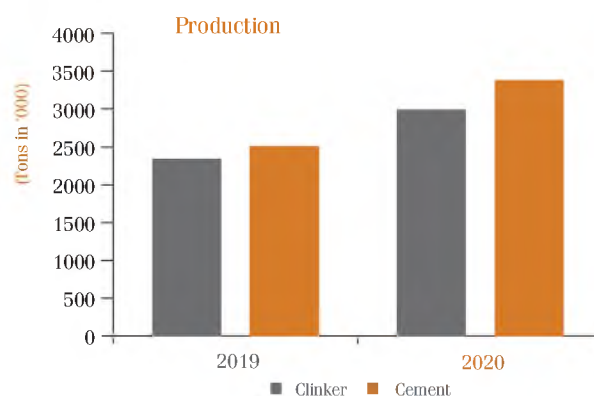
BUSINESS REVIEW

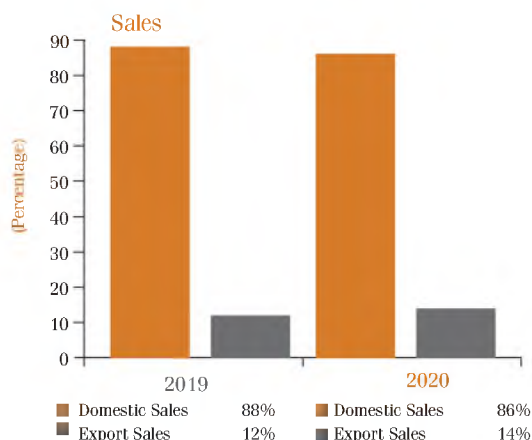
Year 2019/20 was an extremely challenging year for the company due to the emergence of COVID-19 pandemic. To mitigate the risk posed by the virus, the company took several measures to ensure the wellbeing and safety of its employees and continuity of its business. Detailed review of the business activities and performance during the year is explained ahead.

PRODUCTION & SALES REVIEW

Comparative production and sales figures are provided as under:

	2020	2019
	(in tons)	
• Clinker production	2,988,489	2,338,024
• Cement production	3,382,277	2,509,031
• Domestic sales	2,903,768	2,135,528
• Export sales	473,711	357,895
Total sales	3,377,479	2,493,423





The year 2019/20 marked the first full year for the company following the commissioning of Cement Line III. On the back of availability of higher production capacity, cement dispatches of the company increased by 35% from last year. During the year, local dispatches of the company increased by 36% and export sales to Afghanistan rose by 32%. If not for temporary closure of Afghan border due to outbreak of COVID-19, volume of sales to Afghanistan would have been much higher. Although the border was opened by the government in May 2020, dispatches remained affected due to congestion at the border.

FINANCIAL PERFORMANCE

While sales volumes increased by 35%, the company's turnover in rupee terms rose by only 8% over the corresponding period last year. This was due to decline in the selling price of cement owing to market conditions. During the period, there was also an increase in cost of input items like electricity. However, due to cost saving measures including availability of gas, the company was able to efficiently manage its cost of production. Furthermore, the company also benefitted from better absorption of fixed costs. There was a sharp increase in finance cost from the corresponding period last year due to the long-term loan for the new cement line and higher mark-up rates for the year.

For the year ended June 30, 2020 the company has made an after-tax loss of Rs. 1.89 billion mainly due to a lower selling price and higher finance cost. Summarized performance of the Company for the current year as compared to last year is as follows:

	2020	2019
	(Rs. in million)	
Net sales	17,090.15	15,862.65
Cost of sales	16,703.67	12,979.53
Gross Profit	386.48	2,883.12
Expenses & taxes	2,279.59	1,120.36
Net (Loss) / Profit	(1,893.11)	1,762.76

DIVIDEND

Taking into consideration the loss after tax for the year 2019/20, the Board of Directors at its meeting held on August 26, 2020 decided against declaring a dividend for the year.

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. Following the outbreak of COVID-19, the company reached out to the poor segments of society and provided necessary support. Furthermore, it contributed to various reputable charitable institutes and will continue to do so as it envisions a better environment, a better economy, and a better Pakistan.

SAFETY, HEALTH AND ENVIRONMENT

Consequent to the outbreak of the disease, several measures have been taken by your company including strict implementation of protocols on health and employee safety to ensure all staff members are protected as best possible from this virus. In this regard, the company remains compliant with relevant laws and regulations. Safety of workers remains a top priority for the company. The company has a firm policy on the health and safety of its people. Personal protection equipment was provided to all levels of staff and steps like social distancing, contact tracing, random testing etc. were introduced by the company to ensure the wellbeing of employees and ensure continuity of business. The company also conducted COVID-19 tests of its staff as appropriate at its cost and allowed them to work from home.



CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the company contributed over Rs. 10 billion to the government treasury in the form of taxes, duties and other levies.

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 the 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 occur 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 funds as on June 30, 2020.

Provident Fund	Rs. 992 million
Gratuity Fund	Rs. 358 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 3
 - i. Mr. Omar Faruque
 - ii. Mr. Akbarali Pesnani
 - iii. Mr. Arif Faruque
- c. Executive Directors 2
 - i. Mr. Azam Faruque
 - ii. Mr. Yasir Masood

- 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	4
Mr. Azam Faruque	5
Mr. Akbarali Pesnani	5
Mr. Arif Faruque	5

Name of Directors	Meetings Attended
Mr. Asif Qadir	5
Mr. Abrar Hasan	5
Mrs. Zeeba Ansar	5
Mr. Yasir Masood	5

- 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	4

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

Name of Directors	Meetings Attended
Mr. Abrar Hasan	1
Mr. Azam Faruque	2
Mr. Omar Faruque	2

- Pattern of shareholding is annexed with the report
- Loss per share during the year was (Rs. 9.74) compared to Earnings per share of Rs. 9.07 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. The detail of Directors' remuneration is disclosed in Note 38 of the Financial Statements for the year ended June 30, 2020.

ANNUAL EVALUATION OF PERFORMANCE

As part of the Code of Corporate Governance, the annual evaluation of the Board of Directors, Committees and Individual Directors is carried out by the company. In this regard, the company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

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, 2019. 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 an 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. 7.77 million following the approval of the shareholders. The government has, so far, not notified the tariff for the project.



RISK AND OPPORTUNITIES

• Risk Management

The Board of Directors 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 foreseeable risks to the business. These strategies were enforced throughout the hierarchy of the company under the supervision of the Audit Committee to ensure that no gaps remained in risk mitigation.

• Risk Assessment

The Board of Directors has carried out thorough assessments of both internal and external risks that the company might face. Businesses face numerous uncertainties that might pose threats to its objectives and if not addressed may cause preventable losses. Energy costs makes up a major portion 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 along with pet coke. 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 and has obtained a gas connection for the plant. Furthermore, it is also installing solar power project. 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 Afghan border and the brand value of Cherat within Afghanistan has helped us retain our position as top exporter of cement to Afghanistan.

• Debt Repayment

The Company has always paid of all its due debts on time. During the year 2019/20, the State Bank of Pakistan allowed companies the defer principal payment of their long-term loans falling due within a year to help them overcome the financial impact of COVID-19. The company has availed the principal deferment facility for the syndicated long-term finance for line - II and syndicated long-term finance for line - III offered by the State Bank of Pakistan. Under this facility, the principal repayments of both the loans falling due in the financial year 2020-21 amounting to Rs. 2,050 million in total have been deferred for one year and repayments will restart from the financial year 2021-22. However, servicing of the markup/profit will not be affected. Such deferment will not affect the credit history of the company and accordingly will not be reported in the Electronic Credit Information Bureau (eCIB) as restructuring. As per the terms of the deferment, the company cannot pay dividend during the term of deferment except by paying the deferred principal amount or with the specific approval of the concerned banks. Current maturities of other loans have also been shown here. Furthermore, the company has also obtained wage financing scheme offered by State Bank of Pakistan at extremely competitive interest rates.

• Capital Structure

Due to recent expansion of plant capacity carried out by the company, its current debt to equity ratio is approximately 3:2. During the year, the current debt to equity ratio declined. 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

Businesses have suffered globally due to the outbreak of COVID-19. Given the nature of this disease, the future market outlook remains highly uncertain. Nevertheless, the announcement of construction package, the decline in discount rates, and the SBP policy directive to banks on housing finance may have a positive impact on the demand for cement.

We would also like to appreciate the measures taken by the government in the recent Federal Budget including reduction in rate of excise duty on cement. Commencement of construction works on dams and housing projects along with measures mentioned above by the government if implemented efficiently is expected to enhance the construction activities in the country, which will enhance the demand for cement in the

country. Furthermore, political situation in Afghanistan is also moving towards a peaceful settlement, which shall lead to a start of reconstruction activities in the country, thereby boosting the demand for cement. Your company is well positioned to benefit from increase in demand for cement both in Pakistan and Afghanistan due to its ideal location and availability of production capacity. That being said, uncertainties due to COVID-19 remain and it is difficult at this early stage to say with any degree of clarity that the economic conditions will improve.

In order to mitigate the risk of rising energy costs, and the company's decision to replace fossil fuel with renewable energy as much as possible, the company is installing solar panels at the factory. Furthermore, the company has also started receiving cheaper electricity under Wheeling Regime Energy Purchase Agreement from Pakhtunkhwa Energy Development Organization (PEDO). In these highly uncertain times, your company is closely monitoring the situation and will take necessary measures to safeguard the interests of its stakeholders.



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 a 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

A handwritten signature in black ink, appearing to read 'Omar Faruque'.

Omar Faruque
Chairman

A handwritten signature in black ink, appearing to read 'Azam Faruque'.

Azam Faruque
Chief Executive

Karachi: August 26, 2020

Annual Evaluation of Board, Chief Executive Officer (CEO), 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.

In addition, a separate evaluation questionnaire for Chief Executive has also been developed for his performance. The performance evaluation of the CEO is carried out by all the Directors.

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.

The Company has engaged M/s. Grant Thornton Anjum Rahman, Chartered Accountants to ensure transparency of the process.

Directors' Orientation and Training

All the Directors of the Company are well experienced and have diverse backgrounds. At the time of induction of any new director, he or she is given proper orientation about the operations of the Company and his or her fiduciary responsibilities. The Company had also arranged an in-house Directors' training program to apprise the directors of their authorities and responsibilities. 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).





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 housewives. The Company regularly interacts with all categories of shareholders, through Annual General Meeting, Extraordinary General Meeting, regular corporate / investor briefings etc. The Company had also arranged corporate briefing session at Pakistan Stock Exchange, etc. The Chief Financial 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

The Company 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. **Implementations of HSE:** the Company has developed and implemented aggressive HSE strategies at its Plants to ensure proper safety of its people and equipment.
- b. **Dissemination of the 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.
- c. **Integrated Reporting Framework:** 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.
- d. **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.

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 corporate, details of which are available in the Directors' Profiles section.

Independent Directors

The Company 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 and 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.

Keeping in view of the COVID-19 pandemic, various Board meetings were conducted through video conference.

External Search Consultancy

Being a good corporate governance the company believes and undertakes a formal process of external consultancy for the performance of the Board.

Related Parties

As required under fourth schedule of the Companies Act, 2017, detailed disclosures regarding related party transactions have been presented in note 39 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.

Approval of the transactions from the shareholders is obtained at the Annual General Meeting.



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.

Directors are kept informed and updated

To keep update to the Directors with major amendments and changes in applicable relevant laws.



IT Governance Policy

The Company 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.

The Company'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.



Information Systems Security Policy

OBJECTIVE

The objective of Information Security is to ensure continuity of business of the company and to minimize business damage by preventing and limiting the impact of security incidents.

POLICY

1. The purpose of the Policy is to protect Company information assets from all threats, whether internal or external, deliberate or accidental. These assets relate to information stored and processed electronically.
2. It is the Policy of the company to ensure that:
 - a. Information will be protected against unauthorized access.
 - b. Confidentiality of information will be assured by protection from unauthorized disclosure or intelligible interruption.
 - c. Integrity of information (its accuracy and completeness) will be maintained by protecting against unauthorized modification.
 - d. Regulatory and legislative requirements will be met, including record keeping, according to Information Security Management System standard.
 - e. Disaster Recovery Plans will be produced, maintained and tested, to ensure that information and vital services are available to Company when needed.
 - f. Information on security matters will be made available to all staff.
 - g. All breaches of information security, actual or suspected, will be reported to and investigated by the Information Security Officer / Internal Audit.
3. Standards will be produced to support the policy. These standards will include regulations, guidelines and procedures covering matters such as (not limited to) data security, backup, virus control and passwords.
4. Business requirements for the available of information and information system will be met.
5. The role and responsibility for managing information security will be assigned to a designated Information Security Officer / Internal Audit.
6. The information Security Officer / Internal Audit will be responsible for maintaining the Policy and providing advice and guidance on its implementation.
7. All managers are responsible for implementing the Policy within their business areas, and for adherence by their staff.
8. It is responsibility of each employee to adhere to the Policy.



Social and Environmental Responsibility Policy

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

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

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



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 vis-a-vis leadership.
- On-going coaching / rotation / training and developmental plans are in place to bring out best in class talent for succession.
- To deep reach successors at all levels, upward mobility is a pre-requisite in the hiring programme.

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.



Safety of Records Policy

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

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



Conflict of Interest Policy

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

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

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

Management of Conflict of Interest

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

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



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 of 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.



Insider Trading Policy

The Company 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:

1. No trading in the securities of the Company is permitted for directors and all employees who are "Executives" as defined in the relevant laws within the Closed Periods announced by the Company.
2. 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.
3. 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.
4. 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.

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 & 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 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 person 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:

- (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 Transaction

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 of Directors ("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 Record

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, 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 of 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 the Companies Act, 2017 or statutory enactments, rules shall prevail over this policy.

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.

Business Continuity and Disaster Recovery Plan

Introduction

The concept of Business Continuity Planning has over the past few years, become a major business management requirement.

Business Continuity Planning is a process used to develop a practical plan for how a business could recover or partially restore critical business activities within a predetermined timeframe after a crisis or disaster. The resulting plan is called a Business Continuity Plan.

Business Continuity Plan

Manufacturing Facilities

Manufacturing facility of the Company is in Nowshera, KPK Province of Pakistan. The Company's manufacturing facility is a state of the art construction and the structure is earthquake proof. The building is fire resilient and is fully equipped with modern firefighting equipment. It also meets HSE requirements at all levels. Despite of all these arrangements, insurance coverage is made at the maximum level. In case of any natural disaster, the company would be able to recover its financial loss through insurance coverage. Hence, partial loss would not affect the company operations. Moreover, other locations of the Group are available as alternate locations therefore; interruptions, if any, can be managed.

Identification of Potential Issues and the Plan Update

Potential issues are identified and updated from time to time to have an up to the mark solution for the anticipated problems. For such identification, independent studies are conducted and drills are carried out. Plans are updated based on the results of the studies and drills.

Disaster Recovery Plan and IT Infrastructure

The Company has its production server facility at PTCL Karachi with backup server facility at Lahore. In case of any disaster, the company would be able to continue its operations smoothly. Availability of servers at such distant locations enables the Company to perform its IT functions without any glitches in case of any infrastructural damage at any one location. Moreover, the company has multiple locations within Pakistan. Operations can be carried through all of the locations situated in Pakistan. During Lockdowns imposed by Government, in view of COVID-19, company's employees worked from home smoothly via VPN clients.

Marketing and Other Staff

Being a part of Ghulam Faruque Group, the company senior management is present throughout Pakistan and not at any one location. In case of any mishap, operations can be taken over and continued from any other location.

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.

Investor's 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.

Diversity Policy

The Company 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.

Independent Auditors' Review Report

To the members of Cherat Cement Company Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies
(Code of Corporate Governance) Regulations, 2019



EY Ford Rhodes
Chartered Accountants
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We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Cherat Cement Company Limited for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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. 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.

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 2020.

EY Ford Rhodes

Chartered Accountants

Date: 1 September 2020

Place: Karachi

A member firm of Ernst & Young Global Limited

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended June 30, 2020

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

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

- Male: 7
- Female: 1

- The Composition of board is as follows:

Category	Names
Independent Directors	Mr. Asif Qadir Mr. Abrar Hasan Mrs. Zeeba Ansar
Non - Executive Directors	Mr. Omar Faruque Mr. Arif Faruque Mr. Akbarali Pesnani
Executive Directors	Mr. Azam Faruque Mr. Yasir Masood
Female Director	Mrs. Zeeba Ansar

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

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

- The directors are well aware of their duties and responsibilities under the Code. Further following Directors and Executives attended Directors' Training program till June 30, 2020:

Name of Directors

Mr. Omar Faruque	Chairman
Mr. Azam Faruque	Chief Executive
Mr. Abrar Hasan	Director
Mr. Yasir Masood	Director

Name of Executive & Designation:

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

- The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- Chief Executive Officer and Chief Financial Officer duly endorsed the financial statements before approval of the Board.
- The Board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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

- 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

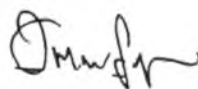
15. The Board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who is considered suitably experienced for the purpose and is conversant with the policies and procedures of the company.

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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

On behalf of the Board of Directors



Omar Faruque
Chairman



Azam Faruque
Chief Executive

Karachi: August 26, 2020

Chairman and Chief Executive

Offices of the Chairman and Chief Executive

Being a corporate governance compliant company, Cherat Cement Company Limited 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;

Role of 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.

Role of Chief Executive

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 2019-20, 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 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 mandates that the Board of Directors of the Company shall determine the Terms of Reference of the Human Resource and Remuneration Committee.

Human Resource and 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 2019-2020. 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

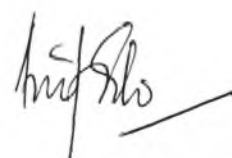
the basis of the said reports reviews the adequacy of controls and compliance shortcomings in areas audited and discuss corrective actions in the light of management responses. Regular follow ups of these reports are also taken. This ensures the continual evaluation of controls and improved compliance. 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, 2021 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 24, 2020

PANDEMIC RECOVERY PLAN

The COVID-19 crisis has been receiving a significant amount of attention in the country. During times of elevated concern, many businesses focus on the technological challenges, including the human capital considerations that will have the greatest impact on their ability to do business as usual.

COVID-19 is a global pandemic, which has affected the whole world and Pakistan is not an exception. Business and economic environment are severely adversely affected due to lockdown since March 2020. Cement and Construction sector was fortunate to be moderately affected in this situation.

A key element hereto are recovery plans, which aim at restoring economic viability under stress situation. We initiated the following ways to ensure sustainability of pandemic recovery plan effectiveness in our business environment:



A. FORMATION OF COVID RESPONSE TEAM

The Company formed a separate COVID Response Team, which included Key Management Personnel from all departments. The Key function of the team is to develop organization response, provide guidance, and monitor pandemic response implementation.

B. AWARENESS

One of the most important components of pandemic preparedness is ensuring that employees are educated on the facts and that the businesses is prepared to enforce strategies for avoiding the spread of the disease that has infected the employee base. Proper hygiene and encouraging sick personnel to remain at home are at the top the list of prevention tactics.





C. CROSS TRAINING

Ensuring that business functions can be performed in the absence of essential personnel is necessary for the successful continuance of operations. Cross training processes protects against single points of failure in knowledge in the event that the only person trained to perform a task is unavailable.

D. REMOTE CAPABILITIES

Planning for personnel to work from home can be an option during a pandemic episode. However, it is important that this recovery solution is thoroughly tested to ensure its viability. Several measures are integrated and implemented with respect to employees working environment including appropriate tools for users to work successfully from home and enough bandwidth to adequately support the number of remote users that may be necessary during different situations.

E. CRITICAL SUPPLIERS AND VENDORS

It is also important to remember that a pandemic outbreak could be widespread and not just affect a single business third party providers that are depended on for goods and services could also be affected. Therefore, incorporating backup plans for key suppliers and vendors must be a part of planning.

F. COMMUNICATION

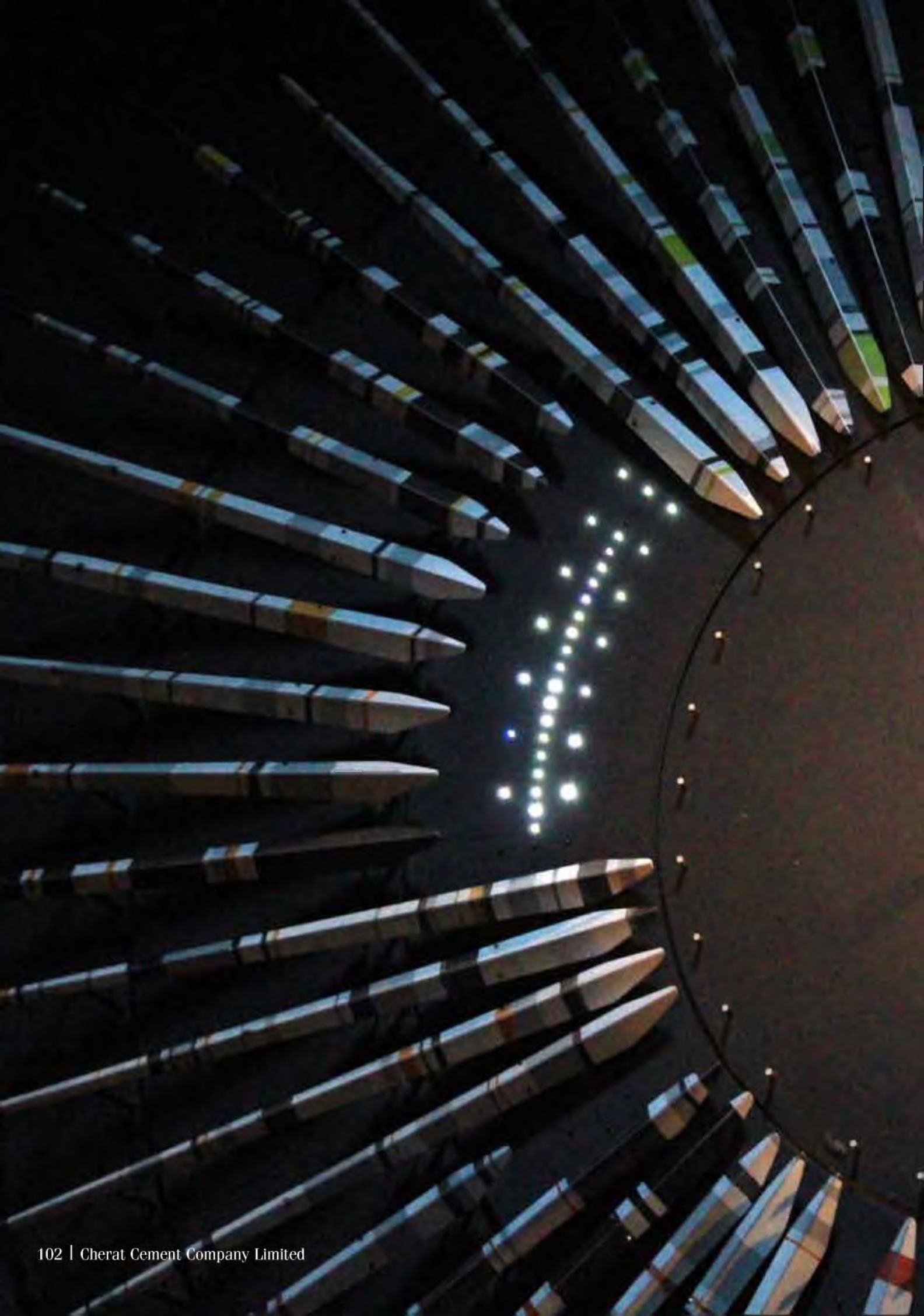
It is necessary to ensure that critical information can be exchanged so employees are kept abreast of any developments or changes in requirements as the situation progresses. We ensure that our organization has incorporated these focus areas into its planning and it assist in preparedness to respond to a pandemic.

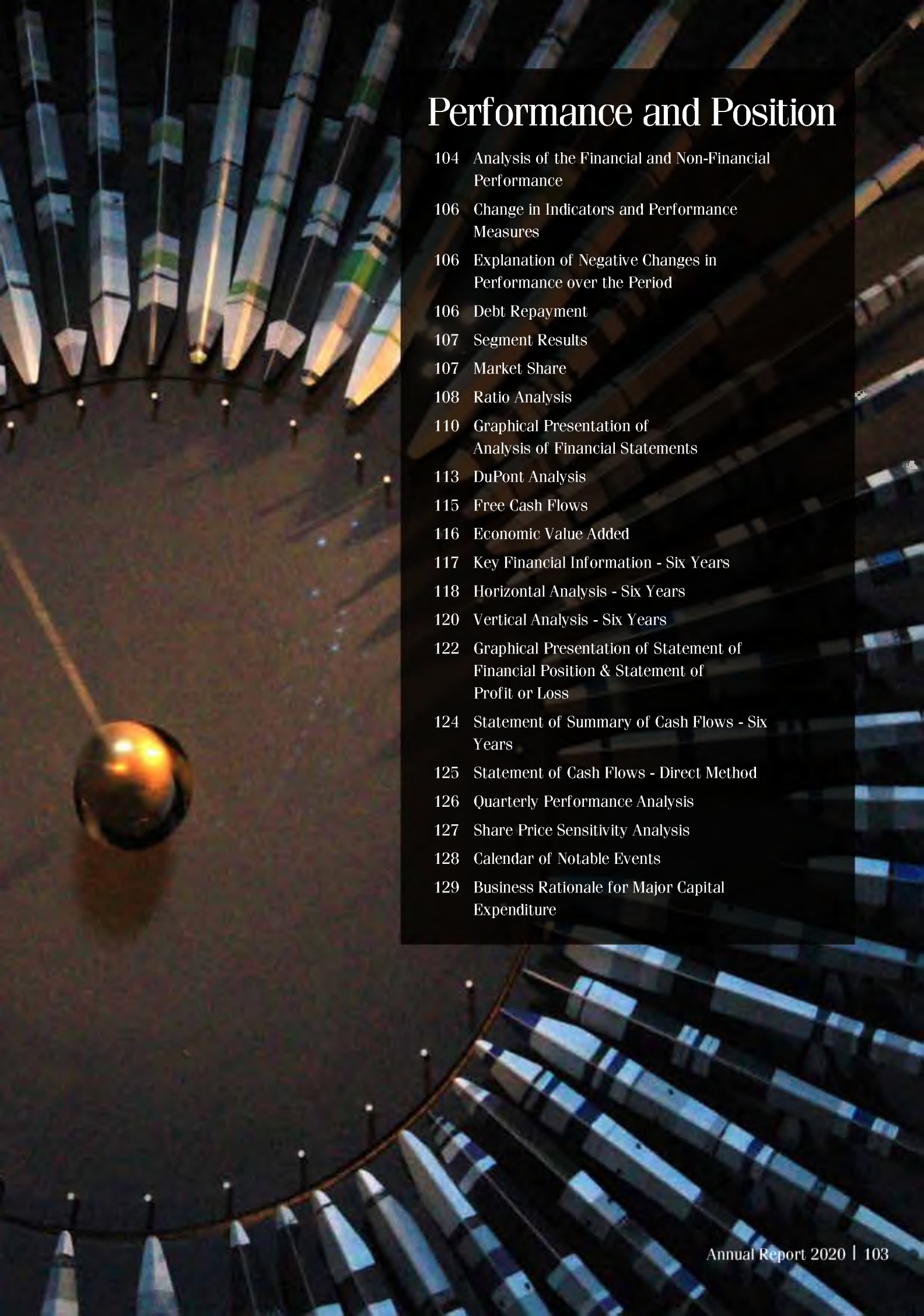
G. SPECIFIC PREVENTION MEASURES

All steps were taken for the health and safety of our employees at Head Office, Sales Offices and factory Site. Following basic Protective Measures taken against Corona Virus are as follows:

- Provide disinfectant at business premises
- Intensify e-meetings and teleworking
- Install disinfectant dispensers in the workplace
- Adjust personal/sick leave policies to enable employees to stay home when ill, undergoing COVID-19 testing, in quarantine (self-isolation)
- Post accessible signage to discourage employees/clients who are ill from entering the workplace/business setting
- Reinforce general practices to maintain physical distancing, such as avoiding greetings like handshakes
- Restricting Travelling within Head Office, Sales Offices and Factory Site
- Promote and facilitate 'respiratory hygiene'
- Oblige the clean desk policy







Performance and Position

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Analysis of the Financial and Non-Financial Performance

Financial Indicators:

Actual Results:

Despite slowdown in industrial activities in the country due to prevailing economic environment and reduction in PSDP allocation by the government, cement industry witnessed a growth of 2% during the year. While, local cement industry posted a negative growth of 1%, whereas export cement has shown a growth of around 20% during the financial year 2020. On the back of higher production capacity following the commissioning of Line III in January 2019, cement dispatches of the company increased by 35.46% whereas sales price decreased by 20.46%. Our local cement price remained under pressure and decreased significantly by Rs.1,547 per ton whereas export price increased by Rs.181 per ton. Hence, our average sales price decreased by Rs.1,301.77 per ton. Additionally, aforesaid decrease was partially off-set due to reduction in Cost of sales by Rs.259.91 per ton. In line with this, our Gross profit decreased from 1,156.29 per ton to Rs.114.43 per ton (decreased by Rs.1,041.86 per ton). Finance cost increased to Rs. 2,527 million from Rs.1,142.56 million as compared to corresponding year. During the year, the Company incurred after tax loss of Rs.1,893.11 million as compared to profit of Rs.1,762.76 million in corresponding year.

