

# Power Behind Construction

Annual Report 2015



Annual Report 2015

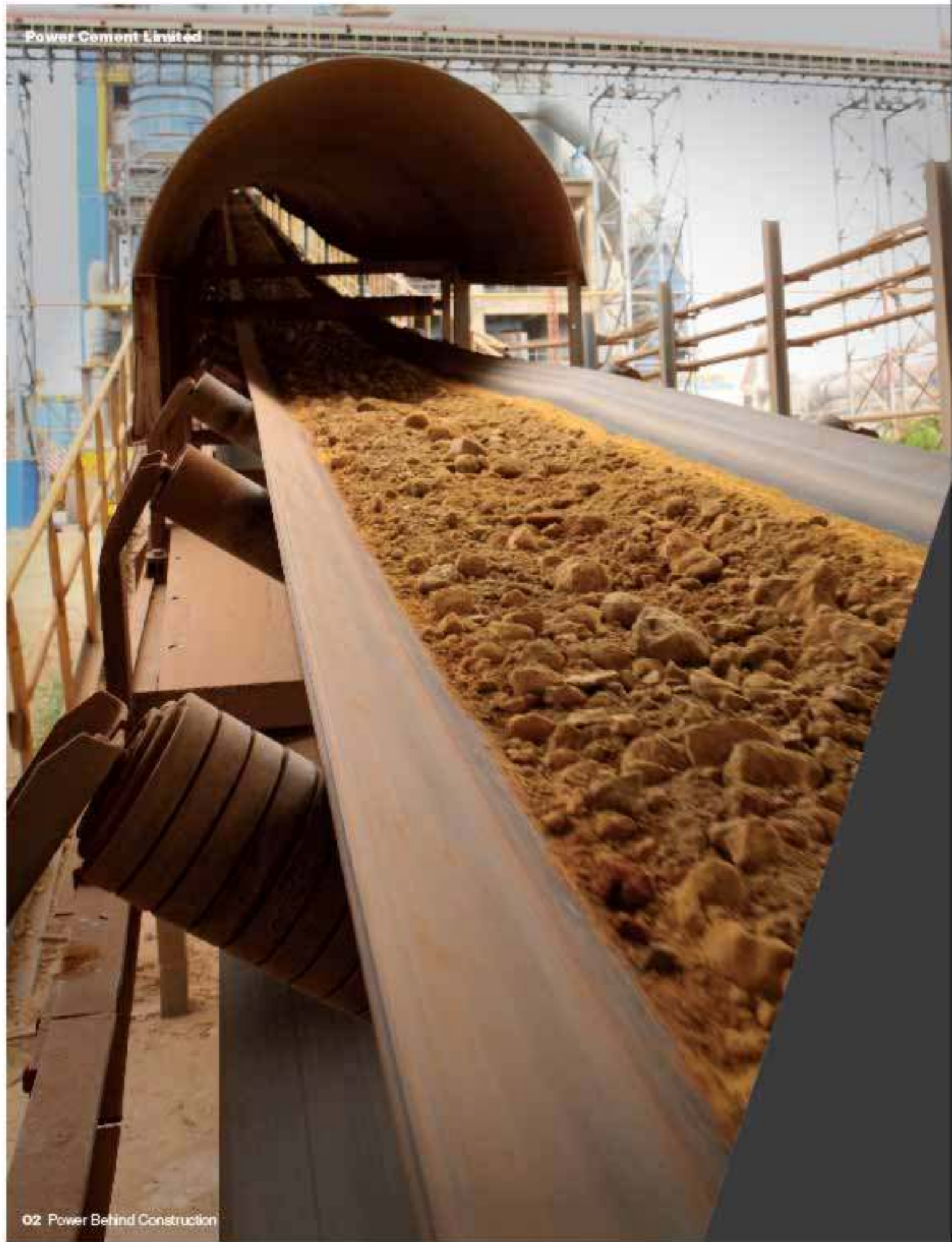


**POWER CEMENT**



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# Corporate Information

## Board of Directors

Nasim Beg	Chairman
Muhammad Kashif Habib	CEO
Samad A. Habib	Director
Muhammad Ejaz	Director
Muhammad Yousuf Adil	Director
Syed Salman Rashid	Director
Muhammad Yahya Khan	Director

## Audit Committee

Muhammad Yousuf Adil	Chairman
Nasim Beg	Member
Muhammad Yahya Khan	Member
Syed Salman Rashid	Member

## HR & Remuneration Committee

Muhammad Ejaz	Chairman
Muhammad Kashif Habib	Member
Samad A. Habib	Member
Syed Salman Rashid	Member

## Chief Financial Officer & Company Secretary

Tahir Iqbal

## External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants

## Legal Advisor

Usman & Iqbal  
Advocate & Solicitors

## Tax Advisor

Hyder Bhimji & Co.  
Chartered Accountants

Sharjeel Ayub & Co.  
Chartered Accountants

## Share Registrar

Technology Trade (Private) Limited

## Principal Bankers

Allied Bank Limited  
Al Baraka Bank Pakistan Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
United Bank Limited

## Registered Office

Arif Habib Centre, 23 M.T Khan Road, Karachi

## Website

[www.powercement.com.pk](http://www.powercement.com.pk)

## Contact Number

021-32468231-32  
021-32468351-52

## Factory

Nooriabad Industrial Area, Deh Kalo Kohar  
District, Jamshoro, Sindh.