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

	2020	2019
	(Rupees in million)	
Net sales	17,090.16	15,862.65
Cost of sales	16,703.67	12,979.53
Gross profit	386.49	2,883.12
Expenses and taxes	2,279.60	1,120.36
Net (loss) / profit	(1,893.11)	1,762.76

In quantitative terms, total dispatches showed very hefty growth from 2,493,423 to 3,377,479 tons (i.e. by 884,056 tons) which is 35.46%. Further, cement export has shown a growth of around 32%.

	2020	2019
	(in tons)	
• Domestic sales	2,903,768	2,135,528
• Export sales	473,711	357,895
Total sales	3,377,479	2,493,423

Budgeted Results:

After incorporating all factors i.e. update budget assumptions, review bottlenecks, available funding, step costing points, obtain department budgets, obtain capital budget requests, manufacturing capacities etc. the budget of 2019-20 has been made. In this year, the Company has set sales volume, which was extremely challenging from the beginning and it became further difficult to achieve due to the outbreak of COVID-19 pandemic. Despite of all these, the Company ended very close to the budget as following:

	2020	2020
	Actual	Budget
	(in tons)	
Total sales volume	3,377,479	3,500,000

Actual vs budget figures under respective heads are as follows:

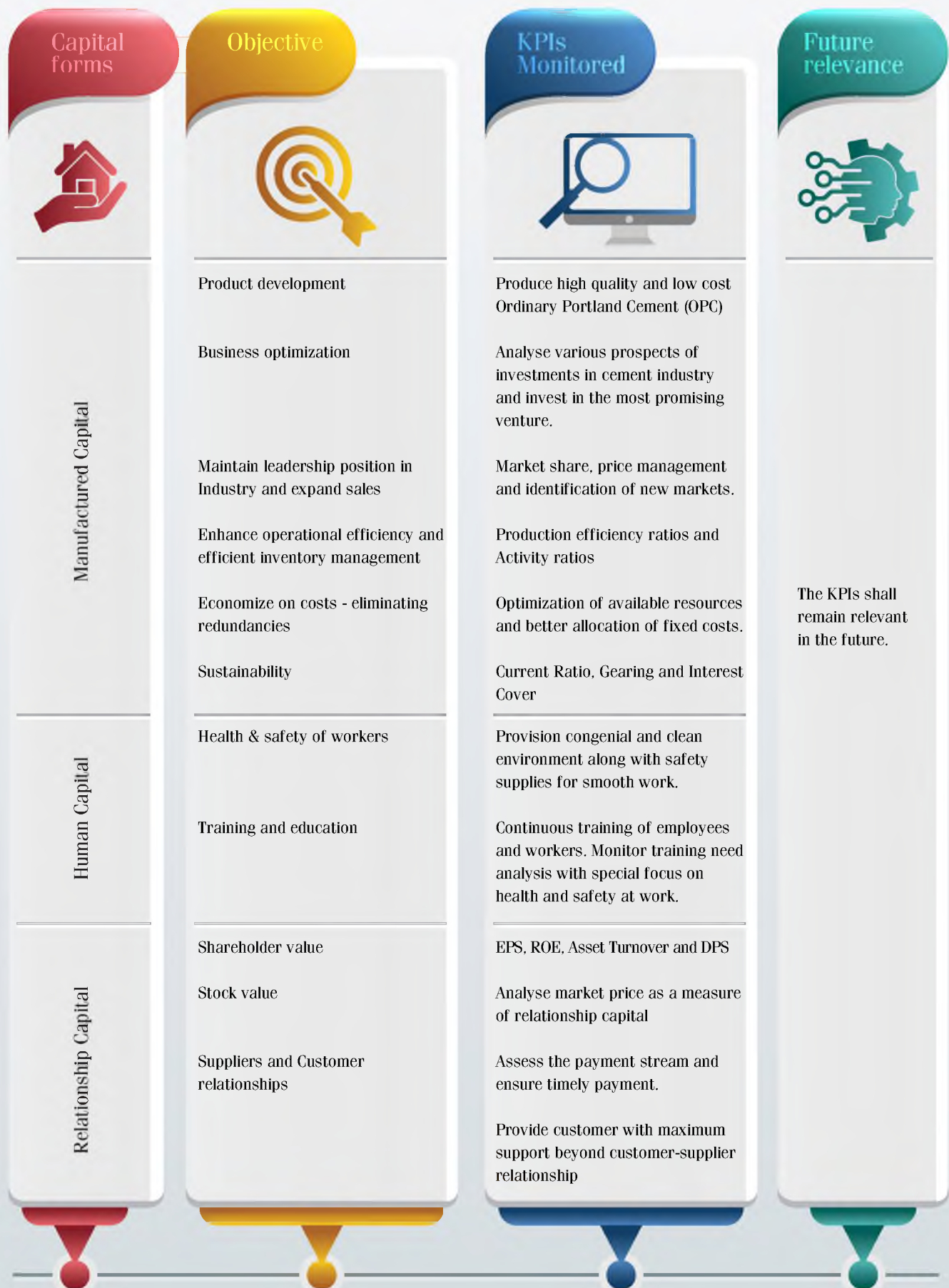
	2020	2020
	(Rupees in million)	
Net sales	17,090.16	22,410.00
Cost of sales	16,703.67	17,356.45
Gross profit	386.49	5,053.55
Expenses and taxes	2,279.60	4,036.13
Net (loss) / profit	(1,893.11)	1,017.42

The Company have healthy dividend payout history, however, no dividend was declared during the year due to Net Loss in line with the industry.

The Company intends to declare and distribute dividends following the achievement of Net Profit in subsequent periods and taking into consideration its liquidity position and the best interest of shareholders.

The Company has duly paid taxes, duties and other levies on timely basis without any overdue or outstanding of such payments and complied with applicable laws and regulations.

Non-Financial Indicators:



Change in Indicators and Performance Measures

Cherat Cement Company Limited 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 a critical key indicator for scaling market competitiveness with respect to size and capacity of the Company. 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 basic data available on the website of All Pakistan Cement Manufacturers Association our market share is around 8% because of our superior quality and commissioning of line-III. Cherat is the first choice of customers in most of the markets.

Financial Leverage:

Leverage is neither inherently good nor bad. Its resultant effect is based on the investment options selected by the company. It is used by a company to amplify its shareholders' return on investment by investing in projects whose returns exceed the cost of debts. Nonetheless, uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions on the company's ability to capitalize the opportunities. However, it is linked to the capital structure policy of a company.

The Company has a dynamic process of evaluating its financial leverage and keep it aligned to its capital structure policies. The Company focuses to take advantage of the opportunities at lower cost through effective negotiations with financial institutions. Following the back to back expansions, financial leverage of the Company now has significantly increased on one hand but on the other side, the Company has reached among the top 6 Cement producers in the country and also has Captive Power plant.

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 higher mark-up rates 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

The Company has no history of default in debt repayment. Instead, it has the practice to early settle its debts in order to improve capital structure and reduce costs. During the year, keeping in view the economic slowdown and existence of COVID-19 pandemic, the company has availed the principal deferment facility for syndicated long-term finance for line - II and syndicated long-term finance for line - III offered by the State Bank of Pakistan. Under this facility, the principal repayments of both the loans falling due in the financial year 2020-21 have been deferred for one year and repayments will be restarted from the financial year 2021-22. However, there are no amendments in servicing of the markup/profit. Therefore, deferment will not affect the credit history of the company and accordingly will not be regarded as restructuring in the eCIB.

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 basic data of All Pakistan Cement Manufacturing Association website.



Ratio Analysis

For the year ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Profitability Ratios:						
Gross Profit Ratio (percentage)	2.26	18.18	21.82	33.31	37.21	30.21
Net (Loss) / Profit Before Tax to Sales (percentage)	(15.93)	6.61	14.92	26.02	28.98	25.45
Net (Loss) / Profit to Sales (percentage)	(11.08)	11.11	14.82	20.28	19.85	19.62
EBITDA Margin to Sales (percentage)	9.14	22.59	24.98	35.16	33.55	30.23
Operating Leverage Ratio	(14.08)	(1.22)	(0.15)	0.79	2.89	(0.25)
Return on Equity (average in percentage)	(17.36)	15.38	19.71	19.96	16.37	19.99
Return on Capital Employed (percentage)	(6.91)	5.98	8.12	12.74	10.68	15.73
Liquidity Ratios:						
Current Ratio	1.14	1.31	1.72	1.78	1.11	2.74
Quick / Acid Test Ratio	0.92	1.05	1.46	1.40	0.94	2.18
Cash to Current Liabilities	0.01	0.00	0.01	0.02	0.01	0.02
Cash flow from Operations to Sales	0.21	0.09	0.18	0.02	0.33	0.25
Investment / Market Ratios:						
(Loss) / Earnings per Share (Before Tax)	(14.01)	5.39	11.05	12.92	10.56	8.60
(Loss) / Earnings per Share (After Tax)	(9.74)	9.07	10.97	10.07	7.23	7.29
Price Earnings Ratio	(8.95)	3.41	8.86	17.75	16.53	11.93
Price to Book Ratio	1.68	0.47	1.54	3.02	2.31	1.92
Dividend Yield Ratio	-	0.03	0.05	0.03	0.03	0.03
Dividend Payout Ratio	-	0.11	0.46	0.45	0.45	0.41
Dividend Cover Ratio	-	9.07	2.19	2.24	2.23	2.43
Cash Dividend per Share	-	1.00	5.00	4.50	3.25	3.00
Stock Dividend per Share (percentage)	-	10.00	-	-	-	-
Market Value per Share	- Closing	87.17	30.96	97.23	178.78	119.57
	- High	95.91	97.64	174.53	212.00	125.22
	- Low	24.63	29.70	88.50	118.31	80.30
Break-up Value per Share		51.74	66.56	63.26	59.23	51.75
Break-up Value per Share including the effect of all Investments		53.76	68.00	65.51	62.43	55.77
Break-up Value per Share including Investment in Related Party at Market Value		53.76	68.00	65.51	62.43	55.77
Capital Structure Ratios:						
Financial Leverage Ratio	1.99	1.75	1.44	0.61	0.46	0.03
Weighted Average Cost of Debt	0.13	0.09	0.06	0.07	0.06	0.10
Debts to Equity Ratio (percentage)	62.74	58.98	56.81	31.63	30.35	1.99
Interest Cover Ratio (Times)	(0.08)	1.92	7.02	14.33	47.93	45.15
Activity / Turnover Ratios:						
Total Assets Turnover Ratio	0.52	0.45	0.47	0.51	0.46	0.69
Fixed Asset Turnover Ratio	0.67	0.59	0.60	0.71	0.56	0.96
Inventory Turnover (Days)	24	28	26	33	30	33
Inventory Turnover (Times)	15	13	14	11	12	11
Debtor Turnover (Days)	38	34	31	17	-	-
Debtor Turnover (Times)	10	11	12	21	-	-
Creditor Turnover (Days)	16	11	12	18	18	19
Creditor Turnover (Times)	23	33	29	21	21	19
Operating Cycle	46	51	44	32	14	14

Comments on Ratios



Profitability Ratios:

Profitability ratios of the Company declined due to deteriorated economic conditions of the country. Major reasons include significantly low retention, higher fuel prices and packing material cost. Furthermore, rising interest rates caused the finance cost to surge, which resulted in lower net profit margins, returns on equity and capital employed. However, the government have announced various schemes to support the construction industry and the significant decline in interest rates in the last quarter of FY 2020 will contribute to improved profitability and operations in the following year.

Liquidity Ratios:

The Company's prudent working capital and liquidity management policies have resulted in decent liquidity position throughout the six years. The healthy position is due to continuous growth and expansion of operations for which sufficient liquidity position is required to backup the day-to-day working capital needs.



Investment / Market Ratios:

Investment / Market ratios are directly related to profitability ratios, which depicts negative earnings per share. Despite of negative ratios the share prices portrays a strong position of the company as compared to prior year. Therefore, the investment ratios itself are not predictive of the potential, strength, and growth of the Company.

Capital Structure Ratios:

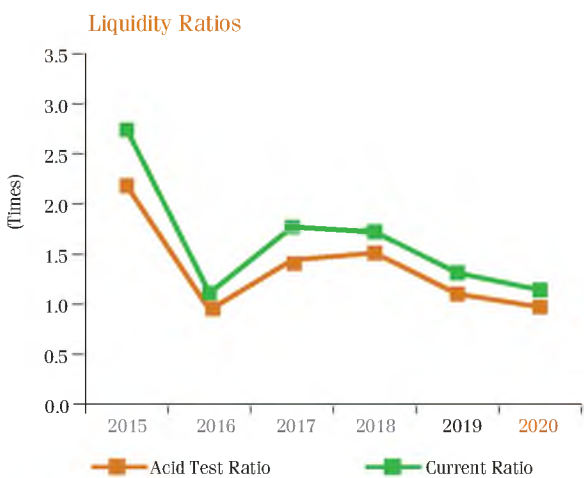
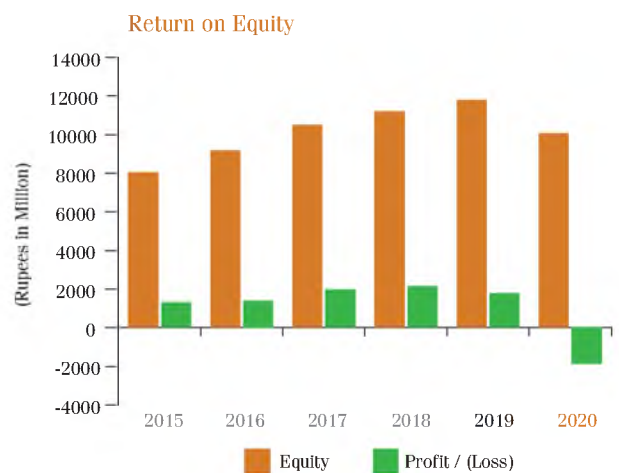
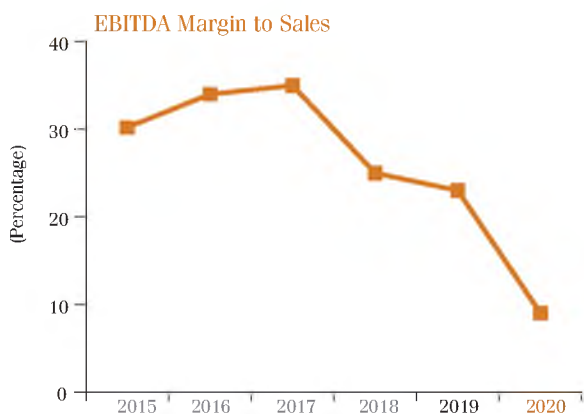
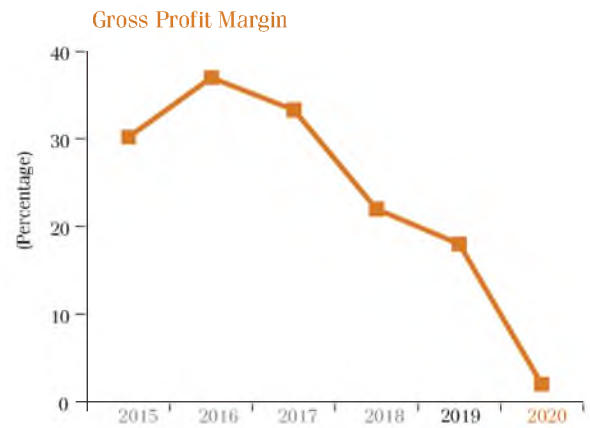
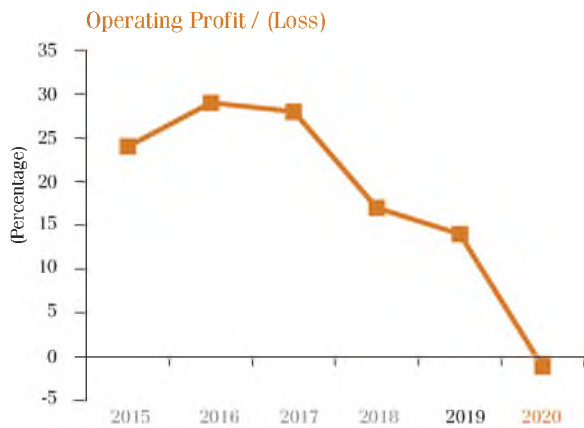
The Company maintains its capital structure to the optimum level by financing value projects through a blend of equity and long-term debts. All the capital expenditures were financed through economical long-term financings, which lead to higher financial leverage. However, due to surge in KIBOR rates, the interest cover depicts negative ratio. In the following year these ratios will significantly improve with the substantial slash in interest rates by the government in the last quarter of FY 2020.

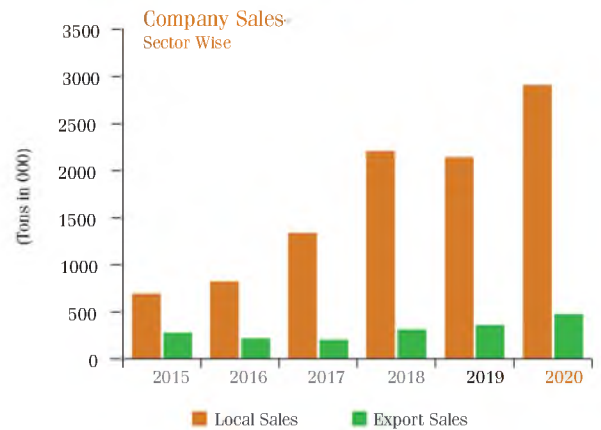
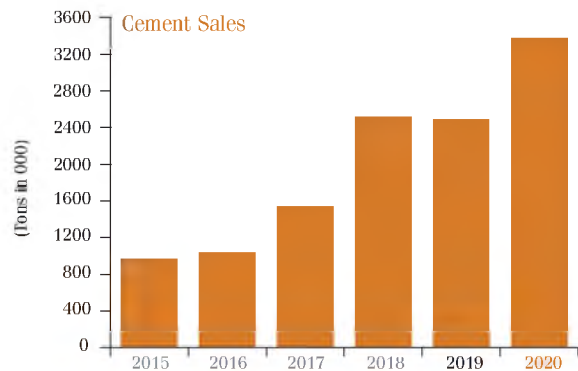
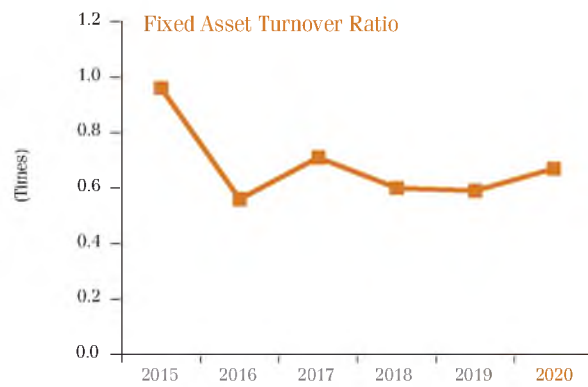
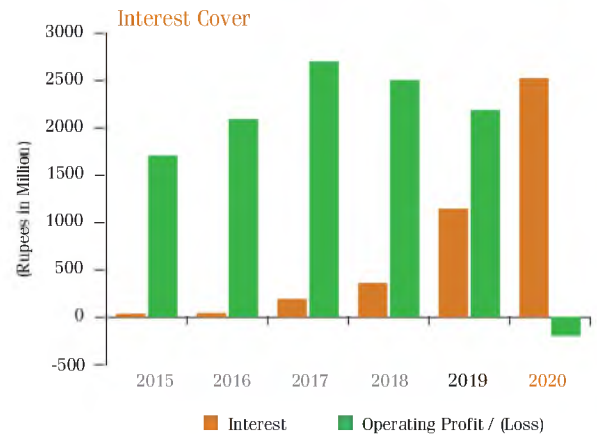
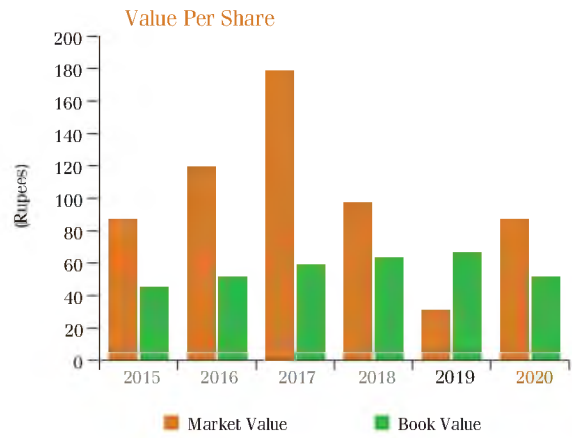


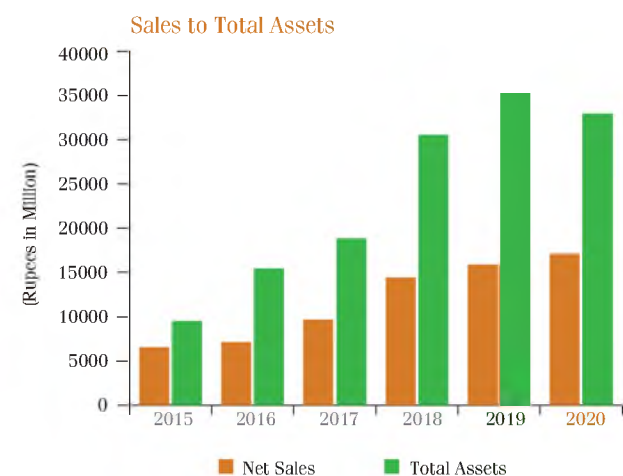
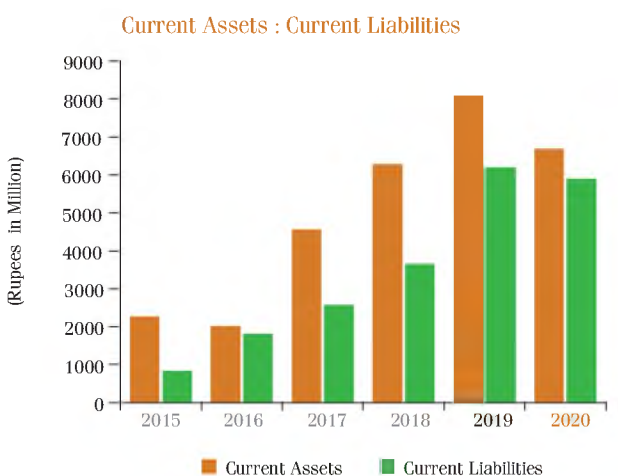
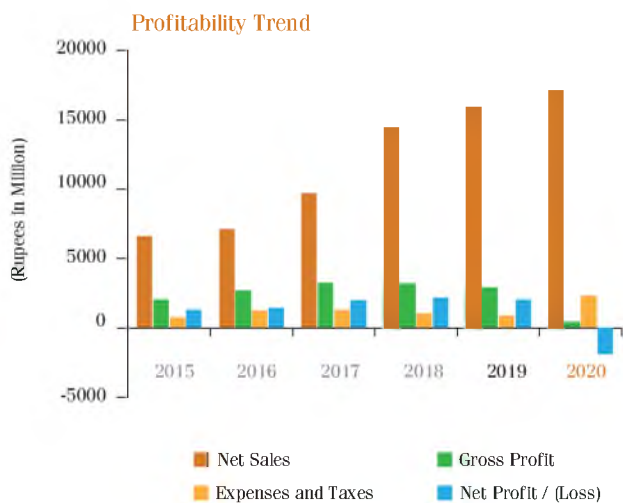
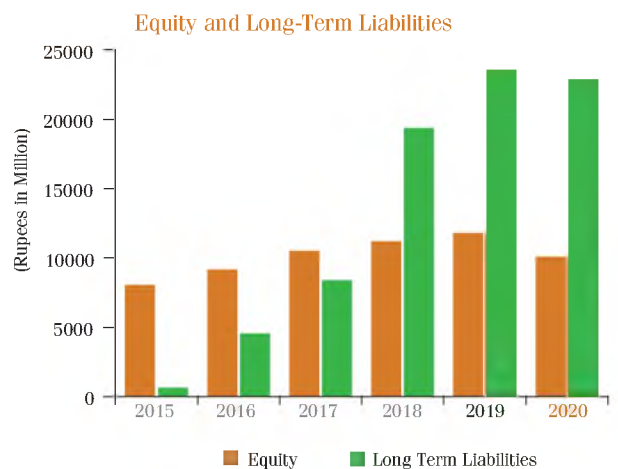
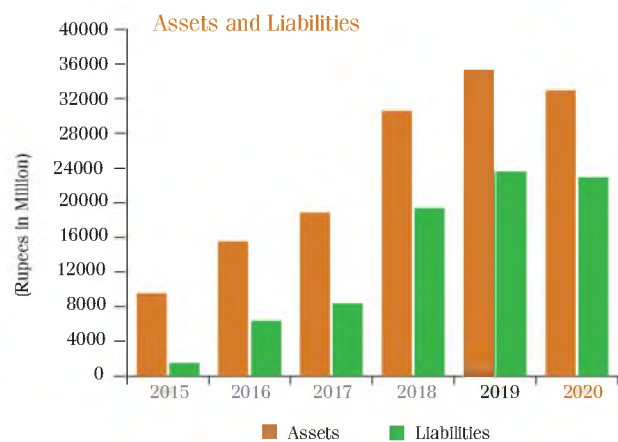
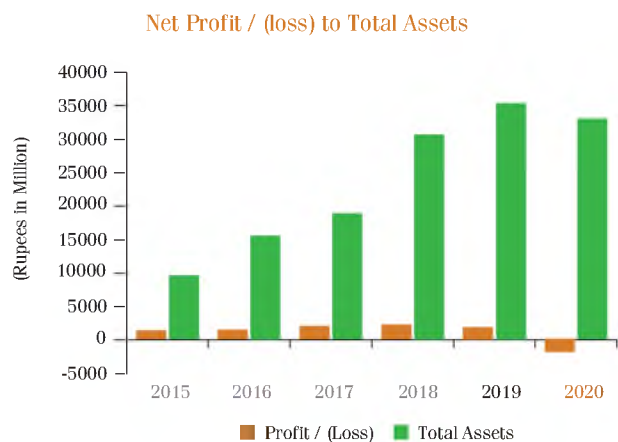
Activity / Turnover Ratios:

On an overall basis, the Company have improved its operating cycle from prior year, which portrays a strong picture of effective inventory, debtor and creditor turnover. The fixed assets and total assets turnover have also improved, which substantiates strong operating performance.

Graphical Presentation of Analysis of Financial Statements







DuPont Analysis

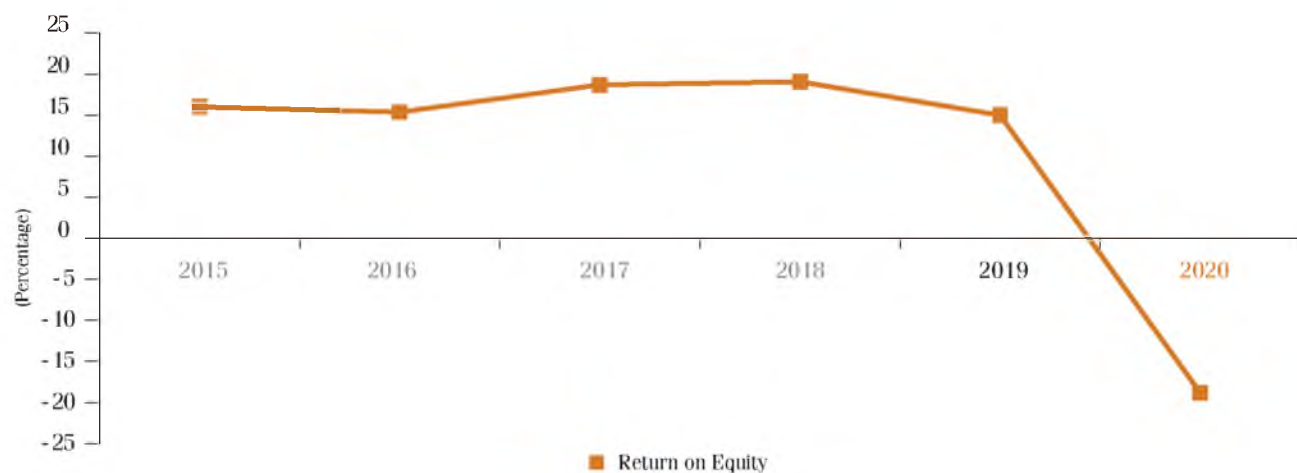
	2020	2019	2018	2017	2016	2015
Operating margin (%)	(1.15)	13.81	17.40	27.97	29.59	26.03
Asset turnover (times)	0.52	0.45	0.47	0.51	0.46	0.69
Interest burden / efficiency (%)	1391.06	47.84	85.76	93.02	97.91	97.79
Tax burden / efficiency (%)	69.53	168.24	99.29	77.96	68.50	77.08
Leverage (times)	3.26	3.00	2.73	1.80	1.69	1.18
Return on Equity (%)	(18.86)	15.00	19.01	18.70	15.37	16.00

Comments on DuPont Analysis

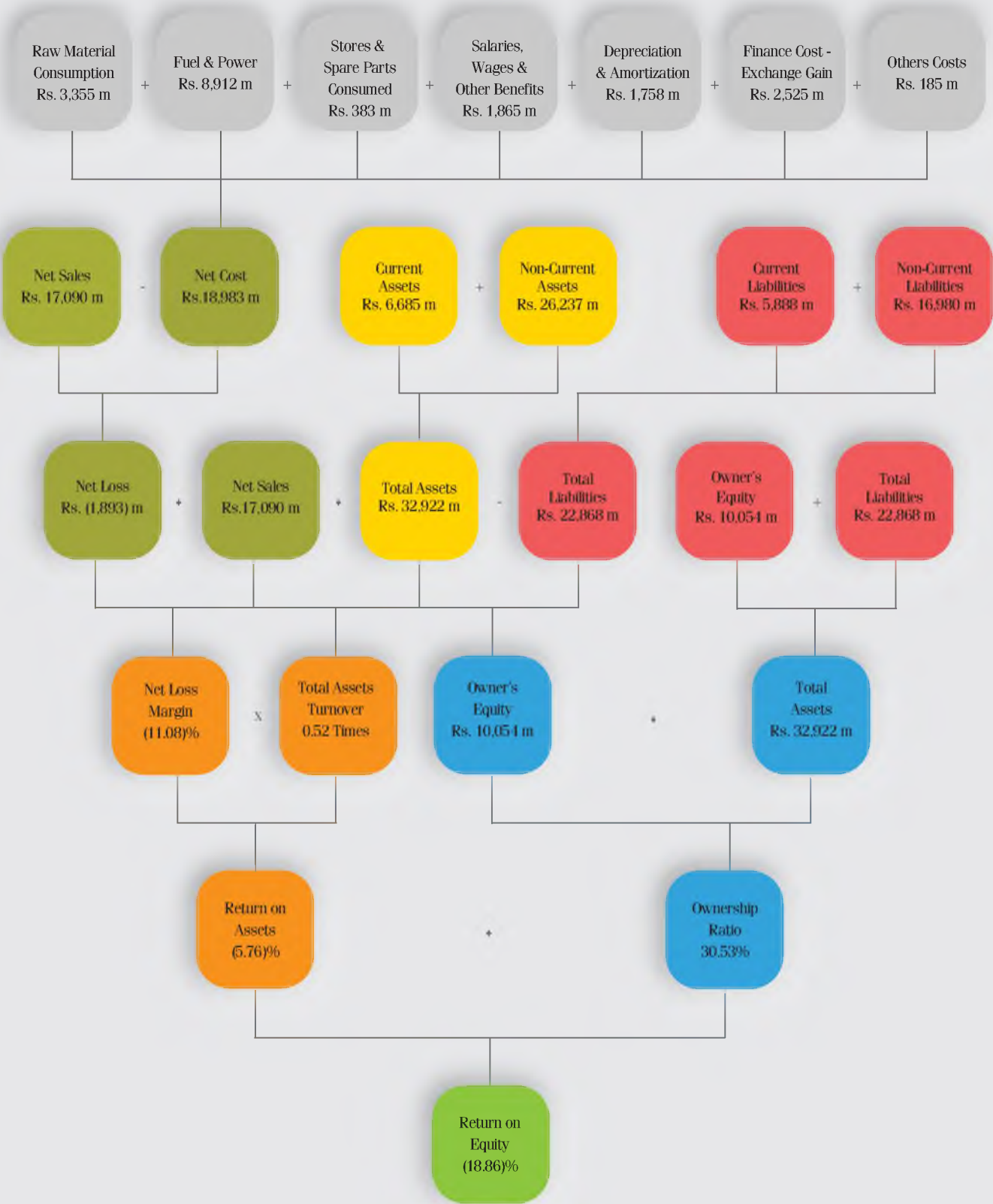
DuPont analysis is more comprehensive evaluation of Return on Equity (ROE) because it provides insights into the individual performance markers that drive a company's ROE.

The main reason of negative ROE is the negative operating margins of the Company. The factors that led to negative operating margins are increased input costs owing to overall increase in inflation of the economy, decrease in demand of cement causing decline in retention prices. It further worsened by increased interest rates due to highest KIBOR rate that prevailed in Pakistan. However, improved asset turnover and the efficiency of tax burden contributed to minimize these effects on ROE.

Graphical Presentation of DuPont Analysis



DuPont Chart



Free Cash Flows

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
(Loss)/ Profit before taxation	(2,722,727)	1,047,768	2,147,367	2,509,791	2,051,397	1,671,188
Adjustment for non-cash items						
Depreciation	1,754,452	1,389,264	1,086,046	689,913	277,202	273,217
Amortisation	3,756	4,278	3,804	2,987	2,711	2,610
Right-of-use asset	11,235	-	-	-	-	-
Gain on redemption of short-term investments	-	-	-	(2,186)	(10,986)	7,597
Gain on disposal of operating property, plant and equipment	(2,719)	(7,335)	(4,977)	(19,101)	(815)	(1,648)
Finance costs	2,526,997	1,142,559	356,585	188,215	43,708	37,855
Interest income on financial asset	(11,184)	-	-	-	-	-
Exchange (gain) / loss	(2,296)	35,635	9,890	1,540	1,054	322
Share of (profit)/ loss from joint venture	(80)	(32)	37	-	-	-
Dividend income	(7,097)	(19,832)	(20,160)	(21,973)	(14,578)	(7,090)
	4,273,064	2,544,537	1,431,225	839,395	298,296	312,863
Working capital changes	1,971,479	(2,176,806)	(918,379)	(3,144,694)	(43,582)	(313,104)
Net cash generated from operating activities	3,521,816	1,415,499	2,660,213	204,492	2,306,111	1,670,947
Capital expenditure	(313,679)	(3,931,779)	(11,171,332)	(1,547,620)	(6,112,136)	(3,747,516)
Free cash flows to the Firm	3,208,137	(2,516,280)	(8,511,119)	(1,343,128)	(3,806,025)	(2,076,569)
Net borrowing (repaid)/ raised	(557,456)	4,538,580	9,662,971	2,170,223	3,980,148	(52,623)
Interest payment	(2,476,255)	(1,392,386)	(373,746)	(231,943)	(30,202)	(71,512)
Free Cash Flows to Equity holders	174,426	629,914	778,106	595,152	143,921	(2,200,704)

Comments on Free Cash Flows to the Firm

Free cash flow to the firm (FCFF) denotes the investment ability of the Company; surplus cash after meeting its capital expenditure requirements. During the year, the Company manages a positive FCFF indicating that the Company has generated more cash than is used to run the business and reinvest it for business growth.

In previous years, the Company used the surplus cash to back its capital expenditures for expansions leading to negative FCFFs, however the expansions have been completed resulting to positive FCFFs.

Comments on Free Cash Flow to the Equity Holder

Free cash flow to equity (FCFE) is the amount of cash the Company generates that is available for shareholders distribution. FCFE has been fluctuated due to expansions of Line II and Line III over the years. During the year it has been affected mainly due to finance cost and COVID-19.

Graphical Presentation of Free Cash Flows to the Firm & Equity Holder



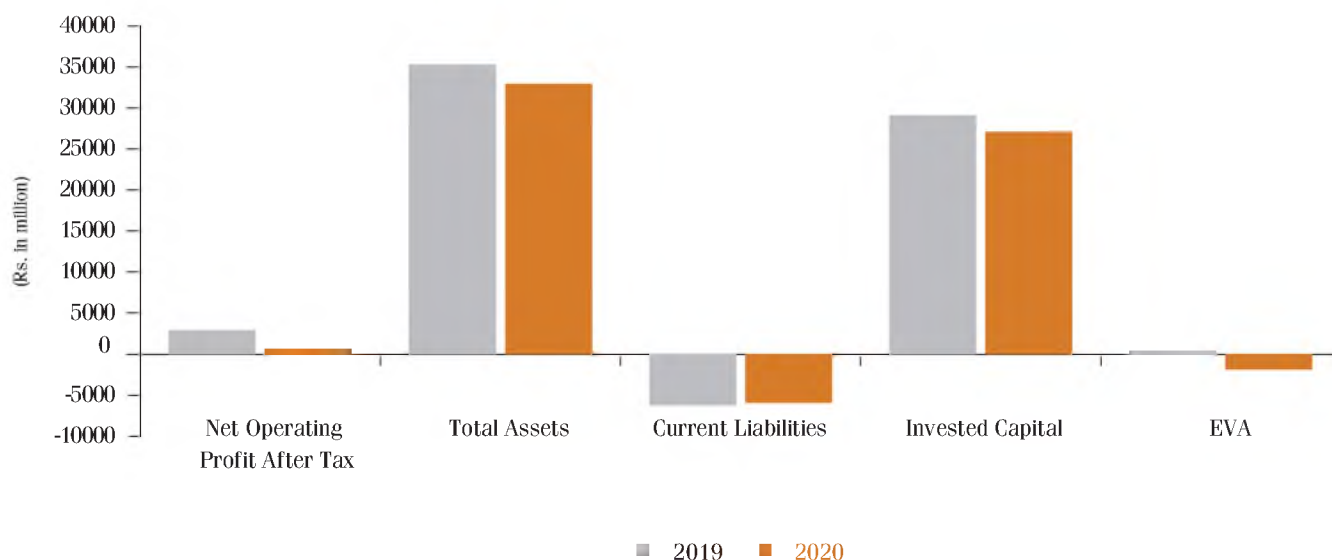
Economic Value Added

	2020	2019
	(Rupees in '000)	
Net Operating Profit After Tax	633,889	2,905,322
Cost of capital	(2,533,031)	(2,373,230)
Economic Value Added	(1,899,142)	532,092
Cost of Capital		
Total Assets	32,921,845	35,279,827
Current Liabilities	(5,888,431)	(6,196,128)
Invested Capital	27,033,414	29,083,699
Weighted Average Cost of Capital (%)	9.37%	8.16%
Cost of capital	2,533,031	2,373,230

Comments on Economic Value Added

Economic value added (EVA) cascades negative during the year due to unfavorable economic conditions affecting interest rates giving a high hit of finance cost resulting from Line III expansion. Moreover, the COVID-19 has further depressed the profit margin due to slow demand and lower retention.

Graphical Presentation of Economic Value Added



Key Financial Information - Six Years

	2020	2019	2018	2017	2016	2015
	(Tons in '000)					
Clinker Production	2,988	2,338	2,234	1,519	897	937
Cement Production	3,382	2,509	2,443	1,489	1,042	971
Cement Despatched	3,377	2,493	2,519	1,544	1,037	972
	(Rupees in Million)					
Summary of Statement of Financial Position						
Assets						
Non-Current Assets	26,237	27,187	24,238	14,238	13,457	7,197
Current Assets	6,685	8,093	6,282	4,569	2,005	2,267
Total Assets	32,922	35,280	30,520	18,807	15,462	9,464
Equity & Liabilities						
Shareholders' Equity	10,054	11,756	11,174	10,462	9,140	8,026
Non-Current Liabilities	16,980	17,328	15,693	5,774	4,511	611
Current Liabilities	5,888	6,196	3,653	2,571	1,811	827
Equity & Liabilities	32,922	35,280	30,520	18,807	15,462	9,464
Summary of Statement of Profit or Loss						
Turnover & Profit / (Loss)						
Turnover - net	17,090	15,863	14,388	9,645	7,079	6,565
Gross Profit	386	2,883	3,139	3,213	2,634	1,984
Operating (Loss) / Profit	(196)	2,190	2,504	2,698	2,095	1,709
(Loss) / Profit Before Taxation	(2,723)	1,048	2,147	2,510	2,051	1,671
(Loss) / Profit After Taxation	(1,893)	1,763	2,132	1,957	1,405	1,288
(Loss) / Earnings per share (Rs.)	(9.74)	9.07	10.97	10.07	7.23	7.29

Horizontal Analysis - Six Years

2020		2019	
(Rupees in Million)	20 Vs. 19 %	(Rupees in Million)	19 Vs. 18 %

Statement of Financial Position

Assets

Non - Current Assets	26,237	(3)	27,187	12
Current Assets	6,685	(17)	8,093	29
Total Assets	32,922	(7)	35,280	16

Equity & Liabilities

Shareholders' equity	10,054	(14)	11,756	5
Non - Current Liabilities	16,980	(2)	17,328	10
Current Liabilities	5,888	(5)	6,196	70
Equity & Liabilities	32,922	(7)	35,280	16

Statement of Profit or Loss

Turnover - net	17,090	8	15,863	10
Gross Profit	386	(87)	2,883	(8)
Operating (Loss)/Profit	(196)	(109)	2,190	(13)
(Loss)/Profit Before Taxation	(2,723)	(360)	1,048	(51)
(Loss)/Profit After Taxation	(1,893)	(207)	1,763	(17)

Comments on Horizontal Analysis

Statement of Financial Position

Fixed assets of the Company shown a significant growth throughout the years except FY 2020, the increase is mainly due to the installation of two productions lines which increased the production capacity of the Company from 3,500 / ton per day to 14,400 /ton per day. Moreover, the Company also installed WHR and Captive Power plants in order to reduce the cost of production during the years under review. This massive growth clearly shows the intention of the Company to become the leading manufacturer in cement industry.

Current assets and current liabilities have also increased in line with the fixed assets throughout the years except for FY 2020 to meet the working capital requirements of the Company. However, there has been a slight decrease in FY 2020 due to the movement of Sales tax, FED and repayment of short-term borrowings.

Shareholder's equity has significantly increased mainly due to better profitability of the Company throughout the years except for FY 2020 due to losses incurred during the said year.

Non-current liabilities have also increased due to syndicated long-term financings for new production lines and captive power plants project.

2018		2017		2016		2015	
(Rupees in Million)	18 Vs. 17 %	(Rupees in Million)	17 Vs. 16 %	(Rupees in Million)	16 Vs. 15 %	(Rupees in Million)	15 Vs. 14 %
24,238	70	14,238	6	13,457	87	7,197	104
6,282	37	4,569	128	2,005	(12)	2,267	(22)
30,520	62	18,807	22	15,462	63	9,464	47
11,174	7	10,462	14	9,140	14	8,026	65
15,693	172	5,774	28	4,511	638	611	(11)
3,653	42	2,571	42	1,811	119	827	(6)
30,520	62	18,807	22	15,462	63	9,464	47
14,388	49	9,645	36	7,079	8	6,565	2
3,139	(2)	3,213	22	2,634	33	1,984	(6)
2,504	(7)	2,698	29	2,095	23	1,709	-
2,147	(14)	2,510	22	2,051	23	1,671	(1)
2,132	9	1,957	39	1,405	9	1,288	(2)

Statement of Profit or Loss

From FY 2015 to FY 2018, the Company's top line showed significant growth mainly due to increased production capacity to meet the growing industry demand, which led to sharp rise in turnover. However, vulnerabilities in cement retention price have also been observed over the years. The gross profit and net profit have shrunk over the past two years mainly due to decrease in cement retention prices, inflationary pressures on productions costs and significant increase in finance cost.

Vertical Analysis - Six Years

2020		2019	
(Rupees in Million)	%	(Rupees in Million)	%

Statement of Financial Position

Assets

Non - Current Assets	26,237	80	27,187	77
Current Assets	6,685	20	8,093	23
Total Assets	32,922	100	35,280	100

Equity & Liabilities

Shareholders' equity	10,054	30	11,756	33
Non - current Liabilities	16,980	52	17,328	49
Current Liabilities	5,888	18	6,196	18
Equity & Liabilities	32,922	100	35,280	100

Statement of Profit or Loss

Turnover - net	17,090	100	15,863	100
Gross Profit	386	2	2,883	18
Operating (Loss)/Profit	(196)	(1)	2,190	14
(Loss)/Profit Before Taxation	(2,723)	(16)	1,048	7
(Loss)/Profit After Taxation	(1,893)	(11)	1,763	11

Comments on Vertical Analysis

Statement of Financial Position

Significant increase in Non-current assets is mainly attributable to installation of two Cement production lines, WHR systems and Captive Power plants.

The proportion of the non-current liabilities has been increased since FY 2018 substantiating the fact that capital expenditure are financed through long-term debts with economical cost instead of equity financing which has comparatively higher cost.

2018		2017		2016		2015	
(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%	(Rupees in Million)	%
24,238	79	14,238	76	13,457	87	7,197	76
6,282	21	4,569	24	2,005	13	2,267	24
30,520	100	18,807	100	15,462	100	9,464	100
11,174	37	10,462	55	9,140	59	8,026	85
15,693	51	5,774	31	4,511	29	611	6
3,653	12	2,571	14	1,811	12	827	9
30,520	100	18,807	100	15,462	100	9,464	100
14,388	100	9,645	100	7,079	100	6,565	100
3,139	22	3,213	33	2,634	37	1,984	30
2,504	17	2,698	28	2,095	30	1,709	26
2,147	15	2,510	26	2,051	29	1,671	25
2,132	15	1,957	20	1,405	20	1,288	20

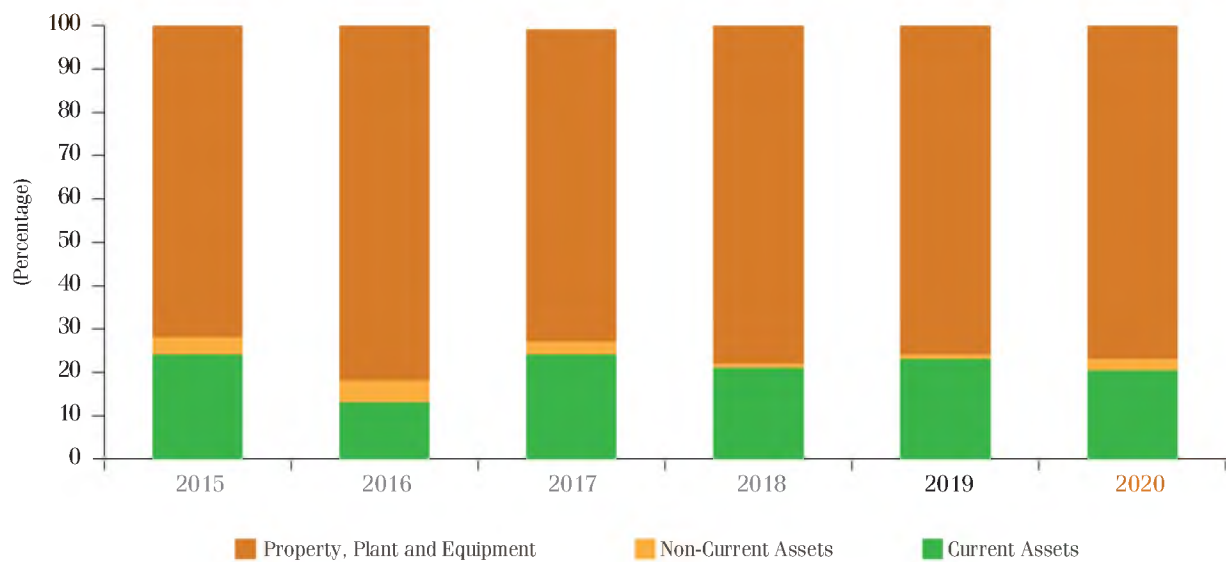
Statement of Profit or Loss

Gross profit margins are showing a declining trend mainly due to decrease in cement retention prices and increase in cost of production.

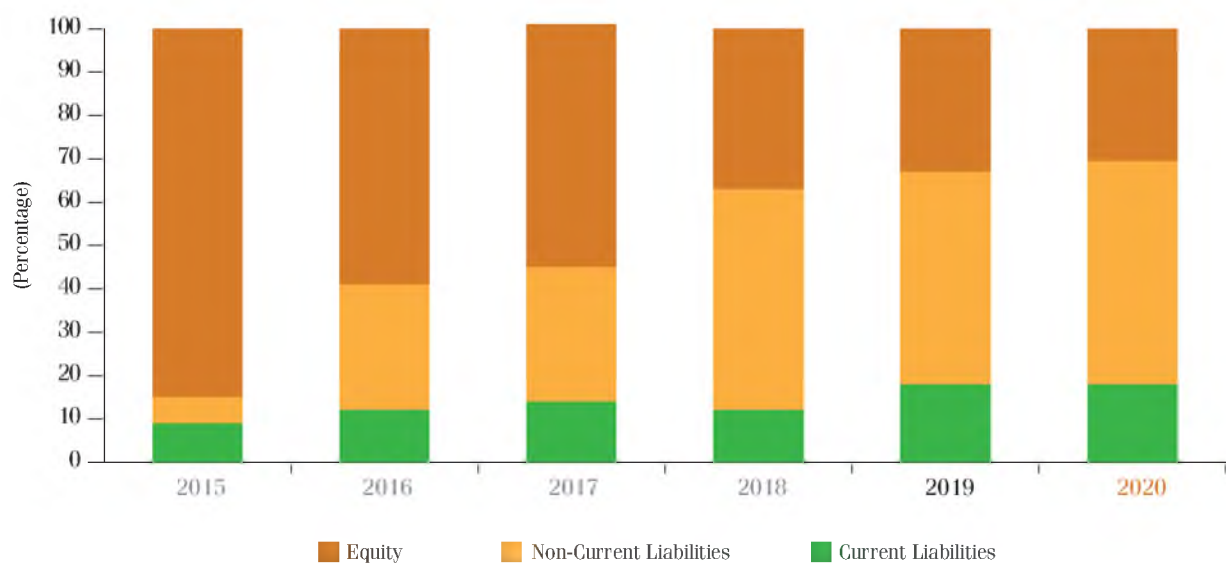
The operating profit, profit before taxation and profit after taxation margins have also shrunk owing to substantial increase in finance cost, which led to overall decline in Company's profitability.

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 - Six Years

	2020	2019	2018	2017	2016	2015
(Rupees in million)						
Summary of Cash Flows						
Net cash generated from operating activities	3,522	1,415	2,660	204	2,306	1,671
Net cash used in investing activities	(294)	(3,891)	(11,170)	(1,555)	(5,557)	(3,102)
Net cash (used in) / generated from financing activities	(3,221)	2,458	8,511	1,373	3,256	1,432
Change in cash and cash equivalents	7	(18)	1	23	5	1
Cash & cash equivalents - Year end	37	30	47	46	23	18

Comments on Statement of Cash Flows

The Company's cash generation from operations has been healthy throughout the past six years except for FY 2017. This year cash generation from operation has improved significantly due to increase in turnover and effective working capital management.