## Vision

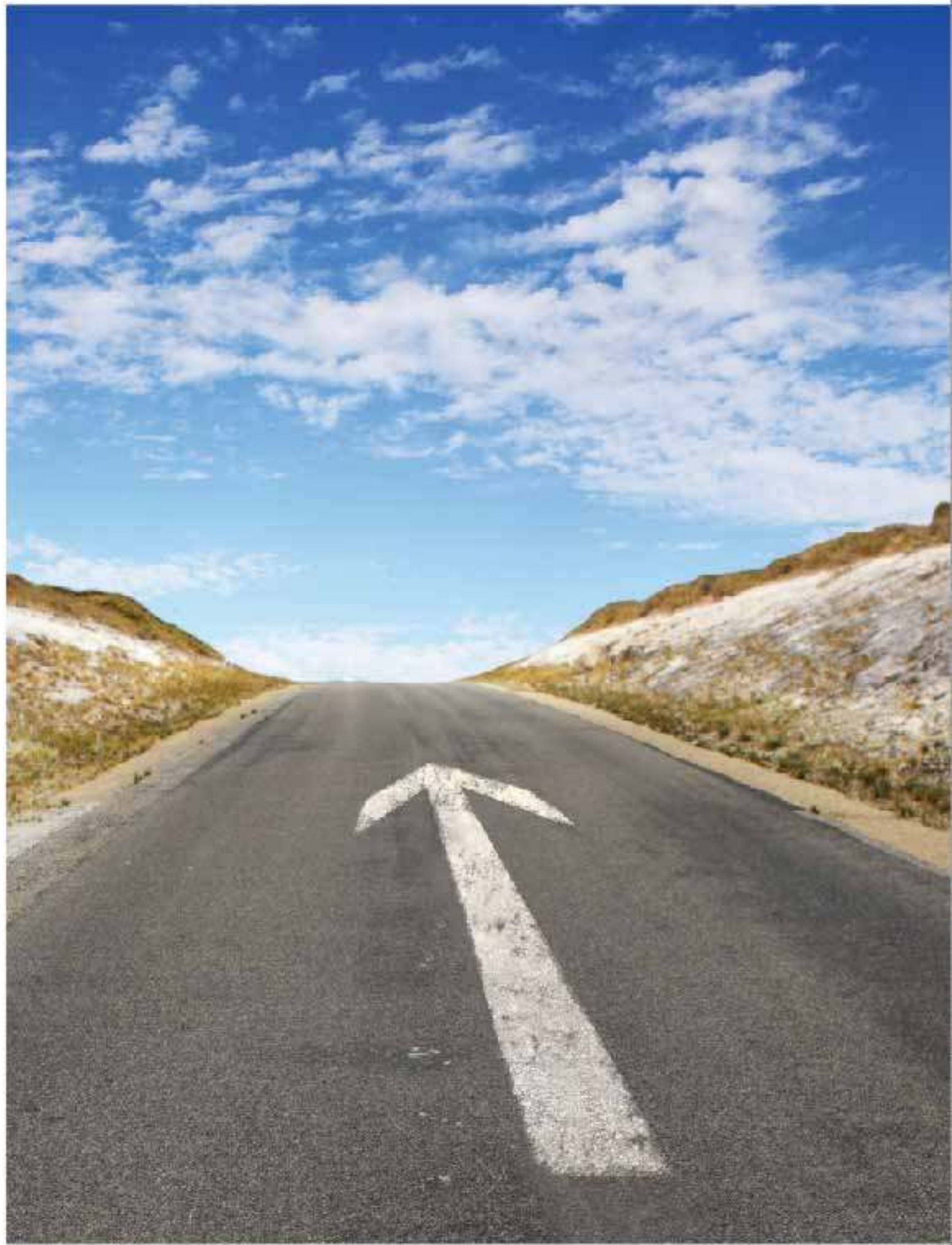
**Power Cement Limited aims to be recognized nationally and internationally as a successful cement producer with a strong satisfied customer base.**



## Mission

To become a profitable organization and exceed the expectations of our customers and stakeholders by producing and marketing competitive and high quality products through concentration on quality, business values and fair play.

To promote best use and development of human talent in a safe environment, as an equal opportunity employer and use advance technology for efficient and cost effective operation.