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 year, the Company's only investments were in Property, Plant and Equipment (PPE) for the regular operations of company.

The Company had a positive cash flow from 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, WHR-III and Captive power plant. In FY 2020, the Company had to pay finance cost, repayments of long-term and short-term debts and dividend payment to its shareholders.

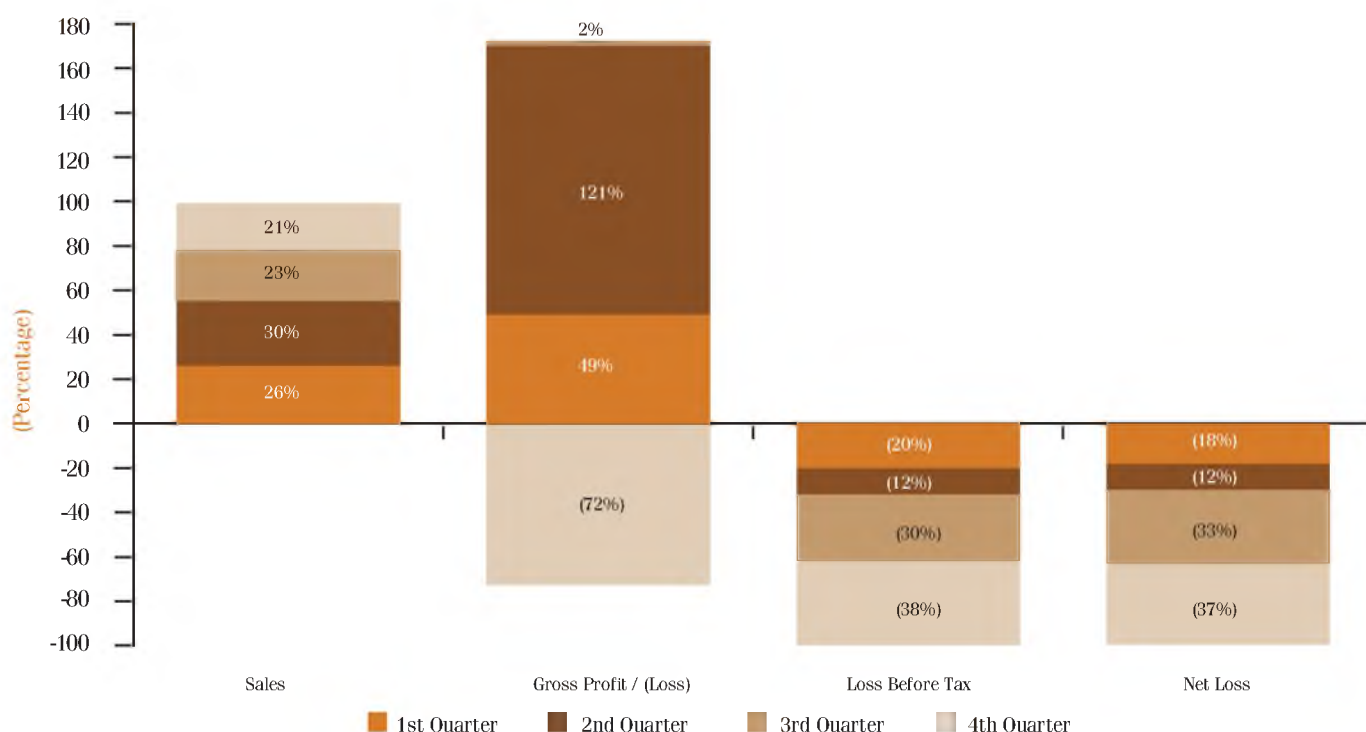
Statement of Cash Flows - Direct Method

	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	17,143,931	15,936,985
Cash paid to suppliers and employees	(13,385,496)	(14,192,647)
Cash generated from operations	3,758,435	1,744,338
Income tax paid	(259,168)	(330,644)
Long-term loans and deposits - net	22,549	1,805
Net cash generated from operating activities	3,521,816	1,415,499
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(311,014)	(3,924,445)
Additions to intangible assets	(2,665)	(7,334)
Proceeds from disposal of operating property, plant and equipment	10,560	21,287
Dividend received	7,097	19,832
Interest received on financial asset	2,252	-
Net cash used in investing activities	(293,770)	(3,890,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financings - net	(317,170)	2,600,000
Short-term borrowings - net	(240,286)	1,938,580
Lease rentals paid	(12,593)	-
Dividend paid	(174,719)	(688,550)
Finance cost paid - net	(2,476,255)	(1,392,386)
Net cash (used in) / generated from financing activities	(3,221,023)	2,457,644
Net increase / (decrease) in cash and cash equivalents	7,023	(17,517)
Cash and cash equivalents at the beginning of the year	29,535	47,052
Cash and cash equivalents at the end of the year	36,558	29,535

Quarterly Performance Analysis

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
(Rupees in '000)					
Particulars					
Turnover - net	4,480,510	5,031,111	3,948,250	3,630,284	17,090,155
Cost of sales	(4,292,292)	(4,561,908)	(3,941,414)	(3,908,054)	(16,703,668)
Gross profit / (loss)	188,218	469,203	6,836	(277,770)	386,487
Distribution cost	(91,612)	(90,176)	(93,257)	(86,958)	(362,003)
Administrative expenses	(72,023)	(73,631)	(69,748)	(56,348)	(271,750)
Other expenses	(2,602)	(6,879)	(4,602)	(4,942)	(19,025)
	(166,237)	(170,686)	(167,607)	(148,248)	(652,778)
Other income	20,999	27,712	10,168	11,682	70,561
Operating profit / (loss)	42,980	326,229	(150,603)	(414,336)	(195,730)
Finance costs	(593,908)	(657,744)	(665,763)	(609,582)	(2,526,997)
Loss before taxation	(550,928)	(331,515)	(816,366)	(1,023,918)	(2,722,727)
Taxation	212,415	109,919	189,272	318,013	829,619
Net loss for the year	(338,513)	(221,596)	(627,094)	(705,905)	(1,893,108)

Graphical Presentation of Quarterly Performance Analysis & Comments



The operating performance of the Company has dipped in the FY 2020. This is mainly due to economic downfall faced by the country, which led to rising raw material cost with increasing inflation rate, decline in retention rates and substantial surge in Interest rates, which substantiated to the overall loss during the year. However, the company maintained a steady position of Dispatches throughout the quarters.

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 30.06.2020

Rs. 87.17

Market Capitalization as of 30.06.2020

Rs. 16,936,695,150

Change in Share Price by

Change in Market Capitalization

+10% Rs. 1,693,669,515

- 10% Rs. (1,693,669,515)



Source: Pakistan Stock Exchange

Calendar of Notable Events

July 2019 - June 2020



- 7th: Board of Directors Meeting - Annual 2019
- 14th: Independence Day Celebration
- 20th: Received 3rd prize in Best Corporate and Sustainability Report Award 2018 organized by ICAP & ICMAP



- 12th: Corporate Briefing Session held at Pakistan Stock Exchange Auditorium



- 16th: 38th AGM at Registered Office
- 29th: Board of Directors Meeting - 1st Quarter 2020



- 17th: Dinner with Dealers - Islamabad
- 23rd: Inter - Group Companies Cricket Tournament - Karachi



- 12th: Board of Directors Meeting - 2nd Quarter 2020



- 8th: International Women's day 2020
- 24th: Lockdown / Work from Home policy initiated in the wake of COVID-19 pandemic



- 28th: Board of Directors Meeting - 3rd Quarter 2020



- 1st: Labour Day Celebration



- 14th: World Blood Donor Day
- 30th: Board of Directors Meeting - Budget 2020
- 30th: Year end closing



Business Rationale for Major Capital Expenditure

Growth

Cherat Cement Company Limited is a growth oriented Company. It grew multifold over the years, especially during the last decay where Company installed World largest ERP i.e. SAP. Company invested in state of the art machineries like Tyre Derived Fuel, Refused Derived fuel, Wartsila Generators and Waste Heat Recovery (WHR) plants. The Company also enhanced production capacity from 3,500 tons/day clinker to 14,400 tons/day clinker by installing production line II and production line III.

Current Year Expansion

In continuation with the past year growth, the Company installed Environmental Protection Bags Filter, Installed WHR for electricity generators, completed Gas pipeline project for power generation. During the current year, the Company also signed Wheeling Regime Energy Purchase Agreement with Pakhtunkhwa Energy Development Organization (PEDO) for the supply of electricity at a cheaper tariff.

Future Expansion

The Company is studying other cost saving measures and is planning to invest in a Solar Renewal Energy Project of more than 13 MW capacity, in this connection land for Solar project has been acquired.

Benefits to the Company and Shareholders

By utilizing its available financial and operational leverage, the Company will be able to gain the market share and establish itself in the market. This will provide an edge to the Company over its competitors. Additionally, the Company will be able to further diversify its operations and better allocate its fixed costs.





Outlook

132 Forward Looking Statement

Forward Looking Statement

The world is currently facing one of the most challenging medical and economic situation. The outbreak of COVID-19 pandemic, due to critical health issues, has caused a rampant global economic crisis. Pakistan is no exception, hence, it has impacted businesses and industries in Pakistan as well. The Government is trying to stabilize the macroeconomic indicators amid COVID-19 pandemic and has announced construction package which resulted in growth in economic activities of the Country. This is witnessed by Cement Industry as well. Announcement of dam projects, number of budgetary relief coupled with concessions given to construction sector is worth mentioning. Local cement sales declined by 1% whereas export sales increased significantly during the year. It is anticipated that growth will improve from the next year due to announcement of aforementioned incentives and schemes. However, due to demand supply scenarios in the market, prices may be affected in future.

On the back of installation of Line III, the Companys dispatches increased significantly and cost of production decreased slightly due to cost control measures taken by the company. Cement prices decreased significantly due to demand supply gap. In light of these factors, overall profitability of the Company decreased. However, announcement of low cost Housing Scheme and other projects by Prime Minister can play a vital role in accelerating cement demand in future. Following the enhancement of production capacity, 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 fuel and power at competitive rates is a critical factor. We always try to manage this through alternate energy options including TDF, RDF, Afghanistan coal, local coal and imported coal. For power, we have WHR system on Line I, II, III and Generators. Following the availability of Gas from SNGPL, we manage to reduce our power cost significantly. The Company has already initiated to install Solar Panel plant of around 13.05MW.

As explained earlier, situation arising out of COVID-19 presents a major challenge due to its ability to impact the domestic demand of Cement consumption. On the human resource side, the Company has taken appropriate measures including strict implementation of protocols on health and employee safety following the outbreak of the disease. This is to ensure that all staff members remain as safe as possible and impact on business operation is kept as minimal as possible. 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.

Amid COVID-19 scenario, as part of relief measures taken by Government of Pakistan, SBP in line with this policy decreased mark-up rates significantly from 13.25% to 7%, deferment of long-term loan facility, low rate wage financing scheme, which will be resulting in saving on future finance cost. Similarly, the Company is also taking advantage of low markup payroll financing scheme.

Following the currency devaluation during the last two years, we expect stability but there can be normal devaluation. We expect cement demand will post positive growth in coming years as economy has gone past its recession phase. Export via land is expected to remain flat in coming years.

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.

Update on Last year 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 its targets i.e. EP bags project, Gas connection on Wartsila generators and finalisation of land for Solar Project. During the year, our focus remained mainly on enhancement of market share and creating efficiency on production process. In line with this, we managed to reduce our production cost significantly. However, due to low pricing, our profitability has been severely affected and the Company has not been able to meet its profitability targets. 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 approved by the board of directors.

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

Financial Projections

The Company is envisaging an increase in turnover due to increase in dispatches next year because of the factors mentioned above. Moreover, the Company is expecting that dispatches will also increase after next year and expects to take full advantage of extended market share due to induction of Line III.

The finance costs of the Company will decrease in upcoming years due to reduction in discount rate by State Bank of Pakistan (SBP). As the rate was substantially slashed in the last quarter of the current financial year, therefore the positive reflection in the earnings will be evident from the following financial year.

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

Year	2021	2022	2023
Revenue - net (Rs. in million)	21,237	22,784	24,419

Company Performance Against Last Year Projections

Local cement industry posted a negative growth of 1% during the year under review, whereas total cement export has shown a growth of around 20% (including export to Afghanistan by 10%), resultantly, there was an overall cement growth of 2% while sales volume of our Company increased significantly by 35%. However, due to lower retention, sales revenue of the Company witnessed a growth of around 7.74%. The 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.





Stakeholders' Relationship and Engagement

136 Corporate Governance - Stakeholders' Engagement

139 Statement of Value Addition and Distribution of Wealth

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 instead. 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



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's business 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 management 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.



MEDIA

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



INVESTORS SECTION

To keep transparency in the relationship between the Company and its shareholders, the website of Cherat Cement (<https://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 registered office of the company on Wednesday, October 16, 2019 at 12:00 noon. The meeting was properly organized and attended by the Shareholders. Briefing shareholders on the company has successfully installed and commissioned cement Line III along with Waste Heat Recovery plant.

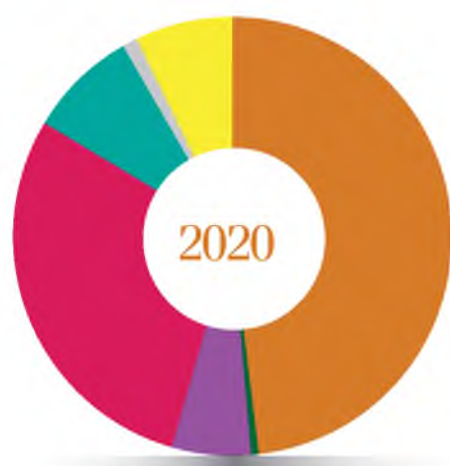
The Chief Executive answered the questions of Shareholders. The Shareholders appreciated the management for making tireless efforts to achieve another noteworthy year in terms of production, sales and profitability. Shareholders asked different questions regarding Company's increase in market share.

Shareholders approved the Financial Statements and also gave approval for appointment of M/s. EY Ford Rhodes, Chartered Accountants as external auditors and distribution of cash dividend and bonus shares.

Statement of Value Addition and Distribution of Wealth

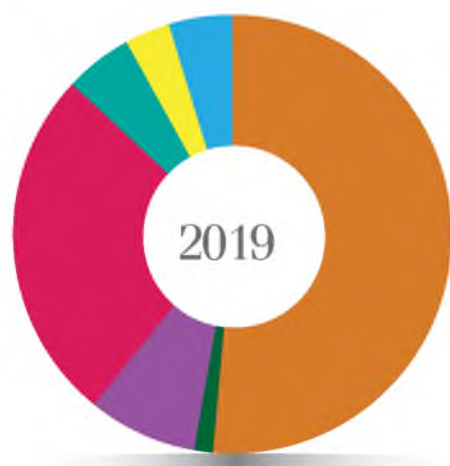
	2020		2019	
	(Rupees in '000)	%	(Rupees in '000)	%
Wealth Generated				
Turnover (including taxes)	27,160,051	99.74	22,515,183	99.53
Other operating income	70,561	0.26	106,836	0.47
	27,230,612	100.00	22,622,019	100.00
Distribution of Wealth				
Cost of sales (excluding employees' remuneration)	15,282,386	56.12	11,672,127	51.59
Marketing, selling and administrative expenses	193,919	0.71	313,440	1.39
To employees as remuneration	1,865,009	6.85	1,779,758	7.87
To government as taxes	9,240,277	33.93	5,937,541	26.25
To providers of finance as financial charges	2,526,997	9.28	1,142,559	5.05
To society as donations	15,132	0.06	13,831	0.06
To shareholders as dividend*	353,264	1.30	706,527	3.12
Absorbed / retained within the business	(2,246,372)	(8.25)	1,056,236	4.67
	27,230,612	100.00	22,622,019	100.00

*Subsequent to year end June 30, 2019, the Board of Directors in its meeting held on August 27, 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).



Distribution of Wealth 2020

Cost of Sales (Excluding Employees' Remuneration)	56.12 %
Marketing, Selling and Administrative Expenses	0.71 %
To Employees as Remuneration	6.85 %
To Government as Taxes	33.93 %
To Providers of Finances as Financial Charges	9.28 %
To Society as Donations	0.06 %
To Shareholders as Dividend	1.30 %
Absorbed within the Business	(8.25) %



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 Taxes	26.25 %
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 %





Sustainability & Corporate Social Responsibility

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Sustainability Highlights

Sustainability is made up of three pillars: economy, society, and the environment. It is about applying the power of our business to drive positive economic, social and environmental impact making sure that the work we do helps people live healthier and better both today and for generations to come. Our commitment to constant improvement in Health, Safety and Environment (HSE) continues with our expanded 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 Company continues its initiative to contribute in UN Sustainable Development Goals (SDGs) during the year. The Company has used its resourcefulness to add up to these goals as responsible part of the society.



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 Quality 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. Moreover, company is regularly participating in KP-Environment Protection Agency meetings to remain updated for their subsequent standards & specification revisions and their compliances,visions 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. The Company 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.



c. Indirect Economic Impacts

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

the wider context. The Company supports in development of infrastructure and other facilities of the country in general and of our factory vicinity Nowshera in particular.

2. ENVIRONMENTAL

The Company's aim in respect of environment is to reduce all adverse environmental aspects arising out of our operations. Regardless of our growth and plant expansion and consequently energy needs and environmental outputs, we ensure that we manage these impacts in line with regulatory compliance requirements such as National Environmental Quality 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 and power generators 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.

- **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 the Company's initiative for sustainable operations through transforming from a fossil-fuel based energy to alternative-energy structure.

- **Captive Power Plant**

The company has also installed three dual-fuel captive power plant of 9.7 MW each which can run on gas, furnace oil and diesel.

Currently, these captive power plants are running on 5 MMCFD gas from SNGPL. Consequently, this has 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 in the process of installing Solar Panel plant of around 13.05 MW to avail the cost effectiveness and efficiency. These solar panels will directly reduce the cost of energy utilization hence efficient use of available resources. It will help to reduce air pollution and greenhouse gases which results in favorable impact on the environment.



b. Emissions and Effluents

Emissions control relates directly to climate change and the impact of gaseous emission 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) for raw mill and cement mill complying the requirements of Environment Protection Authority, 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. Furthermore, periodic repair and maintenance of the plants guarantees compliance of noise levels with the NEQS.

c. Recycling

The Company 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.

The Company’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. Company has invested funds on roads and infrastructure development work. Moreover, we have a policy to work only with the approved transporters. Quantity-wise trucks are being used in order to avoid over or under loading. Trucks

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. The Company is managing a nursery to grow different types of seasonal flowers, every year to collect seeds for the next year and by using these seeds plant numerous in quantity. 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

The Company 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. At year-end total number of employees were 972 including 820 factory employees. During the COVID-19 pandemic, the Company remain sustained and ensured zero lay-off.

The Company 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 development and motivation. To keep them motivated various recreational activities have been arranged by the Company. Recreational activities always play 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. Recreational activities include:



- Annual Picnic
- Independence Day Celebration
- International Women Day Celebration
- 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 Company Limited, 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 have 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:

- Programme On Advanced Corporate Finance
- Training on Business Writing & Email
- Core Value / Roll Out Sessions
- Leadership Voyage Training Programs
- Advance Ms Excel Trainings



The Company has always worked in the best interest of its employee 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. The Company 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 female in the work force and ensure more women-friendly congenial environment.



h. Non-discrimination

The Company 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 the Company. 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 cater these 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:

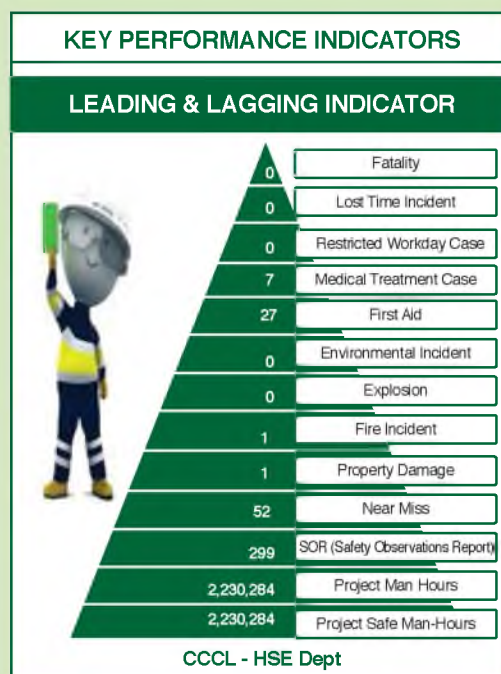
• **HSE Environment:**

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 the Company have been taken according to the work environment (by conducting risk assessment) at our plants and the corporate offices. At all offices of the Company, 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.

• **Response to COVID-19:**

Recent COVID-19 pandemic has unwrapped exceptional challenges and tested the vigilance required to deal with unpredicted emergencies. Cherat Cement took initiatives through several means to ensure the safety of its employees and stakeholders, securing environment to continue the operations without hindrance.

During pandemic, the Company has made all necessary initiatives to protect its employees. Introduced lockdown, ensure health of employees through remote working using digital technology and social distancing. Real-Time information remained available in SAP for decision-making through remote access from all over Pakistan. The Company took initiative and formed the COVID Response Team to ensure all aspects of the Company adequately respond to the pandemic, by providing guidance to stakeholders, and monitor pandemic response implementation.

A separate section, 'Pandemic Recovery Plan' of this report provides the detailed efforts made by the Company to contribute and make a difference in this worldwide health crisis.





Corporate Social Responsibility Highlights



Corporate Social Responsibility Highlights

Sustainable development is one of the main aims of responsible corporate citizenship to bring a positive impact on the society and is a crucial aspect of businesses all over the globe.

The Company actively participates in various social work initiatives as part of its corporate social responsibility. Being a diligent member of the corporate community, the Company contributes generously to various social and charitable causes including health, education and social sectors. As a socially responsible Company, we are committed towards taking part in benevolent causes adding positive social value and helping people live their best lives. The Company has also been a frontline player in developing infrastructure and livelihood for the local populace. Additionally, the Company has made huge

contribution at local level for their people for the rehabilitation of flood affectees, earthquake victims and IDPs. The Company has worked with many reputable organizations and NGOs.

Recently, the pandemic of COVID-19 has significantly impact economic and social environment of Pakistan in line with other countries.

The Company has positively taken it as an opportunity to serve people and community affected by COVID-19 pandemic. We have duly distributed Personnel Protective Equipment's (PPEs) to less privileged people in need.

Here is an overview of the progress of our community supports and CSR projects for 2019-20:



1. EDUCATION

Giving back to community in form of educational support is one of the major interest of company.

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 fulfil their basic education need.

b) Pakistan Centre for Philanthropy

The Company's CSR contributions have been recognised by Pakistan Centre for Philanthropy (PCP), an organization working to promote and record philanthropy and corporate giving in Pakistan through

its annual philanthropic research surveys.

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) Aga Khan Medical College

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

e) Approved Religious Institutions

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



2. HEALTH

Healthy societies are vital for economic development and prosperity. The Company maintains its position of assisting the surrounding communities and the NWFP province at large, in times of health, medical and natural emergencies. Support extended to health related initiatives includes funding for hospitals and different medical centres which mainly includes:

a) The Kidney Center

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.



b) The Aga Khan University and Hospital

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

c) Treatment Supports

Donation(s) of reasonable amount was provided to people who lacks facility of medical treatments or could not afford. By such act, less privileged were able to use appropriate medical facility to improve their health.



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) Shaikat Khanum Memorial Trust

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

3. SPECIAL PERSON EDUCATION AND EMPLOYMENT

Company always care for special people of society as integral part. In this regard, the Company has made various donations to special trusts and schools for their education and vocational training including:

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



4. DEVELOPMENT AND COMMUNITY SUPPORT

We are supported, directly and indirectly, by our communities. Improving and maintaining relationships with them will lead to motivated workforce and better working environment. In this regard, company have made donations to:

a) D.C Nowshehra

The Company sponsored Independence Day Ceremony organised by DC Nowshehra



b) Relief Packages to needy persons under COVID-19

The Cherat Company is cognizant of the challenges being faced not only in its workplace but also in society due to the COVID-19 pandemic. Ghulum Faruque Welfare Trust (GFWT) is one of the welfare institutions in Nowshera, which caters the basic need of the people during this pandemic. Significant amount as a donation was given to GFWT. They provided basic foods and shelter for people who were badly affected due to this

Pandemic. Further, PPEs were given free of charge to hospitals and camps in order to cater safety measures during COVID-19 treatments and PCR tests.

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

Commitment to the education and skill development of children means development of future of Pakistan. Upholding this faith, the Company has donated to Anjuman Kashana e Atfal-o-Naunihal for development of orphan children.



d) Ummah Welfare Trust

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

Corporate Social Responsibility

Charity Account

During the year the Company made a donation of Rs. 15.13M to Ghulam Faruque Welfare Trust, Aga Khan University Hospital, The Kidney Centre, Nowshera Lions Club, Ummah Welfare Trust, D.C Nowshera, IBP School of Special Education and Others

Health

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



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-Naumihal
- D.C Nowshera



Education

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



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



Business Model

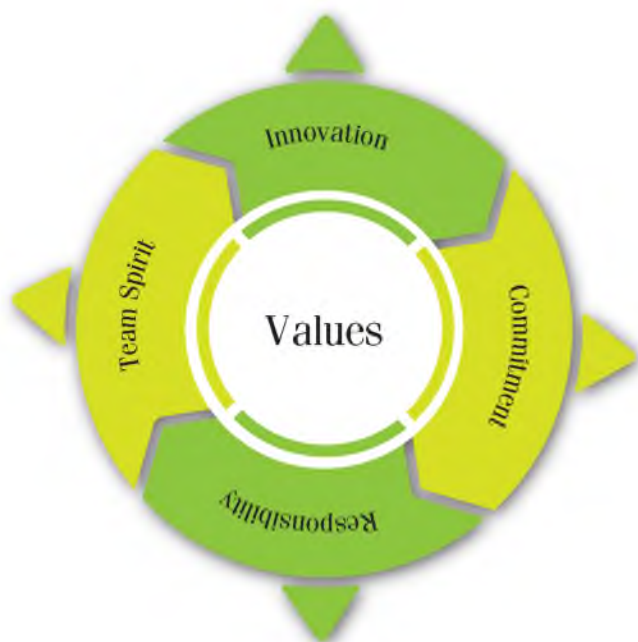
162 Our Business Model



Our Business Model

Our purpose is to serve development activities of Pakistan through implementation of every element of Business Model in our company. We have elaborated below our key resources, outputs and outcomes.

Key Resources



Human Capital

- Employees approx. 1,000

Financial Capital

- PKR 32.922 billion in terms of Total Assets

Intellectual Capital

- SAP 6.0

Social & Relationship Capital

- Tianjin Cement Industry Design & Research Institute - Largest Cement Plant Manufacturer
- Sinoma Energy Conservation Limited
- About 400 dealers and distributors
- Relationship with all reputable local banks

Manufactured Capital

State-of-art technology

- Newly Installed Cement production line
- 3 Wartsila dual fuel generators
- Waste Heat Recovery (WHR) plants

Alternate Fuels

- Tyre Derived Fuel
- Refused Derived fuel

Natural Capital

- Hills are rich with high quality limestone
- Conventional to green energy

Business Activities



Operating Model

- Core function
- Support function
- Transactional function



Cost Optimization

We continuously seek opportunities in order to structurally transform and fundamentally reshape our business processes to optimize costs. Our new production line is the most efficient in term of cost and speed.



Customer Focus

The focus on high-quality products and provide facilitation upto their satisfaction.



Sales Growth

CCCL's growth is primarily driven by augmentation in sales revenue, accelerated by strong revenue visibility and demand for our product and effective wide distribution network all over the Country.

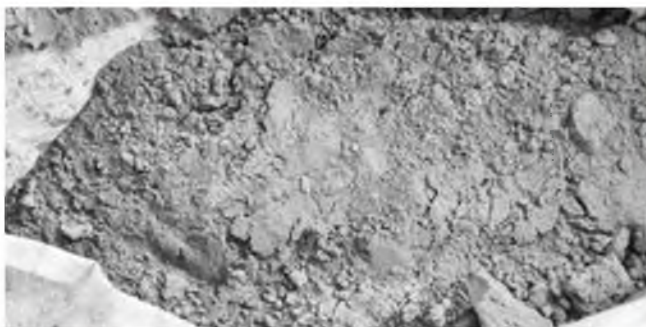


Profitable Markets

Market for Cement industry is expected to enhance within and outside the country.



Outputs



OPC Cement

High-quality premium brand.



Trusted Brand

Our brand enables us to sustain relationships, secure business and attract talent.





Dealers and distributors trust the Company, and this is reflected through the increase in sales volume over the years. Furthermore, market surveys at regular intervals conducted by our marketing team yield positive attitude towards the Company's brand image.



The pursuit of excellence in every sphere of operation is our aim which ensures continued success. Our farsighted management strategies are focused on development of our key assets which form the foundation for future growth.



Our people are critical to the successful delivery of our strategy. It is essential that they are engaged and embrace our purpose and values. Throughout the year, we focused on a number of areas to ensure that our people are highly motivated at both Group and local market level.

Key Outcomes

Human Capital

- Promotions
- New Hiring
- Loyalty with lowest employee turnover
- Training and Development
- 992 Employees

Financial Capital

- Funds Invested PKR 27.41 billion

Intellectual Capital

- SAP 6.0

Manufactured Capital

- Cement Production for the year was 3.382 million tons
- Fully equipped with Captive Power Plants
- Production capacity increased by 3 times during last 4 years

Social & Relationship Capital

- Premium Brand
- Excellent relationship with local bankers
- New Customers in different areas
- Significantly increased exports
- Charity & Donation
- Dividend pay-out history to shareholders

Natural Capital

- Wheeling Regime Energy Purchase Agreement with PEDO
- Invest in a Solar Renewal Energy Project of more than 13 MW capacity



Striving for Excellence in Corporate Reporting

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- 169 Glossary of Terms and Definitions

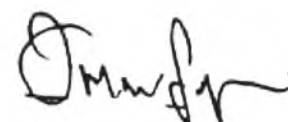
Statement of Unreserved Compliance of International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB)

Cherat Cement Company Limited 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 17 - Insurance Contracts	01 January 2023

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 26, 2020

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

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

Overview of Report:

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects in context of its external environment leads to creation of value. Cherat Cement Company Limited's (the Company) annual report (the Report) has been prepared in accordance with the International Integrated (IR) Framework, Global Reporting Initiative (GRI), and United Nations Global Compact (UNGC) in order to provide its stakeholders a transparent reflection of value creation ability and contributions. This report is part of annual reporting process that structured to assist readers in assessing the Company's business.

Since, then the Company has adapted its structure in response to global changes and development, the Company has further advanced its management processes. This Report is aim to provide stakeholders a quality, concise and transparent briefing of the Company's ability, position and expertise to create sustainable value, performance and reporting capabilities. The Report itself offers linkages of the Company's performance with underlying strategy.

Business Operations:

The Company is engaged in manufacturing, marketing and sale of cement since 39 years.

Report Objectives:

The objective of this Report is to adherence with principles of inclusivity, materiality, responsiveness as well as evaluation against elements of IR Framework. Contents of this Report is based on Company's engagement with its stakeholders, IR framework and GRI as well as to provide quality information. This Report also offers insight in important advancements. The material presented in this Report is such a way that it enables the stakeholders to understand better. The Company also considers importance and strengthening of this report in terms of information, connectivity and demonstration of results that impacts on various capital employed to the Company.

Report Contents:

Integrated Report presented by those charged with governance with acknowledging the integrity and compliance with IR framework, including the following content:

- 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
- Business Model
- Excellence in corporate reporting

Abovementioned contents has been disclosed under various sections of this Report with relevant materials in interest of various stakeholders.

Principle and approach in Report:

The Company continually review its reporting approach to ensure meeting with best practices to meet with expectations of stakeholders and provide visibility on how the Company creates sustainable value for communities. To win customers and stakeholders, the Company use proactive approach. The Company's commitment is to maintain highest level of transparency and accountability. IR Framework follows a principle-based approach, including guiding principles such as strategic focus, future orientation, information connectivity, stakeholder's relationships, materiality, conciseness, reliability, completeness, consistency and comparability. The Company also achieved good stage of compliance.

Methodologies used in Report:

In this Report, compilation of data has done based on basic scientific measurements, mathematical calculative methods, accounting principles and other various financial management study techniques and methodologies. The Company makes every effort to ensure the accuracy of the information being presented including the principles of inclusiveness, materiality, responsiveness and use of the concept of six capitals.

Report Period:

The Report of the Company is produced and published annually and covers period beginning from July 01, 2019 till June 30, 2020. There has not been any significant changes to the scope, boundary and reporting basis since the last reporting date as of June 30, 2019.

Target Users and Readers:

This Report is primarily intend to address the information need of users, investors, stakeholders, suppliers, employee, regulators and society to provide them a true and fair view of Company's value creation potential taking into account financial and non-financial risks and opportunities. The Company shall continue to improve the information produced to make it even easier to understand. The Company believes to provide better understanding of its business strategies, opportunities & risks, business model, governance, performance that creates value to the Company and its shareholders.

Role of the Board of Directors:

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

guided to achieve Company's objectives by advising, assessing and monitoring the business strategies and ensuring the execution and modification of these activities.

Role of the Management:

The Management of the Company has laid the business foundation built on principles of ethics and corporate professionalism which is being developed by devising and disseminating procedural steps and policies highlighting need of good governance and resource allocation in achieving desired objectives. The Management of the Company is following the spirit of adhering to best corporate and governance practices and committed to achieve excellence in all aspects including transparent reporting.

Financial and Non-Financial Reporting:

This Report includes both financial and non-financial information about the Company's brand, financial structure, operations, performance, insight, risks & opportunities and outcomes attributable to activities and value creation ability. The impact of capitals of management practices are appropriately disclosed with the connectivity between financial and non-financial information with clear interrelation.

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 wide range of stakeholders. The business strategy information has been linked directly to business activities. Operational analyses, financial analyses and others reviews has been carried out through extracting financial information from the audited accounts of the Company for the year ended June 30, 2020 with relevant comparative information. Other relevant financial information are available in this annual report.

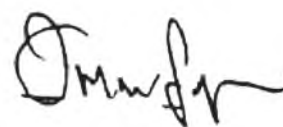
This Report also includes 'Forward Looking Statement', which addresses expected future businesses, financial performance, projections and assumptions used for future course of actions to manage the risks and capitalization the opportunities. The Company's 'Sustainability Highlights' aims to provide its various stakeholders a concise and transparent assessment of value creation ability and contribution towards Sustainable Development Goals (SDGs). Our value creating 'Business Model' supported by the outputs, outcomes and impact of various forms of capitals associated with business and how it look forward towards opportunities has also been explained.

Connectivity, Monitoring and Control:

The Company's reporting has monitored and ensure that relevant information has been shared in most suited way to stakeholders. Connectivity of the information is an aspect that needs to be address properly. Being a Company with recognition, we always adaptive in response to global changes and advancements. Thus, the stakeholders 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. Achieving sustainable corporate value by focusing economic, societal, technological and environmental factors and their impacts is the Company's core strength.

Other factors in Report:

This report also account for other factors that challenged the economic performance of the Company. The Company also provides a well Health, Safety and Environment (HSE) to its stakeholders and addresses complaints and grievances. The analysis and conclusions presents 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. Overall, this Report can be considered in line with the provisions of the contents elements, offering the user's insight that how much the Company creates and shares value through its business activities and delivering a business model that states inputs, outputs and outcomes of these activities.



Omar Faruque
Chairman

Karachi: August 26, 2020

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.

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

CCCL: Cherat Cement Company Limited

CCG: Code of Corporate Governance

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

Government Grants: are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

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.

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).

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).

Running Musharakah: is Shariah compliant alternative of Running Finance Facility available in conventional banking system.

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".

Solar Power: is the conversion of energy from sunlight into electricity, either directly using photovoltaics, indirectly using concentrated solar power, or a combination.

Spread: Rate charged by the bank over KIBOR.



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Balance Sheet

Assets

Current Assets
Cash
Accounts

Independent Auditors' Report



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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Cherat Cement Company Limited (the Company), which comprise the statement of financial position as at 30 June 2020, 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, 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 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 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Recoverability and recognition of deferred tax asset</p> <p>As disclosed in note 8 to the financial statements, the Company has recognized deferred tax asset on unused tax losses, minimum tax and tax credits amounting to Rs. 418.912 million.</p> <p>In order to ascertain that sufficient future taxable profit will be available, the management has prepared future projections of taxable profit by taking into account various assumptions mainly comprising of future operations of the Company, average inflation and applicable exchange rates and growth rate.</p> <p>The analysis of the recognition and recoverability of the deferred tax asset was significant to our audit because of the significance of the amount of deferred tax asset and the assessment of future taxable income which involves significant management judgement about future business and economic factors.</p> <p>Accordingly, we have identified this area as a key audit matter.</p>	<p>Our audit procedures among others included obtaining an understanding of the process and controls on this area relevant to our audit.</p> <p>We evaluated the appropriateness of the components on which the Company has recognized deferred tax asset in the light of the requirements of the Income Tax Ordinance, 2001, considering factors including age and the expiry of the deferred tax asset and tax rates enacted.</p> <p>We evaluated the Company's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management.</p>
<p>2. Estimates and assumptions involved in staff retirement benefits</p> <p>As disclosed in note 22.1 to the financial statements, the Company operates a funded gratuity scheme for all its permanent employees with liabilities amounting to Rs. 137.959 million.</p> <p>In determining the obligation in respect of staff retirement benefits, the Company engaged an actuarial expert to perform the actuarial valuation of the present value of the defined benefit obligation, which involves use of key assumptions including discount rate and expected rates of increase in future salaries and gratuity. Changes in any of these key assumptions can have a material impact on the calculation of the liability.</p> <p>Accordingly, we have identified this area as a key audit matter.</p>	<p>We obtained an understanding of the process for recognition of defined benefit plan and the Company's control in this area relevant to our audit.</p> <p>We evaluated the competence and objectivity of the qualified actuary engaged by the Company to value the defined benefit obligation under International Accounting Standard 19 'Employee Benefits'.</p> <p>We engaged our expert to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plan.</p> <p>We tested data provided by the Company to the actuarial expert for the purpose of valuation.</p> <p>We have also assessed the adequacy of the Company's disclosures in accordance with the applicable financial reporting standards.</p>

Information Other than the Financial Statements and Auditor's 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 auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

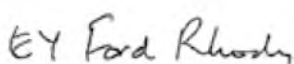
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.



Chartered Accountants

Place: Karachi

Date: September 01, 2020

Statement of Financial Position

as at June 30, 2020

	Note	2020	2019
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	25,306,834	26,890,963
Intangible assets	5	17,371	18,462
		25,324,205	26,909,425
Long-term investments	6	390,863	254,970
Long-term loans	7	83,580	701
Long-term deposits		19,606	21,392
Deferred taxation	8	418,912	-
		912,961	277,063
		26,237,166	27,186,488
CURRENT ASSETS			
Stores, spare parts and loose tools	9	3,766,674	3,484,620
Stock-in-trade	10	962,470	1,268,194
Trade debts	11	300,648	311,488
Loans and advances	12	46,855	143,862
Trade deposits and short-term prepayments	13	16,309	23,759
Other receivables	14	10,376	1,551,308
Taxation - net		1,544,789	1,280,573
Cash and bank balances	15	36,558	29,535
		6,684,679	8,093,339
		32,921,845	35,279,827
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	1,942,950	1,766,318
Reserves	17	8,110,608	9,989,851
		10,053,558	11,756,169
NON-CURRENT LIABILITIES			
Long-term financings	18	16,928,044	16,900,000
Lease liabilities	19	10,393	-
Long-term security deposits	20	27,661	21,871
Government grant	21	13,758	-
Deferred taxation	8	-	405,659
		16,979,856	17,327,530
CURRENT LIABILITIES			
Trade and other payables	22	2,151,495	1,863,434
Accrued mark-up	23	536,744	544,086
Short-term borrowings	24	2,662,241	2,902,527
Current maturity of long-term financings	18	430,016	800,000
Current portion of lease liabilities	19	8,929	-
Current portion of government grant	21	11,012	-
Unclaimed dividend	25	87,994	86,081
		5,888,431	6,196,128
CONTINGENCIES AND COMMITMENTS			
	26		
		32,921,845	35,279,827
TOTAL EQUITY AND LIABILITIES			

The annexed notes from 1 to 44 form an integral part of these financial statements.


Azam Faruque
Chief Executive


Omar Faruque
Director


Yasir Masood
Director &
Chief Financial Officer

Statement of Profit or Loss

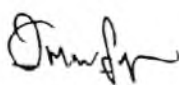
for the year ended June 30, 2020

	Note	2020	2019
		(Rupees in '000)	
Turnover - net	27	17,090,155	15,862,647
Cost of sales	28	(16,703,668)	(12,979,533)
Gross profit		386,487	2,883,114
Distribution costs	29	(362,003)	(396,338)
Administrative expenses	30	(271,750)	(293,925)
Other expenses	31	(19,025)	(109,360)
		(652,778)	(799,623)
Other income	32	70,561	106,836
Operating (loss) / profit		(195,730)	2,190,327
Finance costs	33	(2,526,997)	(1,142,559)
(Loss) / profit before taxation		(2,722,727)	1,047,768
Taxation			
Current		-	-
Prior		5,048	145,014
Deferred		824,571	569,981
	34	829,619	714,995
Net (loss) / profit for the year		(1,893,108)	1,762,763
(Loss) / earnings per share - basic and diluted	35	(Rs. 9.74)	(Restated) Rs. 9.07

The annexed notes from 1 to 44 form an integral part of these financial statements.



Azam Faruque
Chief Executive



Omar Faruque
Director



Yasir Masood
Director &
Chief Financial Officer

Statement of Comprehensive Income

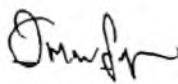
for the year ended June 30, 2020

	2020	2019
	(Rupees in '000)	
Net (loss) / profit for the year	(1,893,108)	1,762,763
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to the statement of profit or loss		
Unrealized gain / (loss) on remeasurement of equity investment at fair value through other comprehensive income	135,813	(141,856)
Actuarial gain / (loss) on defined benefit plan	231,316	(331,959)
	367,129	(473,815)
Total comprehensive (loss) / income for the year	(1,525,979)	1,288,948

The annexed notes from 1 to 44 form an integral part of these financial statements.



Azam Faruque
Chief Executive



Omar Faruque
Director



Yasir Masood
Director &
Chief Financial Officer

Statement of Cash Flows

for the year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Note	2020	2019
	(Rupees in '000)	
(Loss) / profit before taxation	(2,722,727)	1,047,768
Adjustment for:		
Depreciation	4.1.4 1,754,452	1,389,264
Amortisation	5.1 3,756	4,278
Right-of-use assets	4.3 11,235	-
Gain on disposal of operating property, plant and equipment	4.1.5 (2,719)	(7,335)
Finance costs	33 2,526,997	1,142,559
Interest income on financial asset	32 (11,184)	-
Exchange (gain) / loss	32 (2,296)	35,635
Share of profit from joint venture	32 (80)	(32)
Dividend income	32 (7,097)	(19,832)
	4,273,064	2,544,537
	1,550,337	3,592,305
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(282,054)	(705,713)
Stock-in-trade	305,724	(514,556)
Trade debts	10,840	(123,216)
Loans and advances	103,533	(59,781)
Trade deposits and short-term prepayments	7,450	2,181
Other receivables	1,540,932	47,709
	1,686,425	(1,353,376)
	3,236,762	2,238,929
Increase / (decrease) in current liabilities		
Trade and other payables	521,673	(494,591)
Cash generated from operations	3,758,435	1,744,338
Income tax paid	(259,168)	(330,644)
Long-term loans and deposits - net	22,549	1,805
Net cash generated from operating activities	3,521,816	1,415,499

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property, plant and equipment	(311,014)	(3,924,445)
Additions to intangible assets	5 (2,665)	(7,334)
Proceeds from disposal of operating property, plant and equipment	4.1.5 10,560	21,287
Dividend received	7,097	19,832
Interest received on financial asset	2,252	-
Net cash used in investing activities	(293,770)	(3,890,660)

CASH FLOWS FROM FINANCING ACTIVITIES

Long-term financings - net	(317,170)	2,600,000
Short-term borrowings - net	(240,286)	1,938,580
Lease rentals paid	19 (12,593)	-
Dividend paid	(174,719)	(688,550)
Finance costs paid - net	(2,476,255)	(1,392,386)
Net cash (used in) / generated from financing activities	(3,221,023)	2,457,644
Net increase / (decrease) in cash and cash equivalents	7,023	(17,517)
Cash and cash equivalents at the beginning of the year	29,535	47,052
Cash and cash equivalents at the end of the year	15 36,558	29,535

The annexed notes from 1 to 44 form an integral part of these financial statements.


Azam Faruque
Chief Executive


Omar Faruque
Director


Yasir Masood
Director &
Chief Financial Officer

Statement of Changes in Equity

for the year ended June 30, 2020

	Issued, Subscribed and Paid-up Capital	Reserves							Total
		Capital Reserves		Revenue Reserves		Other Components of Equity		Total Reserves	
		Share premium	Others	General Reserve	Unappro- priated profit	Actuarial gain / (loss) on defined benefit plan	Unrealised gain / (loss) on equity investments		
(Rupees in '000)									
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 loss	-	-	-	-	-	(331,959)	(141,856)	(473,815)	(473,815)
Total comprehensive income / (loss) 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
Balance as at July 01, 2019	1,766,318	1,047,658	50,900	420,000	8,785,509	(323,588)	9,372	9,989,851	11,756,169
Final cash dividend for the year ended June 30, 2019 @ Re. 1.00/- per share	-	-	-	-	(176,632)	-	-	(176,632)	(176,632)
Bonus shares issued in the ratio of 1 share for every 10 shares held	176,632	-	-	-	(176,632)	-	-	(176,632)	-
Net loss for the year	-	-	-	-	(1,893,108)	-	-	(1,893,108)	(1,893,108)
Other comprehensive income	-	-	-	-	-	231,316	135,813	367,129	367,129
Total comprehensive (loss) / income for the year	-	-	-	-	(1,893,108)	231,316	135,813	(1,525,979)	(1,525,979)
Balance as at June 30, 2020	1,942,950	1,047,658	50,900	420,000	6,539,137	(92,272)	145,185	8,110,608	10,053,558

The annexed notes from 1 to 44 form an integral part of these financial statements.


Azam Faruque
Chief Executive


Omar Faruque
Director


Yasir Masood
Director &
Chief Financial Officer

Notes to and Forming Part of the Financial Statements

for the year ended June 30, 2020

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 the Company's financial position and performance during the year are as follows:

1.2.1 Impact of COVID -19 on the financial statements

COVID-19 is a global pandemic, which has affected the whole world and Pakistan is not an exception. Businesses are badly affected due to lockdown since March 2020. Cement and Construction sector was fortunate to be moderately affected in this situation. Local sales were affected to some extent due to lockdown while exports were affected due to closure of Afghan border for two months. The situation however has now improved on the back of the actions taken by the Government. It is the Government's priority to boost construction sector. All steps were taken for the health and safety of our employees and they were also allowed to work from their homes. Government schemes for financing salaries payment and deferment of principal repayment are availed as per the requirement of which proper disclosures have been made. There is no significant accounting impact of the effects of COVID-19 in these financial statements. The Company's management is fully cognisant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity position and believe that its current policies for managing credit, liquidity and market risk are adequate in response to the current situation.

- 1.2.2** Overall the finance cost of the Company significantly increased due to full year charging of mark-up on new cement Line III and significant increase in discount rate by the SBP. The Company benefited in the last quarter of the year ended 30 June 2020, where the SBP discount rate has been reduced from 13.25% to 7%.

- 1.2.3** The Company has started receiving 5 MMCFD Natural Gas from Sui Northern Gas Pipelines Limited (SNGPL) for power generation. This amount of gas is sufficient to run all newly installed Wartsila Dual Fuel Generators. Keeping in view the volatility in fuel prices, this may generate substantial savings.

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 (IFRSs) 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 IFRSs, 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

and financial instruments that have been measured at fair value and amortized costs respectively and defined benefit plan is measured at present value.

2.3 Standards, amendments, interpretations and improvements applicable to the financial statements

New standards, amendments, interpretations and improvements effective during the year

The Company has adopted the following standards, amendments, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Standards, amendments or interpretations

- IFRS 9 - Prepayment Features with Negative Compensation (Amendments);
- IFRS 14 - Regulatory Deferral Accounts;
- IFRS 16 - Leases;
- IFRS 16 - COVID - 19 Related Rent Concessions (Amendments);
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments);
- IAS 28 - Long-term Interest in Associates and Joint Ventures (Amendments); and
- IFRIC 23 - Uncertainty Over Income Tax Treatments.

Improvements to Accounting Standards issued by the IASB (2015 - 2017 Cycle)

- IFRS 3 - Business Combinations - Previously Held Interest in a Joint Operation;
- IFRS 11 - Joint Arrangements - Previously Held Interest in a Joint Operation;
- IAS 12 - Income Taxes - Income Tax Consequences of Payment on Financial Instruments Classified as Equity; and
- IAS 23 - Borrowing Costs - Borrowing Costs Eligible for Capitalization.

The adoption of the above standards, amendments, interpretation and improvements to accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 along with its amendments are described below:

IFRS 16 - Leases

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It resulted in almost all leases being recognised in the statement of financial position as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) (refer note 4.3) and a lease liability (refer note 19) to pay rentals are recognised. The only exceptions are short term and low value leases.

The Company has adopted IFRS 16 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Consequently, no impact of adoption of IFRS 16 on opening equity has been recognised by the Company.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as on July 01, 2019. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term. There were no low value leases as of June 30, 2020.

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as follows:

	(Rupees in '000)
Operating lease commitments as at June 30, 2019	35,812
Impact of discounting	(6,667)
Commitments relating to short-term leases	(660)
Total lease liability at July 01, 2019	28,485
Weighted average incremental borrowing rate as at July 01, 2019	14.13%

During the year, there were no rent concessions with respect to any lease of the Company.

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

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

		Effective date (annual periods beginning on or after)
IFRS - 3	Definition of Business (Amendments)	01 January 2020
IFRS - 3	Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS - 9 / IAS - 39	Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS 7 / IFRS - 10 / IAS - 28	Sale or Contribution of assets between an Investor and its Associate or Joint Venture (Amendments)	Not Yet Finalised
IAS - 1 / IAS - 8	Definition of Material (Amendments)	01 January 2020
IAS - 1	Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2022*
IAS - 16	Proceeds before Intended Use (Amendments)	01 January 2022
IAS - 37	Onerous Contracts - Costs of fulfilling a Contract (Amendments)	01 January 2022

* The IASB has issued an exposure draft proposing to defer the effective date of the amendments to IAS 1 to 01 January 2023.

Improvements to accounting standards issued by the IASB (2018 - 2020 cycle)

		IASB effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments - Fees in the '10 percent' test for the derecognition of financial liabilities		01 January 2022
IAS 41 - Agriculture - Taxation in fair value measurement		01 January 2022

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

		IASB effective date (annual periods beginning on or after)
IFRS 1 - First Time Adoption of IFRSs		01 January 2004
IFRS 17 - Insurance Contracts		01 January 2023

2.5 Significant accounting judgments and estimates

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

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

2.5.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment

on an annual basis. In making these estimates, the Company uses the technical resources available to the Company. Any change in the estimates in future might affect the carrying amount of respective item of operating property, plant and equipment with corresponding effects on the depreciation charge and impairment.

2.5.2 Taxation

Current

In applying the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. 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 in the statement of financial position between the tax bases of the assets, 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 including 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.

2.5.6 Leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs (such as market interest rates) and incorporate applicable spread.

2.5.7 Allowance for Expected Credit Losses (ECL) on financial assets

The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 the 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.

3.1.1 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease i.e., the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lower of the lease term and the estimated useful lives of the assets, as follows:

Sales-offices - 1 to 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of an asset.

3.1.2 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 Company 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 the statement of profit or loss 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, deposits and other 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 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments at the lease commencement date, the Company uses the interest rate implicit in the lease. In case where the interest rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 Revenue from contracts with customers

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:

3.14.1 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.

3.14.2 Other income

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

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

Other revenues are accounted for when performance obligations are met.

3.15 Staff retirement benefits

3.15.1 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 obligations to the scheme are made in accordance with the 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 termination benefits.

3.15.2 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.

3.16 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.

3.17 Taxation

3.17.1 Current

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

3.17.2 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.

3.18 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.

3.19 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.

3.20 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.

3.21 Impairment of non-financial assets

The carrying amount of non-financial assets other than inventories are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.22 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade debts, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 180 days past due.

Further, the Company may consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.23 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.

3.24 Functional and presentation currency

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

3.25 Government grant

Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed.

3.26 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	2020	2019
		(Rupees in '000)	
Operating property, plant and equipment	4.1	25,129,951	26,264,797
Capital work-in-progress	4.2	159,633	626,166
Right-of-use assets	4.3	17,250	-
		<u>25,306,834</u>	<u>26,890,963</u>

4.1 Operating property, plant and equipment

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

2020 Description	COST			DEPRECIATION				Book value as at June 30, 2020	Depreciation rate % per annum
	As at July 01, 2019	Additions / (disposals)	As at June 30, 2020	As at July 01, 2019	Disposals	Charge for the year	As at June 30, 2020		
	(Rupees in '000)								
Freehold land	1,605	-	1,605	-	-	-	-	1,605	-
Leasehold land	7,065	-	7,065	-	-	-	-	7,065	-
Building on leasehold land	5,365,801	210,664	5,576,465	898,549	-	344,258	1,242,807	4,333,658	7.5
Plant and machinery	23,794,627	291,897	24,086,524	5,141,345	-	1,033,700	6,175,045	17,911,479	5-7.5
Power and other installations	3,096,582	38,735 (67)	3,135,250	640,754	(27)	249,455	890,182	2,245,068	10-20
Furniture and fittings	68,606	1,014 (78)	69,542	25,754	(59)	4,327	30,022	39,520	10-20
Quarry, factory and laboratory equipment	861,912	33,525	895,437	486,067	-	59,889	545,956	349,481	10-20
Motor vehicles	313,900	31,665 (19,309)	326,256	138,605	(11,581)	36,788	163,812	162,444	20
Office equipment	72,039	5,320 (84)	77,275	20,908	(65)	5,738	26,581	50,694	10-20
Computers	124,739	14,627 (284)	139,082	90,097	(249)	20,297	110,145	28,937	33.33
	33,706,876	627,447 (19,822)	34,314,501	7,442,079	(11,981)	1,754,452	9,184,530	25,129,951	

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	11,640,854	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	2,455,828	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	

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
Preheater
Kiln
Cement mill / press
Packing machine
Waste heat recovery plant
Generators (Wartsila and Caterpillar)

	Note	2020	2019
4.1.3 Reconciliation of book value:			
(Rupees in '000)			
Book value at the beginning of the year		26,264,797	12,277,573
Additions during the year - at cost		627,447	15,390,440
Depreciation for the year		(1,754,452)	(1,389,264)
Disposals during the year at book value		(7,841)	(13,952)
Book value at the end of the year		25,129,951	26,264,797

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

Cost of sales	28	1,722,341	1,356,787
Distribution costs	29	15,691	15,917
Administrative expenses	30	16,420	16,560
		1,754,452	1,389,264

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)						
Toyota Corolla GLI Reg. No. BNF-158	2,154	1,758	2,153	395	Insurance Claim	M/s. EFU General Insurance Limited
Honda City MT Reg. No. BC-7287	1,599	455	455	-	Employee car scheme	Mr. Mutee-ur-Rehman - Employee
Honda City MT Reg. No. AYW-850	1,507	350	377	27	Employee car scheme	Mr. Syed Shahid Ahmed - Employee
Honda City MT Reg. No. AYP-432	1,507	332	1,245	913	Tender	Mr. Waseem Mirza - Karachi
Honda City MT Reg. No. BC-7321	1,599	424	424	-	Employee car scheme	Mr. Asmatullah Khan - Employee
Suzuki Cultus VXR Reg. No. AAE-936	1,099	481	1,119	638	Insurance Claim	M/s. EFU General Insurance Limited
Honda City MT Reg. No. BC-7285	1,599	417	417	-	Employee car scheme	Mr. Hussain Javed - Employee
Honda City MT Reg. No. BC-8163	1,599	425	425	-	Employee car scheme	Mr. Raza Hussain Shaikh - Employee
Suzuki Mehran VXR Reg. No. BAY-053	673	179	179	-	Employee car scheme	Mr. Anees Ahmed - Employee
Honda City MT Reg. No. BPS-375	1,868	1,540	1,919	379	Insurance Claim	M/s. EFU General Insurance Limited
Honda City MT Reg. No. BD-4829	1,535	624	624	-	Employee car scheme	Mr. Anwar Hussain - Employee
Honda City MT Reg. No. BC-8172	1,617	430	430	-	Employee car scheme	Mr. Arshad Bhatti - Employee

Description	Cost	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers and relationship (4.1.5.1)
(Rupees in '000)						
Suzuki Wagon-R VX Reg. No.BD-2633	953	313	662	349	Tender	Mr. Faisal - Peshawar
	19,309	7,728	10,429	2,701		
Power and Other Installations	67	40	-	(40)	Write-off	
Furniture & Fixtures	78	19	16	(3)	Scrap Sales	M/s. Alvi Complex
Office Equipment	84	19	23	4	Scrap Sales	M/s. Alvi Complex
Computers	284	35	92	57	Scrap Sales	M/s. Alvi Complex
2020	19,822	7,841	10,560	2,719		
2019	41,617	13,952	21,287	7,335		

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

4.1.6 The market value of property, plant and equipment assessed by an independent valuer as of July 08, 2020 amounts to Rs. 38,307 million (2019: Rs. 36,656 million). However, the same has not been incorporated in these financial statements.

4.2 Capital work-in-progress

Description	Freehold land	Building on leasehold land	Plant and machinery	Power and other installations	Furniture and fittings	Quarry, factory and laboratory equipment	Motor vehicles	Office equipment	Computers	Advances	Total
(Rupees in '000)											
Balance as at June 30, 2018	-	2,114,345	9,094,464	123,011	12,788	11,493	20,922	652	497	150,100	11,528,272
Capital expenditure incurred / advances made during the year	-	749,977	2,793,031	679,694	8,843	163,307	51,776	13,671	28,035	-	4,488,334
Transferred to operating property, plant and equipment	-	(2,664,771)	(11,640,854)	(802,705)	(18,019)	(149,651)	(72,698)	(13,210)	(28,532)	-	(15,390,440)
Balance as at June 30, 2019	-	199,551	246,641	-	3,612	25,149	-	1,113	-	150,100	626,166
Capital expenditure incurred / advances made during the year	55,048	60,740	74,520	38,735	1,057	26,555	34,067	4,980	15,312	-	311,014
Transferred to operating property, plant and equipment	-	(210,664)	(291,897)	(38,735)	(1,014)	(33,525)	(31,665)	(5,320)	(14,627)	-	(627,447)
Transferred to long-term loan	-	-	-	-	-	-	-	-	-	(150,100)	(150,100)
Balance as at June 30, 2020	55,048	49,627	29,264	-	3,655	18,179	2,402	773	685	-	159,633

4.3 Right-of-use assets

Note	2020	2019
	(Rupees in '000)	
As at July 01	-	-
Impact of initial application of IFRS 16	28,485	-
Depreciation for the year	(11,235)	-
As at June 30	17,250	-

The depreciation charge for the year on right-of-use assets pertains to rental payments of sales offices.

5. INTANGIBLE ASSETS

Description

COST			AMORTIZATION			Carrying 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)							
45,376	2,665	48,041	26,914	3,756	30,670	17,371	10
38,042	7,334	45,376	22,636	4,278	26,914	18,462	10

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

Note	2020	2019
(Rupees in '000)		
Cost of sales	28	2,389
Distribution costs	29	178
Administrative expenses	30	1,189
	3,756	4,278

6. LONG-TERM INVESTMENTS

Investment in related parties

At fair value through other comprehensive income	6.1	383,098	247,285
Interest in a joint venture - Madian Hydro Power Limited	6.2	-	-
Interest in a joint venture - UniEnergy Limited	6.3	7,765	7,685
		390,863	254,970

6.1 At fair value through other comprehensive income

Cherat Packaging Limited

3,122,532 (2019: 2,838,666) ordinary shares of Rs. 10/- each. 365,805 228,910

Mirpurkhas Sugar Mills Limited

288,750 (2019: 262,500) ordinary shares of Rs. 10/- each. 17,293 18,375

6.2 Interest in a joint venture - Madian Hydro Power Limited

Company's share in net assets	106,705	106,705
Impairment loss	(106,705)	(106,705)
	-	-

6.2.1 Represents 10,744,997 shares (2019: 10,744,997 shares) representing 50% (2019: 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 the Private Power and Infrastructure Board (PPIB). However, due to deteriorated law and order situation in Swat and adjoining areas, the project has been delayed.

6.3 Interest in a joint venture - UniEnergy Limited

Note	2020	2019
	Un-audited	Audited
(Rupees in '000)		
As at July 01	6.3.1	7,685
Share of profit	32	80
As at June 30	7,765	7,685

6.3.1 Represents 768,999 (2019: 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	2020	2019
		(Rupees in '000)	
Employees	7.1	983	935
Current maturity	12	(245)	(234)
		738	701
Loan to SNGPL	7.2	89,368	-
Current maturity	12	(6,526)	-
		82,842	-
		83,580	701

7.1 Represent loans given to employees as per the Company's policy. These loans carry mark-up @ 15% per annum (2019: 15% per annum) and are repayable within 4 to 5 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.

7.2 The Company has provided long-term loan amounting to Rs. 150.10 million to Sui Northern Gas Pipelines Limited (SNGPL) against allocation of gas for Cement plant. It carries mark-up at the rate of 1.5% and is repayable in 10 equal annual installments. The effective interest rate is calculated at 13%. During the year, Rs. 15.01 million has been received. The Company has recognised the long-term loan as financial asset at amortized cost.

8. DEFERRED TAXATION	Note	2020	2019
		(Rupees in '000)	
Accelerated tax depreciation		(3,109,977)	(2,997,792)
Unused tax losses		2,197,404	1,226,854
Tax credits		434,585	678,804
Minimum tax		215,472	183,169
Alternative corporate tax		681,428	503,306
		418,912	(405,659)

9. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		1,656,613	1,586,998
Spare parts		1,876,631	1,268,976
Loose tools		4,332	4,744
		3,537,576	2,860,718
Stores and spare parts in transit		229,098	623,902
		3,766,674	3,484,620

10. STOCK-IN-TRADE			
Raw and packing material		181,018	200,060
Work-in-process		527,009	811,030
Finished goods		254,443	257,104
		962,470	1,268,194

11. TRADE DEBTS - secured, considered good			
Neither past due nor impaired	11.1	300,648	311,488

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

12. LOANS AND ADVANCES - considered good	Note	2020	2019
		(Rupees in '000)	
Advances to suppliers	12.1 & 12.2	37,319	141,847
Advances to employees		2,765	1,781
Current portion of long-term loans to employees	7	245	234
Current portion of loan to SNGPL	7	6,526	-
		46,855	143,862
12.1 Sector wise analysis is as follows:			
Government sector - secured		1,138	107,625
Other sectors - unsecured		36,181	34,222
		37,319	141,847
12.2 These advances do not carry any interest.			

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits	13.1	547	547
Short-term prepayments		15,762	23,212
		16,309	23,759

13.1 These deposits do not carry any interest.

14. OTHER RECEIVABLES

Provident fund	14.1	-	-
Sales tax and federal excise duty - adjustable		-	1,523,488
Insurance claims receivable		2,594	2,375
Duty drawback receivable		6,171	23,066
Others		1,611	2,379
		10,376	1,551,308

14.1 Provident fund

	2020	2019
	Un-audited	Un-audited
(Rupees in '000)		
Size of the trust	906,928	883,183
Cost of investments	893,276	862,923
Fair value of investments	992,175	804,554
(Percentage)		
Percentage of investments made	98.50	97.71

Major categories of investments of provident fund are as follows:

	2020		2019	
	Investment	Investment as size of the fund	Investment	Investment as size of the fund
	(Rupees in '000)	%	(Rupees in '000)	%
Government securities	549,741	62	407,953	47
Mutual funds	250,138	28	214,405	25
Listed shares	74,035	8	225,082	26
TFCs	10,000	1	5,000	1
Bank balances	9,362	1	10,483	1
	893,276	100	862,923	100

14.2 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.

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18. LONG-TERM FINANCINGS - secured

	Note	2020	2019
Islamic banks			
(Rupees in '000)			
Syndicated Long-Term Finance Loan Line - II	18.1	1,888,421	2,545,263
Syndicated Long-Term Finance Loan Line - III	18.2	12,500,000	12,500,000
		14,388,421	15,045,263
Conventional banks			
Syndicated Long-Term Finance Loan Line - II	18.1	411,579	554,737
Captive Power Plant Loan	18.3	1,100,000	1,100,000
Waste Heat Recovery Loan Line - III	18.4	1,200,000	1,000,000
Refinance Scheme for Payment of Wages and Salaries	18.5 & 21	258,060	-
		17,358,060	17,700,000
Current maturities	18.6	(430,016)	(800,000)
		16,928,044	16,900,000
18.1 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 commenced 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. During the year, the Company has availed the principal deferment facility, as mentioned in Note 18.6 of these financial statements.			
18.2 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. During the year, the Company has availed the principal deferment facility, as mentioned in Note 18.6 of these financial statements.			
18.3 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.			
18.4 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.			
18.5 It represents a long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by State Bank of Pakistan. It carries flat mark-up at the rate of 1% per annum. The SBP allowed spread under this scheme is up to 3% per annum. However, the effective interest rate is calculated at 7.89% and the loan has been recognised at the present value. The loan is repayable in 8 equal quarterly installments commencing from January 2021 discounted at the effective rate of interest. The differential markup has been recognised as government grant (as mentioned in note 21) which will be amortised to interest income over the period of facility. The financing is secured against first pari-passu hypothecation charge over current assets.			
18.6 The Company has availed the principal deferment facility for syndicated long-term finance for line - II and syndicated long-term finance for line - III offered by the State Bank of Pakistan through BPRD circular no. 13 of 2020 to dampen adverse effects of the COVID-19 and to provide relief to the businesses. Under this facility, the principal repayments of both the loans falling due in the financial year 2020-21 amounting to Rs. 2,050 million in total have been deferred for one year and repayments will be restarted from financial year 2021-22. However, servicing of the markup/profit will not be affected. Such deferment will not affect the credit history of the company and accordingly will not be reported in the Electronic Credit Information Bureau (eCIB) as restructuring. As per the terms of the deferment, the Company cannot pay dividend during the term of deferment except by paying the deferred principal amount or with the specific approval of the concerned banks. Current maturities of other loans have also been shown here.			

19. LEASE LIABILITIES

The Company has lease contracts for rental of sales offices used in its operations. These leases generally have lease terms between 1 to 3 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the Lessors. The Company is bound by certain covenants, which includes but are not limited to payment of certain taxes and to exercise reasonable care.

	2020			2019		
	Rental payments	Financial charge	Movement in lease liability	Rental payments	Financial charge	Movement in lease liability
(Rupees in '000)						
Sales offices under rental agreements	12,593	3,430	9,163	-	-	-

	Note	2020	2019
		(Rupees in '000)	
As at July 01		-	-
Impact of initial application of IFRS 16		28,485	-
Accretions of interest	33	3,430	-
Payments		(12,593)	-
As at June 30		19,322	-
Current portion of lease liabilities		8,929	-
Long-term portion of lease liabilities		10,393	-

20. 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.

21. GOVERNMENT GRANT

	2020	2019
	(Rupees in '000)	
As at July 01	-	-
Received during the year	26,007	-
Released to the statement of profit or loss	(1,237)	-
As at June 30	24,770	-
Current portion of government grant	11,012	-
Long-term portion of government grant	13,758	-

As aforementioned in note 18.5, the purpose of the government grant is to facilitate the Company in making timely payments of salaries and wages to their employees in light of the COVID-19 pandemic. The grant is conditional upon the fact that the Company would not terminate any employee, due/owing to cash flow limitations, for a period of six months from the date of receipt of the first tranche.

22. TRADE AND OTHER PAYABLES

	Note	2020	2019
		(Rupees in '000)	
Creditors		171,120	276,238
Bills payable		515,899	593,892
Accrued liabilities		138,865	132,281
Gratuity fund	22.1	137,959	329,227
Advances from customers		197,523	193,388
Retention money		16,073	236,875
Workers' Profits Participation Fund	22.2	-	55,146
Excise duty, sales tax and royalty payable		910,217	-
Others		63,839	46,387
		2,151,495	1,863,434

22.1 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, 2020.

Gratuity fund asset:

	2020	2019
	(Rupees in '000)	
Present value of defined benefit obligations / payables	699,667	634,528
Fair value of plan assets	(561,708)	(305,301)
Liabilities recognised in the statement of financial position	137,959	329,227
Current service cost	53,218	49,197
Interest cost	86,101	46,958
Expected return on plan assets	(44,271)	(50,161)
Expense recognized	95,048	45,994

Movement in net liability recognised in the statement of financial position:

Balance as at July 01	329,227	(5,726)
Net charge for the year	95,048	45,994
Re-measurements chargeable in other comprehensive income	(231,316)	331,959
Contribution to the fund	(55,000)	(43,000)
Balance as at June 30	137,959	329,227

Movement in the present value of defined benefit obligation / payables:

Balance as at July 01	634,528	540,225
Current service cost	53,218	49,197
Interest cost	86,101	46,958
Benefits paid during the year	(44,252)	(20,203)
Actuarial (gain) / loss	(29,928)	18,351
Balance as at June 30	699,667	634,528

Movement in the fair value of plan assets:

Balance as at July 01	305,301	545,951
Expected return	44,271	50,161
Contributions	55,000	43,000
Benefits paid during the year	(44,252)	(20,203)
Actuarial gain / (loss)	201,388	(313,608)
Balance as at June 30	561,708	305,301

Principal actuarial assumptions used are as follows:

	2020	2019
	(Percentage)	
Expected rate of increase in salary level - long-term	7.50	12.25
Valuation discount rate - long-term Government bonds	8.50	14.25
Rate of return on plan assets	8.50	14.25

The discount rate 8.5% is representative of yields on long-term Government Bonds.

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

	2020	2019	2018	2017	2016
	(Rupees in '000)				
Present value of defined benefit obligations	685,070	626,343	540,225	470,716	399,375
Payables	14,597	8,185	-	-	-
Fair value of plan assets	(561,708)	(305,301)	(545,951)	(887,662)	(635,807)
Deficit / (surplus)	137,959	329,227	(5,726)	(416,946)	(236,432)
Experience adjustment on plan liabilities	29,928	(18,351)	(18,268)	(39,229)	(3,956)
Experience adjustment on plan assets	201,388	(313,608)	(400,823)	220,174	120,243
	231,316	(331,959)	(419,091)	180,945	116,287

Sensitivity analysis

	2020			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	(Rupees in '000)			
Present value of obligations	656,026	718,099	721,431	652,458

Composition of plan assets is as follows:

	2020	2019
	(Rupees in '000)	
Defence Savings Certificates / PIBs / T-bills	160,514	76,713
Special Savings Certificates	32,514	17,441
Mutual funds / Shares	350,791	208,225
Bank balances	17,889	2,922
	561,708	305,301

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. Actuarial gain on plan assets during the year amounts to Rs. 245.66 million (2019: Actuarial loss Rs. 263.45 million).

Expected contribution for the year ending June 30, 2021 is Rs. 38.75 million.

22.2 Workers' Profits Participation Fund

Note

		2020	2019
		(Rupees in '000)	
Opening balance		55,146	113,019
Interest thereon	33	349	849
		55,495	113,868
Payment made during the year		(55,495)	(113,868)
		-	-
Charge for the year	31	-	55,146
Closing balance		-	55,146

23. ACCRUED MARK-UP**Islamic banks**

Long-term financings	387,147	417,795
Short-term borrowings	10,268	689
	397,415	418,484

Conventional banks

Long-term financings	103,514	87,844
Short-term borrowings	35,815	37,758
	139,329	125,602
	536,744	544,086

24. SHORT-TERM BORROWINGS - secured

Short-term running finance - Islamic banks	24.1	429,471	8,315
Short-term running finance - Conventional banks	24.1	2,232,770	2,894,212
		2,662,241	2,902,527

24.1 Represents facilities obtained from various conventional banks amounting to Rs.4,100 million (2019: Rs. 3,750 million) out of which Rs. 1,867.23 million (2019: Rs. 856 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. 5,467 million (2019: Rs. 5,000 million). Further, the Company has obtained credit facilities from various Islamic banks amounting to Rs. 1,100 million (2019: Rs. 550 million) out of which Rs. 670.52 million (2019: Rs. 542 million) remain unutilized at the year end. These facilities carry profit ranging from 1 month KIBOR + 0.5% to 1 month KIBOR + 0.75% and 3 months KIBOR + 0.75%. These facilities are secured against registered pari-passu hypothecation charge over stocks and book debts for Rs. 1,467 million (2019: Rs. 734 million).

25. UNCLAIMED DIVIDEND

Subsequent to the year end, in accordance with section 244 of the Act, a separate bank account has been opened and the amount has been transferred.

26. CONTINGENCIES AND COMMITMENTS

26.1 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. 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. PHC has dismissed the review petition of FBR during the year.
- During the year ended June 30, 2013, the Company won a petition in the SHC 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 (2019: 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 challenged the vires of law in the Lahore High Court for which petition 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 SHC, which has granted stay in the favour of the Company. Based on the legal advisor's view, 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.
- 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, 2020 is Rs. 142 million (2019: 137 million). However, as a matter of prudence, the Company has started maintaining provision from July 01, 2018.

- 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.

26.2	Commitments	Note	2020	2019
			(Rupees in '000)	
	- Letters of credit - conventional and Islamic bank		1,415,350	960,850
	- Letters of guarantee - conventional and Islamic bank		978,434	376,060
27.	TURNOVER - net			
	Local sales - gross		25,433,566	21,231,701
	Rebate and commission		(1,041,829)	(743,149)
			24,391,737	20,488,552
	Sales tax		(4,262,361)	(3,449,244)
	Federal excise duty		(5,807,535)	(3,203,292)
			(10,069,896)	(6,652,536)
	Local sales - net		14,321,841	13,836,016
	Export sales - gross		2,987,380	2,188,900
	Rebate and commission		(219,066)	(162,269)
	Export sales - net		2,768,314	2,026,631
			17,090,155	15,862,647
27.1	All revenue earned by the Company is Shariah Compliant.			
28.	COST OF SALES			
	Raw and packing material consumed			
	Opening stock		200,060	146,179
	Purchases		3,335,993	2,576,666
			3,536,053	2,722,845
	Closing stock	10	(181,018)	(200,060)
			3,355,035	2,522,785
	Duty drawback on exports		(19,745)	(8,381)
			3,335,290	2,514,404
	Manufacturing overheads			
	Salaries, wages and benefits	28.1	1,421,282	1,307,406
	Stores and spare parts consumed		382,106	496,077
	Fuel and power		8,911,909	7,157,815
	Rent, rates and taxes		300,089	250,730
	Insurance		111,835	129,673
	Vehicle running expenses		148,984	133,184
	Travelling and conveyance		14,609	17,554
	Printing and stationery		2,576	4,363
	Legal and professional charges		19,054	4,816
	Repairs and maintenance		26,728	46,604
	Depreciation	4.1.4	1,722,341	1,356,787
	Amortisation	5.1	2,389	3,298
	Communication		2,790	3,351
	Stores written-off		419	337
	Others		14,585	13,809
			16,416,986	13,440,208
	Work-in-process			
	Opening		811,030	422,652
	Closing	10	(527,009)	(811,030)
	Cost of goods manufactured		16,701,007	13,051,830
	Finished goods			
	Opening		257,104	184,807
	Closing	10	(254,443)	(257,104)
			16,703,668	12,979,533

28.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 41.80 million and Rs. 69.41 million, respectively (2019: Rs. 33.71 million and Rs. 33.64 million, respectively).

29. DISTRIBUTION COSTS

Note

2020

2019

(Rupees in '000)

Salaries, wages and benefits	29.1	274,066	280,862
Export expenses		2,144	1,779
Travelling and conveyance		6,690	9,670
Staff training expenses		315	1,522
Vehicle running expenses		16,177	16,894
Communication		5,732	5,641
Printing and stationery		2,028	1,898
Rent, rates and taxes		5,213	13,581
Utilities		6,765	6,915
Repairs and maintenance		4,755	7,764
Insurance		3,588	3,352
Advertisement		4,957	26,176
Entertainment		840	3,067
Depreciation	4.1.4	15,691	15,917
Amortisation	5.1	178	125
Depreciation on right-of-use assets	4.3	11,235	-
License and subscription		1,321	862
Others		308	313
		362,003	396,338

29.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 9.57 million and Rs. 13.80 million, respectively (2019: Rs. 8.23 million and Rs. 6.74 million, respectively).

30. ADMINISTRATIVE EXPENSES

Note

2020

2019

(Rupees in '000)

Salaries, wages and benefits	30.1	169,661	191,490
Travelling and conveyance		5,712	7,739
Staff training expenses		483	1,316
Vehicle running expenses		8,905	8,814
Communication		5,029	5,015
Printing and stationery		3,838	3,946
Rent, rates and taxes	30.2	6,066	6,369
Utilities		1,974	1,645
Repairs and maintenance		9,725	10,338
Legal and professional charges		26,692	24,216
Insurance		4,363	4,059
License and subscription		6,088	4,615
Advertisement		1,441	1,558
Depreciation	4.1.4	16,420	16,560
Amortisation	5.1	1,189	855
Entertainment		1,808	1,871
Others		2,356	3,519
		271,750	293,925

30.1 Includes expenditure in respect of provident fund and gratuity fund amounting to Rs. 7.52 million and Rs. 11.84 million, respectively (2019: Rs. 6.94 million and Rs. 5.61 million, respectively).

30.2 Includes rent related to short-term leases amounting to Rs. 1.70 million (2019: Nil).

31. OTHER EXPENSES

Note

2020

2019

(Rupees in '000)

Workers' Profits Participation Fund	22.2	-	55,146
Auditors' remuneration	31.1	3,893	4,748
Donations	31.2	15,132	13,831
Exchange loss		-	35,635
		19,025	109,360

31.1	Auditors' remuneration	Note	2020	2019
			(Rupees in '000)	
	Audit fee		1,375	1,250
	Half yearly review and CCG certification		580	530
	Tax and other corporate services		1,685	2,676
	Out of pocket expenses		253	292
			3,893	4,748

31.2	Donations			
	The Citizens Foundations		2,300	-
	Shaukat Khanam Memorial Trust		-	3,000
	Ghulam Faruque Welfare Trust	31.2.1	4,030	1,000
	Others		8,802	9,831
			15,132	13,831

31.2.1 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 Welfare Trust. Following directors of the Company are also trustees of the said trust:

- Mr. Omar Faruque
- Mr. Azam Faruque

32.	OTHER INCOME	Note	2020	2019
	Income from financial assets		(Rupees in '000)	
	Profit on bank accounts - conventional banks		3,708	3,073
	Dividend income from related parties		7,097	19,832
	Interest income on financial asset		11,184	-
			21,989	22,905
	Income from non-financial assets			
	Gain on disposal of operating property, plant and equipment	4.1.5	2,719	7,335
	Scrap sales		42,936	74,338
	Exchange gain		2,296	-
	Share of profit from joint venture	6.3	80	32
	Miscellaneous income		541	2,226
			48,572	83,931
			70,561	106,836

33.	FINANCE COSTS			
	Islamic banks			
	Mark-up on long-term financings		1,911,485	834,723
	Mark-up on short-term borrowings		15,087	717
	Bank charges and commission		5,665	1,357
			1,932,237	836,797
	Conventional banks			
	Mark-up on long-term financings		367,384	180,622
	Mark-up on short-term borrowings		152,690	110,802
	Bank charges and commission		16,253	13,489
			536,327	304,913
	Interest expense on financial asset		54,654	-
	Mark-up on lease liabilities	19	3,430	-
	Interest on workers' profits participation fund	22.2	349	849
			2,526,997	1,142,559

34. TAXATION

34.1 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 34.2)	Tax assessed as per return	Excess / (under) (note 34.2)
(Rupees in '000)			
2019	-	-	-
2018	-	-	-
2017	(626,868)	(626,868)	-

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

34.3 The Company has filed its return of income up to tax year 2019.

The following are the details of tax matters / proceedings in respect of different tax years:

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 the 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.

Last 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 file 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 for tax year 2017 based on the allowance of claim u/s 65B of the ITO 2001.

34.4 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. Therefore, reconciliation of accounting to tax profit has not been presented.

34.5 Last 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 has challenged this amendment and got stay from the PHC. However, as a matter of prudence, the Company has reduced tax credit from 10% to 5% in prior year financial statements. In order to file petition in the PHC, the Company however, claimed full tax credit in income tax return.

34.6 During the year, the Deputy Commissioner Inland Revenue, Regional Tax Office, Peshawar issued Order under section 161/205 of the Income Tax Ordinance 2001 raising the demand of Rs. 21 million with respect to the Tax Year 2014 without given opportunity of being heard to the Company. The management has filed Appeal before the Commissioner (Appeals), Peshawar to remand back the aforesaid Order. Based on the above facts, the Company believes that the Commissioner (Appeals), Peshawar will concur on the said grounds and remand back the Order. Therefore, the Company has not provided any provision in these financial statements.

35. (LOSS) / EARNINGS PER SHARE

	2020	2019
Net (loss) / profit for the year (Rupees in '000)	(1,893,108)	1,762,763
		(Restated)
Weighted average number of ordinary shares in issue	194,295,038	194,295,038
(Loss) / earnings per share - basic and diluted	(Rs. 9.74)	Rs. 9.07

35.1 Weighted average number of ordinary shares

Issued ordinary shares at the beginning of the year	176,631,853	176,631,853
Effect of bonus shares	17,663,185	17,663,185
	<u>194,295,038</u>	<u>194,295,038</u>

35.2 There is no dilutive effect on basic earnings per share of the Company. However, the prior year earnings per share has been restated on account of bonus issue during the year.

36. LINE - WISE RESULTS

As fully explained in note 34.3 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.

37. 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:

37.1 Market risk

Market risk is the risk that the 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.

37.1.1 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
2020		(Rupees in '000)
KIBOR	+100	(200,203)
KIBOR	-100	200,203
2019		
KIBOR	+100	(206,025)
KIBOR	-100	206,025

37.1.2 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).

	2020	2019
	(‘000)	
Trade and other payables -US Dollar	1,002	2,561

The following exchange rates have been applied at reporting dates:

	2020	2019
	(Rupees)	
Exchange rate - US Dollar	168.75	164.50

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 2020 - US Dollar	+10	(16,904)
	- 10	16,904
30 June 2019 - US Dollar	+10	(42,127)
	- 10	42,127

37.1.3 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. 383.10 million. A decrease of 10% in the share price of these securities would have an impact of approximately Rs. 38.31 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.

	Credit rating	2020	2019
(Rupees in '000)			
Long-term investments			
Cherat Packaging Limited	A	365,805	228,910
Mirpurkhas Sugar Mills Limited	A-	17,293	18,375
		383,098	247,285

37.2 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 counter parties 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	2020	2019
		(Rupees in '000)	
Trade debts	11	300,648	311,488

37.2.1 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:

	Credit rating	2020	2019
		(Rupees in '000)	
Bank balances	A1+	34,089	24,781

37.3 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.

	2020					2019				
	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	430,016	16,928,044	17,358,060	-	17,358,060	800,000	16,900,000	17,700,000	-	17,700,000
Lease liabilities	8,929	10,393	19,322	-	19,322	-	-	-	-	-
Long-term security deposits	-	-	-	27,661	27,661	-	-	-	21,871	21,871
Trade and other payables	-	-	-	1,168,530	1,168,530	-	-	-	1,808,288	1,808,288
Accrued mark-up	-	-	-	536,744	536,744	-	-	-	544,086	544,086
Short-term borrowings	2,662,241	-	2,662,241	-	2,662,241	2,902,527	-	2,902,527	-	2,902,527
Unclaimed dividend	-	-	-	87,994	87,994	-	-	-	86,081	86,081
	3,101,186	16,938,437	20,039,623	1,820,929	21,860,552	3,702,527	16,900,000	20,602,527	2,460,326	23,062,853

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

37.4 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, 2020 and 2019 are as follows:

	2020	2019
(Rupees in '000)		
Long-term financings	17,358,060	17,700,000
Accrued mark-up	536,744	544,086
Short-term borrowings	2,662,241	2,902,527
Total debt	20,557,045	21,146,613
Cash and cash equivalents	(36,558)	(29,535)
Net debt	20,520,487	21,117,078
Share capital	1,942,950	1,766,318
Reserves	8,110,608	9,989,851
Total capital	10,053,558	11,756,169
Capital and net debt	30,574,045	32,873,247
Gearing ratio	67.12%	64.24%

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.

37.5 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	2020			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Investments at fair value through other comprehensive income	37.5.1	383,098	-	-	383,098
		2019			
		Level 1	Level 2	Level 3	Total
		(Rupees in '000)			
Investments at fair value through other comprehensive income	37.5.1	247,285	-	-	247,285

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.

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

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
(Rupees in '000)						
Managerial remuneration	32,041	13,436	235,384	29,282	-	219,942
Bonus	2,628	1,038	18,450	11,992	-	83,368
Housing allowance	1,452	5,607	101,729	1,452	-	96,111
Retirement benefits	5,257	2,077	36,027	4,797	-	33,903
Utilities	1,300	1,245	22,317	1,545	-	21,104
Leave fare assistance	2,628	944	16,159	2,399	-	13,201
	45,306	24,347	430,066	51,467	-	467,629
Number	1	1	82	1	-	74

38.1 The Chief Executive and an executive have been provided with furnished accommodation. Further, the Chief Executive, Director 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.

38.2 The aggregate amount charged in the financial statements for meeting fee to 6 non-executive directors amounted to Rs. 1.72 million (2019: 7 directors - Rs. 1.80 million).

39. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprises of associated companies, directors, executives, retirement funds, companies with common directorship and key management personnel of the Company. Amounts due from / to related parties are disclosed in respective notes to these financial statements. The Company enters into transactions with related parties on agreed terms as approved by the Board of Directors. Transactions with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Relationship	Nature of transactions	2020	2019
		(Rupees in '000)	
Associated Companies	Purchases	2,307,252	1,751,327
	Sale of goods	356	16,629
	Purchase of fixed assets	6,304	-
	IT support charges	20,898	20,325
	Dividend received	7,097	19,832
	Dividend paid	51,102	204,407
	Insurance premium paid	60,387	54,129

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

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

Name	Basis of relationship	Aggregate % of Shareholding
Cherat Packaging Limited	Common directorship	2.74
Faruque (Private) Limited	Common directorship	21.92
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 Ltd.	Common directorship	Nil
Cherat Cement Company Limited - Employees' Provident Fund	Retirement benefit fund	0.38
Cherat Cement Company Limited - Staff Gratuity Fund	Retirement benefit fund	1.66

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

40. NUMBER OF EMPLOYEES

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

follows:	2020		2019	
	(Number)			
	Total	Factory	Total	Factory
	Total number of employees	972	820	1012
Average number of employees during the year	992	838	949	802

41. PRODUCTION CAPACITY

	2020	2019
	(Tons)	
Annual installed capacity - Clinker	4,320,000	4,320,000
Annual installed capacity - Cement	4,536,000	4,536,000
Actual production - Clinker	2,988,489	2,338,024
Actual production - Cement	3,382,277	2,509,031

Plant operational hours are in line with the industry demand.

42. 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 84% during the year ended June 30, 2020 (2019: 87%).

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 37% of the Company's total sales during the year ended June 30, 2020 (2019: 39%).

43. DATE OF AUTHORISATION

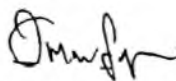
These financial statements were authorised for issue on August 26, 2020 by the Board of Directors of the Company.

44. GENERAL

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



Azam Faruque
Chief Executive



Omar Faruque
Director



Yasir Masood
Director &
Chief Financial Officer

Pattern of Shareholding

as at June 30, 2020

No. of Shareholders	From	Shareholding	To	Shares Held
740	1	to	100	28,374
1113	101	to	500	334,156
1038	501	to	1000	722,477
1546	1001	to	5000	3,506,218
504	5001	to	10000	3,493,386
252	10001	to	15000	2,973,071
100	15001	to	20000	1,733,252
90	20001	to	25000	2,018,031
72	25001	to	30000	1,957,741
41	30001	to	35000	1,349,355
33	35001	to	40000	1,254,465
28	40001	to	45000	1,206,560
23	45001	to	50000	1,110,896
21	50001	to	55000	1,098,073
11	55001	to	60000	625,077
6	60001	to	65000	377,691
11	65001	to	70000	734,365
13	70001	to	75000	938,822
7	75001	to	80000	542,824
4	80001	to	85000	328,294
12	85001	to	90000	1,059,262
6	90001	to	95000	548,824
6	95001	to	100000	590,209
3	100001	to	105000	308,920
8	105001	to	110000	869,205
2	110001	to	115000	224,731
2	115001	to	120000	236,886
3	120001	to	125000	367,000
4	125001	to	130000	512,011
3	130001	to	135000	398,500
7	135001	to	140000	964,699
1	140001	to	145000	142,670
3	145001	to	150000	441,842
1	150001	to	155000	154,000
1	160001	to	165000	160,300
2	165001	to	170000	334,500
3	175001	to	180000	535,700
1	180001	to	185000	181,000
2	190001	to	195000	387,050
2	195001	to	200000	398,610
3	200001	to	205000	610,038
1	205001	to	210000	207,000
1	210001	to	215000	212,371
1	220001	to	225000	222,000
2	225001	to	230000	458,351
1	235001	to	240000	239,000
1	245001	to	250000	248,000
1	255001	to	260000	256,000
1	260001	to	265000	263,699
1	265001	to	270000	265,794
2	270001	to	275000	545,295
2	275001	to	280000	558,036
1	305001	to	310000	309,490
1	310001	to	315000	314,000

No. of Shareholders	Shareholding			Shares Held
	From		To	
2	315001	to	320000	634,000
1	320001	to	325000	324,150
2	325001	to	330000	657,000
1	330001	to	335000	333,500
1	355001	to	360000	360,000
1	365001	to	370000	368,262
1	385001	to	390000	386,100
1	395001	to	400000	396,000
1	435001	to	440000	437,530
1	485001	to	490000	489,970
2	495001	to	500000	996,530
1	510001	to	515000	510,500
1	560001	to	565000	561,000
1	570001	to	575000	573,276
1	590001	to	595000	594,619
1	595001	to	600000	596,750
1	655001	to	660000	660,000
1	675001	to	680000	678,957
1	695001	to	700000	698,500
1	700001	to	705000	700,176
1	710001	to	715000	714,820
1	725001	to	730000	729,583
1	745001	to	750000	747,285
1	760001	to	765000	764,000
1	790001	to	795000	791,111
2	795001	to	800000	1,597,752
1	885001	to	890000	885,877
1	995001	to	1000000	998,000
1	1030001	to	1035000	1,031,757
2	1070001	to	1075000	2,143,876
1	1180001	to	1185000	1,183,257
1	1275001	to	1280000	1,279,575
1	1305001	to	1310000	1,309,400
1	1325001	to	1330000	1,329,079
1	1365001	to	1370000	1,365,710
1	1410001	to	1415000	1,411,082
1	1600001	to	1605000	1,602,296
1	1735001	to	1740000	1,736,000
1	1770001	to	1775000	1,770,788
1	1885001	to	1890000	1,888,256
1	2325001	to	2330000	2,327,703
1	2415001	to	2420000	2,419,002
1	2485001	to	2490000	2,488,130
1	2720001	to	2725000	2,724,100
1	3145001	to	3150000	3,147,497
1	3220001	to	3225000	3,220,783
1	3535001	to	3540000	3,535,580
1	3600001	to	3605000	3,602,500
1	4600001	to	4605000	4,601,100
1	4665001	to	4670000	4,667,698
1	5440001	to	5445000	5,443,350
1	5575001	to	5580000	5,575,891
1	6345001	to	6350000	6,347,277
1	6995001	to	7000000	6,996,000
1	7470001	to	7475000	7,470,693
1	11035001	to	11040000	11,036,936
1	42595001	to	42600000	42,596,353
5806				194,295,038

Categories of Shareholding

as at June 30, 2020

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children			
MR. OMAR FARUQUE	1	2,408,632	1.24
MRS. SHAMAIN AKBAR FARUQUE W/O. MR. OMAR FARUQUE	1	396,000	0.20
MR. AZAM FARUQUE	1	2,755,940	1.42
MRS. SAMIA FARUQUE W/O. MR. AZAM FARUQUE	1	57,981	0.03
MR. AKBARALI PESNANI	1	91,300	0.05
MRS. SAKINA PESNANI W/O. MR. AKBARALI PESNANI	1	72,600	0.04
MR. ARIF DINO FARUQUE	1	2,255,194	1.16
MR. ABRAR HASAN	1	550	0.00
MR. ASIF QADIR	1	550	0.00
MRS. ZEEBA ANSAR	1	110	0.00
MR. YASIR MASOOD	1	1,100	0.00
Associated Companies, undertakings and related parties			
FARUQUE (PRIVATE) LIMITED	1	42,596,353	21.92
CHERAT PACKAGING LIMITED	1	5,327,698	2.74
MIRPURKHAS SUGAR MILLS LIMITED	1	6,347,277	3.27
GREAVES PAKISTAN (PRIVATE) LIMITED	1	2,419,002	1.25
ZENSOFT (PRIVATE) LIMITED	1	24,750	0.01
Executives		1,605,276	0.83
Public Sector Companies and Corporations	6	867,879	0.45
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	33	13,530,687	6.96
Mutual Funds			
MCBFSL - TRUSTEE JS VALUE FUND	1	248,000	0.13
CDC - TRUSTEE PICIC INVESTMENT FUND	1	181,000	0.09
CDC - TRUSTEE JS LARGE CAP. FUND	1	180,000	0.09
CDC - TRUSTEE PICIC GROWTH FUND	1	239,000	0.12
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	1,309,400	0.67
CDC - TRUSTEE MEEZAN BALANCED FUND	1	110,000	0.06
CDC - TRUSTEE JS ISLAMIC FUND	1	222,000	0.11
CDC - TRUSTEE FAYSAL STOCK FUND	1	33,000	0.02
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	53,500	0.03
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	207,000	0.11
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	25,505	0.01
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	2,724,100	1.40
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	32,500	0.02
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	500	0.00
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	333,500	0.17
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	9,790	0.01
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	167,500	0.09
CDC - TRUSTEE HBL - STOCK FUND	1	314,000	0.16
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	81,750	0.04
MC FSL - TRUSTEE JS GROWTH FUND	1	561,000	0.29
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	131,500	0.07
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	87,500	0.05
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	729,583	0.38
CDC - TRUSTEE ABL STOCK FUND	1	500	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	500	0.00
CDC - TRUSTEE LAKSON EQUITY FUND	1	280,000	0.14

Shareholders' Category	No. of Shareholders	Shares Held	Percentage
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	130,000	0.07
CDC - TRUSTEE HBL EQUITY FUND	1	100,000	0.05
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	22,500	0.01
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	35,000	0.02
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	13,000	0.01
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	27,000	0.01
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	7,470,693	3.85
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	1	51,000	0.03
CDC - TRUSTEE NBP ISLAMIC STOCK FUND	1	146,000	0.08
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	309,490	0.16
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	354	0.00
CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1	17,500	0.01
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	91,000	0.05
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	86,500	0.04
CDC - TRUSTEE LAKSON TACTICAL FUND	1	33,940	0.02
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	1	14,850	0.01
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	20,000	0.01
CDC - TRUSTEE AGIPF EQUITY SUB-FUND	1	7,000	0.00
CDC - TRUSTEE AGPF EQUITY SUB-FUND	1	4,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	24,500	0.01
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	45,000	0.02
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	1	500	0.00
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	1	4,000	0.00
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	1	8,500	0.00
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	1	66,850	0.03
CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	1	316,000	0.16
CDC - TRUSTEE NIT ASSET ALLOCATION FUND	1	40,000	0.02
General Public			
a. Local	5,480	57,474,232	29.58
b. Foreign	60	2,035,264	1.05
Foreign Companies	20	7,053,251	3.63
OTHERS	134	29,625,607	15.25
Total	5,806	194,295,038	100.00

Shareholders holding 10% or more

	Shares Held	Percentage
FARUQUE (PRIVATE) LIMITED	42,596,353	21.92

مالی سال مختتمہ 30 جون 2020 میں کمپنی نے اپنی ایسوی ایڈٹ 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 اور 208 کی رو سے ممبران کی منظوری حاصل کرنا لازمی ہے۔ لہذا 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۔

شیر ہولڈرز سے درخواست ہے کہ وہ اس لین دین کی توثیق کریں جو سال مختتمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 39 میں درج ہے نیز بورڈ آف ڈائریکٹرز کو سال مختتمہ 30 جون 2021 کیلئے متعلقہ پارٹیز یا ایسوی ایڈٹ کمپنیز کے ساتھ لین دین کا مجاز قرار دیں۔

پارٹیز کے لحاظ سے لین دین کی معلومات جو سال مختتمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹس کے نوٹ نمبر 39 میں درج ہیں، درج ذیل ہیں:

متعلقہ کمپنی کا نام	لین دین کی نوعیت	رقم (روپے '000)
چراٹ پیکیجنگ لمیٹڈ	میکینگ میٹریل کی خریداری	2,102,903
چراٹ پیکیجنگ لمیٹڈ	مال فروخت کیا گیا	356
چراٹ پیکیجنگ لمیٹڈ	ڈیویڈنڈ کی آمدنی وصول ہوئی	7,097
چراٹ پیکیجنگ لمیٹڈ	ڈیویڈنڈ کی ادائیگی	4,843
میرپور خاص شوگر ملز لمیٹڈ	گلسڈ اسٹیس کی خریداری	2,000
میرپور خاص شوگر ملز لمیٹڈ	ڈیویڈنڈ کی ادائیگی	5,770
فاروق (پرائیویٹ) لمیٹڈ	خام مال کی خریداری	204,349
فاروق (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	38,267
گریوز پاکستان (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	2,199
گریوز انیرکنڈنھنگ (پرائیویٹ) لمیٹڈ	گلسڈ اسٹیس کی خریداری	4,304
زمین سوفٹ (پرائیویٹ) لمیٹڈ	آئی ٹی سپورٹ چارجز	20,898
زمین سوفٹ (پرائیویٹ) لمیٹڈ	ڈیویڈنڈ کی ادائیگی	23
جوبلی جزل انشورنس کمپنی لمیٹڈ	انشورنس پریمیم کی ادائیگی	60,387

نوٹس:

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 / زکوٰۃ کی کٹوتی اور ڈیویڈنڈ کی خالص رقم کی معلومات سینٹرلائزڈ کیش ڈیویڈنڈ رجسٹرڈ (CCDR) کے ذریعہ فراہم کی جائیں گی، لہذا شیئر ہولڈرز کو چاہیے کہ وہ خود کو C D C کے ای سرورسز پر <https://eservices.cdcaccess.com.pk> پر رجسٹر کروائیں۔

۱۔ کمپنی کے ممبران کا رجسٹر شدہ 21 اکتوبر 2020 تا منگل 27 اکتوبر 2020 (بشمول دونوں ایام) بند رہے گا اور اس مدت کے دوران میں کوئی منتقلی عمل میں نہیں آئے گی۔ کمپنی کے شیئر رجسٹر اریسر ڈی ڈی سی شیئر رجسٹر اریسر ویز لمیٹڈ (CDCSRSL)، سی ڈی سی ہاؤس، B-99 بلاک B، ایس۔ ایم سی۔ ایچ۔ ایس، مین شارع فیصل کراچی - 74400 میں منگل 20 اکتوبر 2020 کو کاروباری اوقات کے اختتام تک موصول ہونے والے شیئرز درج بالا اہلیت کیلئے بروقت تصور کئے جائیں گے۔

۷۔ 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 اسٹیٹمنٹس اور اجلاس عام کی اطلاع بذریعہ ای میل منگوا سکتے ہیں۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ ہمارے ریکارڈ کو اپ ڈیٹ رکھنے کیلئے وہ اپنی رضامندی کا اظہار کمپنی کے صدر دفتر کو بھیجوا دیں کہ آیا وہ آڈٹ شدہ فنانشل اسٹیٹمنٹس اور اجلاس عام کی اطلاع بذریعہ ای میل منگوانے کے خواہشمند ہیں۔ تاہم اگر اس کے علاوہ شیئر ہولڈرز آڈٹ شدہ فنانشل اسٹیٹمنٹس کی ہارڈ کاپی کیلئے درخواست دیں تو وہ ان کی تحریری درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

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 کر سکتا / 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 ہو جانی چاہیے۔

۳۔ کمپنی کے وہ شیئرز ہولڈرز جن کے شیئرز سینٹرل ڈیپازٹری سسٹم (CDS) میں ان کے اکاؤنٹ اسب اکاؤنٹ میں رجسٹرڈ ہیں، ان کو مطلع کیا جاتا ہے کہ وہ تصدیق کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ مع CDS میں اپنے اکاؤنٹ نمبر اور شناخت 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 کمپیوٹر انڈسٹری قومی شناختی کارڈ (CNIC) کی فوٹو کاپی جمع نہیں کروائی ہے، ان سے درخواست ہے کہ وہ یہ فوٹو کاپی کمپنی کے شیئر رجسٹر اوفیسی طور پر ارسال کریں۔

۸۔ 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 کر دے گی بشرطیکہ اس شہر میں اس کی سہولت دستیاب ہو۔

۶۔ شیئر ہولڈرز کو یاد دہانی کرائی جاتی ہے کہ کمپنیز ایکٹ 2017 کے سیشن 242 کے مطابق لید کپینوں ہونے کی صورت میں 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 اکاؤنٹ میں وصول کرنے کیلئے ای ڈیویڈنڈ مینڈیٹ فارم پر کریس 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 شیئرز رجسٹرار سروسز لمیٹڈ کو پہنچا دیں۔ اور شیئرز کے سی ڈی سی میں ہونے کی صورت میں ای ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈرز کے بروکر/اشریک ای ڈی سی اکاؤنٹ سروسز کے

[illegible]

کمپنیر ایکٹ 2017 کے سیکشن 134 کے تحت اسٹیٹمنٹ

"خصوصی امور" سے متعلق اہم حقائق کے اسٹیٹمنٹ کی کارروائی 27 اکتوبر 2020 کو منعقد ہونے والے کپنی کے سالانہ اجلاس عام میں انجام پائے گی۔ درج ذیل کے بارے میں کپنی کے ممبران سے منظوری حاصل کی جائے گی:



اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ کمپنی کا

39 واں سالانہ اجلاس عام

بروز منگل 27 اکتوبر 2020 صبح 11:30 بجے، درج ذیل امور کی انجام دہی کیلئے کمپنی کے رجسٹرڈ دفتر واقع فیکٹری کی حدود، گاؤں لکرنی نوشہرہ، خیبر پختونخوا میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال ختمہ 30 جون 2020 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

۲۔ سال 2020/21 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

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

خصوصی امور:

۴۔ 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 کئے گئے لین دین کے عمل کی، جو مالیاتی اسٹیٹمنٹ برائے سال ختمہ 30 جون 2020 کے نوٹ نمبر 39 میں درج ہے، توثیق کی جاتی ہے اور منظوری دی جاتی ہے۔"

(b) "مزید طے پایا کہ آئندہ سال ختمہ 30 جون 2021 کے دوران میں کاروبار کے معمولات کے مطابق متعلقہ پارٹیز اور ایسوسی ایٹڈ کمپنیز کے ساتھ کئے جانے والے لین دین کے عمل کی منظوری کیلئے کمپنی کے بورڈ آف ڈائریکٹرز یا اختیار ہیں اور ہوں گے۔ کمپنیز ایکٹ 2017 کے سیکشن 134 کے تحت درج بالا خصوصی امور سے متعلق اسٹیٹمنٹ اس فوٹس کے ساتھ منسلک ہے۔"

بحکم بورڈ آف ڈائریکٹرز

Handwritten signature

عابد وزیر

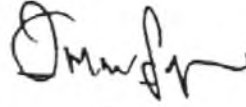
ایگزیکٹو ڈائریکٹر اور کمپنی سیکرٹری

کراچی: 26 اگست 2020

اعتراف:

ہم ان تمام فاضل اداروں جن کے ساتھ ہمارے تجارتی روابط ہیں، ہمارے ڈیلرز اور صارفین کا شکریہ ادا کرتے ہیں جن کی ہمیں مسلسل تائید اور تعاون حاصل ہے اور ہم پر اعتماد کرتے ہیں۔ ہم اپنے اسٹاف کے خلوص، دیانت داری اور انتھک محنت کے بھی دل کی گہرائیوں سے معترف ہیں۔

منجانب بورڈ آف ڈائریکٹرز



عمر فاروق
چیئر مین



اعظم فاروق
چیف ایگزیکٹو

کراچی 26 اگست 2020

مستقبل کے امکانات

COVID-19 کے پھوٹ پڑنے سے پوری دنیا میں کاروبار بری طرح متاثر ہوئے ہیں۔ وبا کی نوعیت کے پیش نظر مارکیٹ کے مستقبل کا منظر نامہ بھی انتہائی غیر یقینی نظر آتا ہے۔ بہر حال تعمیرات کیلئے سیکٹیج، ڈسکانٹ ریش میں کمی اور SBP کی پیکیجوں کو ہاؤسنگ فنانس پالیسی سے متعلق ہدایات سے سینٹ کی طلب پر مثبت اثر پڑے گا۔

ہم حکومت کے حالیہ وفاقی بجٹ میں لئے گئے اقدامات بشمول سینٹ پر ایکسائز ڈیوٹی میں کمی کی تعریف کرتے ہیں۔ ڈیزل اور ہاؤسنگ پروجیکٹس پر تعمیراتی کام کے آغاز اور حکومت کے درج بالا اقدامات پر مستعدی سے عمل ہونے پر توقع ہے کہ ملک میں تعمیراتی سرگرمیوں میں اضافہ ہوگا جس سے ملک میں سینٹ کی مانگ بڑھ جائے گی۔

اس کے علاوہ افغانستان کی سیاسی صورتحال بھی ایک پرامن تصفیہ کی طرف جارہی ہے جس سے ملک میں دوبارہ تعمیراتی سرگرمیوں میں اضافہ اور اس کے نتیجے میں سینٹ کی طلب میں اضافہ ہوگا۔ آپ کی کمپنی اپنی آئیڈیل لوکیشن اور پیداواری صلاحیت کی بناء پر پاکستان اور افغانستان دونوں جگہ سینٹ کی طلب میں اضافے کا فائدہ اٹھانے کی حالت میں ہے۔ جیسا کہا جاتا ہے کہ COVID-19 کی وجہ سے غیر یقینی کیفیت باقی رہتی ہے اور اس ابتدائی مرحلے میں یہ کہنا مشکل ہے کہ معاشی حالات میں بہتری آنے کی کوئی واضح علامت ہے۔

توانائی کی بڑھتی ہوئی قیمتوں کے خدشے کو ختم کرنے کیلئے کمپنی نے جہاں تک ممکن ہو سکے کے اندھن کی جگہ ری نیو ایبل توانائی استعمال کرنے کا فیصلہ کیا ہے، کمپنی فیکٹری میں شمسی توانائی کے پینل نصب کر رہی ہے۔ اس کے علاوہ کمپنی نے وہیلنگ ریجنیم انرجی پراجیکٹ ایگریمنٹ کے تحت پختونخوا انرجی ڈیولپمنٹ آرگنائزیشن (PEDO) سے سستی بجلی خریدنا شروع کر دیا ہے۔ اس انتہائی غیر یقینی وقت میں، آپ کی کمپنی صورتحال کا گہرائی سے جائزہ لے رہی ہے اور اپنے اسٹیک ہولڈرز کے مفاد کے تحفظ کیلئے ہر ضروری اقدام کرے گی۔



آڈیٹر کا تحریر:

موجودہ آڈیٹر ممبرز ایسوسی ایشن آف فورڈ رپورٹرز، چارٹرڈ اکاؤنٹنٹس ریلٹاز ہو گئے اور اہلیت کی بنیاد پر انہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے

شناخت کرنے اور ان کو ختم کرنے کیلئے چوکس رہے۔ بورڈ آف ڈائریکٹرز نے متوقع خدشات کی شناخت کی، کمپنی پر ان کے اثرات کا اندازہ کیا اور کاروبار کو درپیش تمام خدشات کو ختم کرنے کیلئے حکمت عملی تشکیل دی۔ حکمت عملی کو آڈٹ کمیٹی کے زیر نگرانی کمپنی کے تمام حصوں میں نافذ کیا گیا تاکہ رسک کے مدارک میں کوئی غلامی نہ رہ جائے۔

رسک کی جانچ

بورڈ آف ڈائریکٹرز نے اندرونی اور بیرونی دونوں طرح کے رسک کی اچھی طرح جانچ کی جو کمپنی کو درپیش ہو سکتے ہیں۔ کاروبار میں کمی۔ بے یقینی کے مواقع سامنے آتے ہیں جو اس کے مقاصد کیلئے خطرہ ہوتے ہیں اور اگر ان کا بروقت تذکرہ نہ کیا جائے تو بھاری نقصان کا اندیشہ ہوتا ہے۔ توانائی کی قیمتیں بھی پیداواری مجموعی لاگت کا بڑا حصہ ہوتی ہیں۔ کوئلہ اور بجلی کے نرخات میں تبدیلی کمپنی کے لئے ایک مستقل خدشہ ہوتی ہے۔ اس خدشے کے مدارک کیلئے کمپنی جنوبی افریقہ، افغان اور مقامی کوئلہ کو مقررہ لوک کے ساتھ ملا کر استعمال کرتی ہے۔ طویل مدت میں، اگر قیمتیں بہت زیادہ بڑھ جائیں، تو کمپنی کے پاس کوئلہ کے متوقع تہذیبی موجود ہیں جیسے پکڑے سے بنا ایندھن اور ٹائٹروں سے بنا ایندھن۔ اس کے علاوہ کمپنی نے پاور کی قیمت میں کمی کیلئے ویٹ ہیٹ ریکوری پلانٹ بھی نصب کیا ہے اور پلانٹ کیلئے گیس کنکشن بھی حاصل کیا ہے۔ مزید برآں سولر پاور پروجیکٹ بھی نصب کیا جا رہا ہے۔ کمپنی کیلئے ایک اور معاشی خدشہ سیاسی غیر یقینی کی کیفیت کے باعث اس کی بڑی برآمدی مارکیٹ افغانستان کو برآمدات میں کمی اور کم قیمت کے ایرانی سینٹ کی دستیابی ہے۔ تاہم حکمت عملی کے تحت نوشہرہ میں قائم فیکٹری افغان سرحد کے بالکل نزدیک ہے اور افغانستان میں حیرات کے براڈنگ پیچان نے ہمیں افغانستان میں سب سے بڑے برآمد کنندگان کی حیثیت برقرار ہے۔

قرضہ جات کی ادائیگی

کمپنی نے اپنے قرضے ہمیشہ وقت پر ادا کئے ہیں۔ سال 2019/20 کے دوران میں اسٹیٹ بینک آف پاکستان نے کمپیڈ کو سال کے دوران میں واجب الادا ہونے والے طویل المدت قرضوں کی اصل رقم کی ادائیگی کو مؤخر کرنے کی اجازت دی تاکہ ان پر COVID-19 کے مالیاتی اثرات پر قابو پایا جاسکے۔ کمپنی کے اپنی لائن II کے مشترکہ مفاد کے طویل المدت قرضے اور لائن III کے مشترکہ مفاد کے طویل المدت قرضہ کیلئے اسٹیٹ بینک آف پاکستان کی اصل رقم کی ادائیگی مؤخر کرنے کی پیشکش کی سہولت حاصل کی۔ اس سہولت کے تحت دونوں قرضوں کی ادائیگی مالی سال 2020-21 میں واجب الادا تھی جن کی مجموعی رقم 2,050 ملین روپے کی ادائیگی ایک سال کیلئے مؤخر کر دی گئی ہے اور اس کی ادائیگی مالی سال 2021-22 سے شروع ہوگی۔ تاہم مارک اپ / منافع کی خدمت پر کوئی اثر نہیں پڑے گا۔ مؤخر کرنے کے اس عمل سے کمپنی کی کریڈٹ ہسٹری بھی متاثر نہیں ہوگی اور اس لحاظ سے اس کو ایکٹیوٹیک کریڈٹ انفارمیشن پیرو (eCIB) میں ری اسٹرکچرنگ کیلئے رپورٹ نہیں کیا جائے گا۔ مؤخر کرنے کی شرائط کے مطابق کمپنی مؤخر ہونے کی مدت کے دوران میں منافع مقصد کی ادائیگی نہیں کر سکتی جب تک مؤخر کی گئی اصل رقم ادا نہ کر دی جائے یا متعلقہ بینکوں سے خصوصی منظوری نہ حاصل کی جائے۔ دیگر قرضہ جات کی موجودہ بحال (maturity) بھی یہاں درج کی گئی ہے۔ اس کے علاوہ کمپنی نے اسٹیٹ بینک آف پاکستان کی جانب سے پیش کی گئی انتہائی مسابقتی شرح سود پر وینج فنانسنگ اسکیم بھی حاصل کی ہے۔

کیپٹل اسٹرکچر

کمپنی کی جانب سے پلانٹ کی گنجائش میں حالیہ توسیع کے سبب اس کے موجود قرضہ اور ایکویٹی کی نسبت تقریباً 3:2 ہے۔ سال کے دوران میں موجود قرضہ کی ایکویٹی سے نسبت میں کمی آئی ہے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کو بھروسہ ہے کہ گنجائش کے زیادہ سے زیادہ استعمال کی سطح برقرار رہنے سے کمپنی کے کیپٹل اسٹرکچر میں نمایاں بہتری آنے کی اور قرضہ اور ایکویٹی کا تناسب زیادہ متوازن ہو جائے گا۔

پراڈیٹ فنڈ	992 ملین روپے
گرمینٹی فنڈ	358 ملین روپے

بورڈ آف ڈائریکٹرز

بورڈ میں ڈائریکٹرز کی کل تعداد 8 ہے جن کی ترتیب حسب ذیل ہے:

• مرد ڈائریکٹرز	7
• خواتین ڈائریکٹر	1
(ا) خود مختار ڈائریکٹرز	
۱۔ جناب آصف قادر	
۲۔ جناب ابرار حسن	
۳۔ محترمہ زینب انصار	
(ب) نان ایگزیکٹو ڈائریکٹرز	3
۱۔ جناب عمر فاروق	
۲۔ جناب اکبر علی پستانی	
۳۔ جناب عارف فاروق	
(ج) ایگزیکٹو ڈائریکٹرز	2
۱۔ جناب اعظم فاروق	
۲۔ جناب یاسر مسعود	

• رواں سال بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب عمر فاروق	4
جناب اعظم فاروق	5
جناب اکبر علی پستانی	5
جناب عارف فاروق	5
جناب آصف قادر	5
جناب ابرار حسن	5
محترمہ زینب انصار	5
جناب یاسر مسعود	5

• رواں سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب آصف قادر	4
جناب اکبر علی پستانی	4
جناب عارف فاروق	4

• رواں سال انفرادی قوت اور اجرتی کمیٹی کے دو اجلاس منعقد ہوئے۔ حاضری کا انفرادی ریکارڈ حسب ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب ابرار حسن	1
جناب اعظم فاروق	2
جناب عمر فاروق	2

- شیئر ہولڈنگ کا طریقہ کار رپورٹ کے ساتھ منسلک ہے۔
- رواں سال فی شیئر (9.74) روپے کا خسارہ ہوا جبکہ گزشتہ سال فی شیئر آمدنی 9.07 روپے تھی۔

ڈائریکٹرز کا مشاہرہ:

آرٹیکلز آف کمپنی کے ذریعہ، بورڈ آف ڈائریکٹرز اس بات کے مجاز ہیں کہ وہ جتنا ٹان ایگزیکٹو اور خود مختار ڈائریکٹرز کے مشاہرے کا تعین کریں۔ اس سلسلے میں بورڈ آف ڈائریکٹرز نے ایک جامع ریویویشن کمیٹی تشکیل دی ہے۔ ڈائریکٹرز کے مشاہرے کی تفصیلات مالی سال ختمہ 30 جون 2020 کے مالیاتی اسٹیٹمنٹ کے نوٹ 38 میں درج ہیں۔

کارکردگی کی سالانہ جانچ

کوڈ آف کارپوریٹ گورننس کے تحت کمپنی نے بورڈ آف ڈائریکٹرز، کمیٹیوں اور انفرادی ڈائریکٹرز کی سالانہ جانچ کی ہے۔ اس سلسلے میں طریقہ کار کو یقینی طور پر شفاف بنانے کیلئے کمپنی نے میسرز گرانٹ تھورنٹن انجمن رٹن، چارٹرڈ اکاؤنٹنٹس کی خدمات حاصل کیں۔

معلقہ پارٹیز کے ساتھ لین دین

معلقہ پارٹیز کے ساتھ تمام لین دین ایک فاصلے کے ساتھ غیر جانبدارانہ طور پر کئے گئے ہیں اور باقاعدہ طور پر کمپنی کے فنانشل اسٹیٹمنٹس میں ظاہر کیا گیا ہے۔

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کا اسٹیٹمنٹ

کمپنی، لسنڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی شرائط کی مکمل پابند کرتی ہے۔ عمل درآمد سے متعلق اسٹیٹمنٹ رپورٹ کے متعلقہ سیکشن میں درج ہے۔

یوٹی انرجی لمیٹڈ

یوٹی انرجی - ایک جوائنٹ وینچر ونڈ پاور پروجیکٹ کو لیٹر آف انٹنٹ (Letter of intent) حاصل ہو گیا ہے اور حجمی، مطلع خطہ میں پروجیکٹ قائم کرنے کیلئے باقاعدہ زمین الاٹ کر دی گئی ہے۔ بے دی پارٹنرز نے پروجیکٹ کے جاری اخراجات کیلئے کمپنی میں ابتدائی ایکویٹی کی سرمایہ کاری کی ہے۔ جی رٹ سینٹ نے شیئر ہولڈرز کی منظوری کے بعد مبلغ 7.7 ملین روپے کی ایکویٹی سرمایہ کاری کی ہے۔ تاہم حکومت نے ابھی تک پروجیکٹ کیلئے کسی نہ ختمہ کے بارے میں مطلع نہیں کیا ہے۔



ریسک اور مواقع

ریسک منجمنٹ

بورڈ آف ڈائریکٹرز کے ممبران نے ہمیشہ سماجی اور معاشی ماحولیات اور ان کے سخت اندرونی اور بیرونی خطرات پر گہری نظر رکھی ہے جو تحفظ جاری آپریشن اور کمپنی کی کارکردگی پر اثر انداز ہو سکتے ہیں۔ تمام اسٹیک ہولڈرز کے مفاد کا خیال کرنے والے ڈائریکٹرز سال کے دوران میں خطرات کی

میں فیکچرنگ پلانٹس کے ارد گرد اور قرب وجوار میں رہنے والے لوگوں کی مجموعی صورتحال کو بہتر بنانے کا عزم کیا ہے۔ COVID-19 کی وبا پھیلنے کے بعد کمپنی نے معاشرے کے غریب اور نادار لوگوں کے پاس جا کر ان کو ضروری مدد فراہم کی۔ اس کے علاوہ ہم نے مختلف فلاحی اداروں کی بھی مدد کی اور اپنے بہتر ماحول، بہتر معیشت اور بہتر پاکستان کے وژن کے مطابق یہ سلسلہ جاری رکھیں گے۔

تحفظ، صحت اور ماحولیات

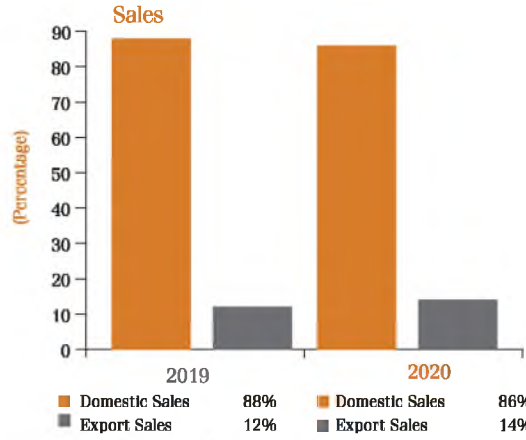
دبا کے پھیلنے کے بعد آپ کی کمپنی نے متعدد اقدامات کئے جن میں ایسپلائز کی صحت اور تحفظ کے سلسلے میں احتیاطی تدابیر کا سختی سے نفاذ کیا گیا تاکہ تمام اسٹاف ممبرز کو اس وائرس سے بہترین ممکنہ تحفظ کو یقینی بنایا جائے۔ اس سلسلے میں کمپنی نے متعلقہ قوانین اور ضوابط کی پیروی کی۔ درکار کا تحفظ کمپنی کی اولین ترجیح رہا۔ کمپنی کی اپنے لوگوں کی صحت اور تحفظ کا قاعدہ پالیسی ہے۔ کمپنی نے ہر درجے کے اسٹاف کو ذاتی تحفظ کا سامان فراہم کیا اور سماجی فاصلہ، رائیلے کی ٹریکنگ، پلاٹر ٹیپ ٹیسٹ وغیرہ جیسے اقدامات متعارف کروائے تاکہ اپنے ایسپلائز کی صحت کو اور کاروبار کے تسلسل کو برقرار رکھا جاسکے۔ کمپنی نے اپنے خرچے پر تمام اسٹاف کے COVID-19 ٹیسٹ کا اہتمام بھی کیا اور ان کو گھروں سے کام کرنے کی اجازت بھی دی۔

قومی خزانے میں حصہ

سال کے دوران میں کمپنی نے ٹیکسز، ایکسائز ڈیوٹی، انکم ٹیکس اور سیلز ٹیکس کی صورت میں حکومت کے خزانے میں 10 بلین روپے سے زیادہ رقم جمع کرائی۔



- کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس میں کمپنی کے معاملات، آپریشنز کے نتائج، نقد قیامات کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفاف طور پر پیش کیا گیا ہے۔
- کمپنی کے حسابات کے کھاتوں کو بہتر طور پر مرتب کیا گیا ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں ہر جگہ حسابات کی پالیسی کو بہتر طور پر استعمال کیا گیا ہے اور حسابات کے تخمینے کے سلسلے میں مناسب ترین اور دانشمندانہ فیصلے کئے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس، پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی بنیاد پر تیار کئے گئے ہیں اور ضرورت کے تحت ان سے گریز کو اطمینان بخش طور پر ظاہر اور واضح کیا گیا ہے۔
- اندرونی کنٹرول کے نظام کا طریقہ کار نہایت مضبوط 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 شائبہ نہیں ہے۔
- اصول و ضوابط کی فہرست میں درج کارپوریٹ گورننس کے بہترین طریقوں میں سے کوئی بات حذف نہیں کی گئی ہے۔
- گزشتہ چھ سال کی بنیادی آپریشننگ اور مالیاتی معلومات مختصر طور پر منسلک کی گئی ہیں۔
- آپ کی کمپنی کے ذمہ ٹیکس، ڈیوٹیز، محصولات اور چارجز کی مد میں کوئی رقم واجب الادا نہیں ہے سوائے ان کے جو عام کاروباری طریقہ کار کے مطابق ادا کئے جاتے ہیں۔
- کمپنی اپنے ملازمین کے پراویڈنٹ اور گریجویٹ فنڈز کے حسابات مکمل رکھتی ہے۔ فنڈز کی سرمایہ کاری کی تفصیلات مطابق 30 جون 2020 درج ذیل ہیں:



سال 2019/20 کے سینٹ لائن III کے کام شروع ہونے کے بعد کمپنی کیلئے پہلا مکمل سال تھا۔ زیادہ پیداواری گنجائش کے ساتھ کمپنی کی سینٹ کی ترسیل میں 35% اضافہ ہوا اور افغانستان کی برآمدات میں 32% اضافہ ہوا۔ اگر COVID-19 کی وجہ سے افغان سرحد عارضی طور پر بند نہ ہوتی تو افغانستان کو سیلز کی ترسیل کا حجم کہیں زیادہ ہوتا۔ اگرچہ مئی 2020 میں حکومت نے سرحد کھول دی تھی مگر سرحد پر پھینکری کی وجہ سے ترسیل متاثر ہوئی۔

مالیاتی کارکردگی

سیلز میں 35% اضافہ ہونے سے کمپنی کی آمدنی میں گزشتہ سال کی اسی مدت کے مقابلے میں مالی لحاظ سے صرف 8% اضافہ ہوا۔ اس کی وجہ مارکیٹ کے حالات کے باعث سینٹ کی قیمت فروخت میں کمی آئی تھی۔ اس مدت کے دوران میں ان پیٹ آئٹمز جیسے بجلی کی قیمت میں بھی اضافہ ہوا۔ تاہم لاگت میں بچت کے اقدامات بشمول گیس کی دستیابی سے کمپنی کو اپنی پیداواری لاگت کی استعداد بہتر کرنے میں مدد ملی۔ اس کے علاوہ کمپنی نے فکسڈ لاگت کے بہتر انتظام کا بھی فائدہ اٹھایا ہے۔ گزشتہ سال کی اسی مدت کے مقابلے میں مالیاتی لاگت میں تیزی سے اضافہ ہوا جس کی وجہ سے سینٹ لائن کیلئے طویل مدت کے قرضہ کا حصول اور سال کیلئے زیادہ مارک اپ رہیں ہیں۔

سال مختتمہ 30 جون 2020 میں کمپنی کو بعد از ٹیکس 1.89 بلین روپے کا نقصان ہوا جو کم قیمت فروخت اور زیادہ مالیاتی لاگت کے سبب ہوا۔ کمپنی کی موجودہ سال اور اس کے مقابلے میں گزشتہ سال کی کارکردگی مختصر طور پر درج ذیل ہے:

	2019	2020
	(بلین روپے میں)	
خالص سیلز	15,862.65	17,090.15
سیلز کی قیمت	12,979.53	16,703.67
مجموعی منافع	2,883.12	386.48
اخراجات اور ٹیکسز	1,120.36	2,279.59
خالص (نقصان) / منافع	1,762.76	(1,893.11)

منافع مشتمل

سال 2019/20 کے بعد از ٹیکس نقصان کے پیش نظر بورڈ آف ڈائریکٹرز نے اپنی میٹنگ منفقہ 26 اگست 2020 میں سال کے لئے کسی منافع مشتمل نہ دینے کا اعلان کیا ہے۔

اجتماعی سماجی ذمہ داری

کمپنی نے ہمیشہ معاشرے میں اپنے کردار کی ادائیگی کی کوشش کی ہے اور یہ پاکستان کے لوگوں، ماحولیات اور آب و ہوا کے بارے میں بخوبی آگاہ ہے۔ اپنی اجتماعی سماجی ذمہ داری کی پالیسیوں کے سلسلے میں کمپنی نے



ڈائریکٹرز رپورٹ برائے ممبران

برائے سال ختمہ 30 جون 2020

بورڈ آف ڈائریکٹرز ہمسرت کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے سال ختمہ 30 جون 2020 پیش کرتا ہے۔

عمومی جائزہ

COVID-19 کی عالمی وبا کے پھوٹ پڑنے سے دنیا کی معیشت ہشول پاکستان کی معاشی سرگرمیوں پر بڑا اثر پڑا جو COVID-19 سے پہلے سے ہی سست روی کا شکار تھی اور ملک بھر میں لاک ڈاؤن کے نفاذ سے ایک جگہ رک گئیں۔ اگرچہ COVID-19 کے اثر سے اکثر صنعتیں شدید طور پر متاثر ہوئیں خوش قسمتی سے سینٹ کی صنعت پر اس کے گہرے اثرات نہیں پڑے۔ COVID-19 کے فنی اثرات کے خاتمے کے سلسلے میں حکومت اور اسٹیٹ بینک آف پاکستان نے کاروبار کی مدد کیلئے مختلف ریلیف اقدامات متعارف کروائے۔ جہاں ڈسکاؤنٹ ریش میں کمی اور حکومت کی جانب سے تعمیرات کے شعبہ کے لئے سیکجنگ کا اعلان ایک مثبت ڈیولپمنٹ ہے، SBP کی جانب سے بینکوں کو ترغیب دینے کے پورٹ فولیو میں ہاؤسنگ فنانس کے شیئر کو بڑھانے کی ہدایات کا بھی نمایاں اثر ہوگا۔ ان اقدامات سے معیشت کی بحالی اور ملک میں تعمیراتی سرگرمیوں میں اضافے کی توقع ہے۔

زیر جائزہ سال کے دوران میں سینٹ کی صنعت کو طلب کی کمی، بڑھتی ہوئی لاگت اور کم تر قیمتوں کی وجہ سے نقصان پہنچا۔ سال 2019/20 میں صنعت کی جانب سے سینٹ کی ترسیل میں گزشتہ سال کی نسبت صرف 2% کا اضافہ ہوا۔ اس مدت کے دوران میں مقامی ترسیل میں تقریباً 1% کی کمی ہوئی لیکن برآمدات میں 20% کا شاندار اضافہ ریکارڈ کیا گیا۔ برآمدات میں اضافے کی بڑی وجہ سمندری راستے سے کلنکر کی ترسیل تھی۔ تاہم گزشتہ سہ ماہی میں COVID-19 کے پھیلاؤ کے بعد افغانستان کی سرحد بند ہونے کے باوجود گزشتہ سال افغانستان کو برآمدات میں 10% سے زیادہ اضافہ ہوا۔

کاروبار کا جائزہ

سال 2019/20، COVID-19 کے پھیلاؤ کے باعث آپ کی کمپنی کیلئے ایک بڑا چیلنج والا سال

رہا۔ اس دائرے کے نتیجے میں پیدا ہونے والے رسک سے غلطی کیلئے کمپنی نے متعدد اقدامات کئے تاکہ اپنے ایجنڈا کی صحت اور تحفظ اور کاروبار کے جاری رہنے کو یقینی بنایا جاسکے۔ سال کے دوران میں کاروباری سرگرمیوں اور کارکردگی کا تفصیلی جائزہ آگے پیش کیا جائے گا۔

پروڈکشن اور سیلز کا جائزہ

پروڈکشن اور سیلز کے قطعی اعداد و شمار درج ذیل ہیں:

2019	2020
(طن میں)	

2,338,024 2,988,489

2,509,031 3,382,277

2,135,528 2,903,768

357,895 473,711

2,493,423 3,377,479

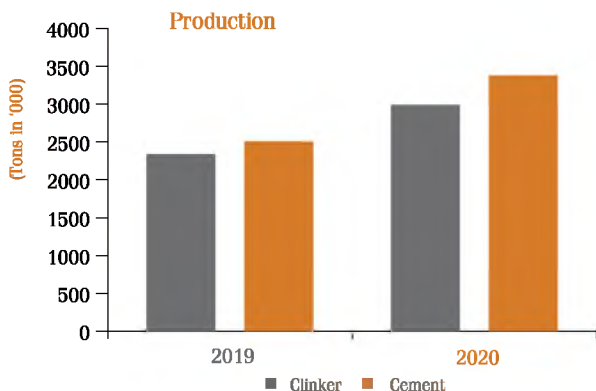
• کلنکر کی پیداوار

• سینٹ کی پیداوار

• مقامی سیلز

• برآمدات کی سیلز

• کل سیلز



39th Annual General Meeting



of another member of the Company as my /

our proxy to attend, speak & vote for me / us and on my / our behalf at the 39th Annual General Meeting of the Company to be held Tuesday, October 27, 2020 at 11:30 a.m at the Registered Office of the Company at Factory premises, Village Lakrai, Nowshera, Khyber Pakhtunkhwa and at any adjournment thereof.

WITNESSES

Signature of
Shareholder

Revenue
Stamp

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.

				-							-
--	--	--	--	---	--	--	--	--	--	--	---

میں مسماة _____ سکنہ _____

ضلع _____

بحیثیت ممبر چراٹ سیمنٹ کمپنی لمیٹڈ، مسماة _____

سکنہ _____

کو بطور مختار (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاس عام (یا جو بھی صورت حال ہو)، جو مورخہ 27 اکتوبر 2020 بروز منگل صبح 11:30 بجے بمقام فیکٹری کی حدود، گاؤں لکرنی، 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 شیر 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 ہو جائے۔

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 لائیں۔

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 شیر

سی ڈی سی اکاؤنٹ نمبر		رجسٹرڈ فون نمبر
اکاؤنٹ نمبر	شراکتی نمبر	

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر

E-Dividend Mandate Form



To:

Date:

I hereby communicate to receive my future dividends directly in my bank account as detailed below:

Shareholder's Detail	
Name of Company	Cherat Cement Company Limited
Name of shareholder	
Folio No./CDC Participants ID A/c No.	
CNIC No	
Passport No. (in case of foreign shareholder)	
Cell Number & Land Line Number	
Email Address (Mandatory)	

Shareholder's Bank Detail																							
Title of Bank Account (Mandatory)																							
International Bank Account Number (IBAN) <input type="checkbox"/> 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