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## Key features:

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Scam meter\*  
Jamapunji games\*  
Tax credit calculator\*  
Company Verification  
Insurance & Investment Checklist  
FAQs Answered

Stock trading simulator  
(based on live feed from KSE)  
Knowledge center  
Risk profiler\*  
Financial calculator  
Subscription to Alerts (event notifications,  
corporate and regulatory actions)  
Jamapunji application for mobile device  
Online Quizzes



Jamapunji is an  
Investor Education  
Initiative of Securities  
and Exchange  
Commission of  
Pakistan



\*Mobile apps are also available for download for  
android and low devices

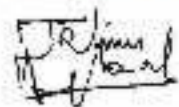
## Notice of the 24<sup>th</sup> Annual General Meeting

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of Power Cement Limited ("the Company") will be held at Beach Luxury Hotel, Molvi Tamizuddin Khan Road, Karachi on Tuesday, 20<sup>th</sup> October 2015 at 09:30 a.m. to transact the following business:

1. To confirm the minutes of the 23<sup>rd</sup> Annual General Meeting of the shareholders held on 25<sup>th</sup> October 2014.
2. To receive, consider and adopt annual audited financial statements together with the Directors' and the Auditors' Reports thereon for the year ended 30<sup>th</sup> June 2015.
3. To appoint Auditors for the year ending 30<sup>th</sup> June 2016 and to fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.
4. To consider any other business with the permission of the Chair.

Karachi; 29<sup>th</sup> September 2015

By order of the Board



**Tahir Iqbal**  
Company Secretary

## NOTES:

1. Share transfer books of the Company will remain closed from 12<sup>th</sup> October 2015 to 20<sup>th</sup> October 2015 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s Technology Trade (Pvt) Limited, Dagle House, 241-C, Block -2, P.E.C.H.S, Off Shahrah-e-Quaideen, Karachi up to the close of business on 11<sup>th</sup> October 2015 will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.
  - (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
  - (ii) In the case of a corporate entity, Board of Directors' resolution / power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
  - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
  - (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
3. Procedure including the guidelines as laid down in Circular No. 1- Reference No. 3(5-A) Misc/AROLEB/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:
  4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

# Directors' Report

The Directors of your Company present herewith the annual report of the Company together with the audited financial statements for the year ended June 30, 2015.

## Overview

The Pakistan Cement Industry witnessed a modest growth of 3.3% and south zone, where your Company is situated, noticed a growth of 6.5% in domestic demand at the close of the financial year ended June 30, 2015. The domestic demand in south zone stood 4.8 million tons as compared to 4.5 million tons in the last year. Overall despatches in south zone registered an increase of 4.2%, which is mainly contributed by the local demand.

During the year under review, the sales volume of your Company registered an increase of 4.4 % achieving a volume of 558,636 MT as compared to 535,022 MT in the last financial year.

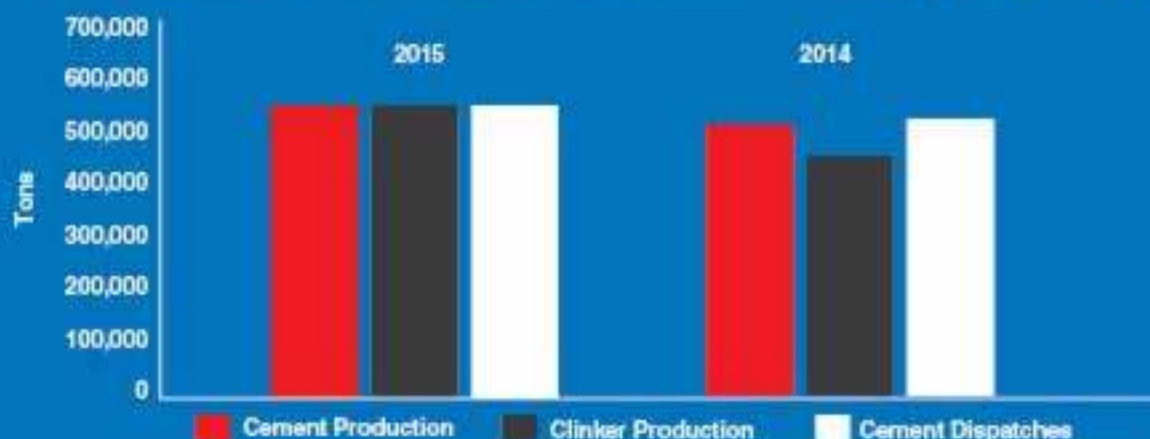
## Business Performance

### Production & Sales Volume Performance

The production and sales volume statistics (in tons) for the year together with the comparative figures is as under:

Particulars	2015	2014	Variance
	In Tons		%
Cement production	555,630	525,722	6 %
Clinker production	553,063	458,900	21 %
Cement despatches	551,231	529,525	4 %
Clinker despatches	551	-	100%
Grinded Slag despatches	6,854	5,497	25%

During the year under review, the production of cement and clinker increased by 29,908 MT and 94,163 MT respectively, resulting in increased capacity utilized of 61% as compared to 51 % in comparison of the last financial year. A graphical analysis is as under:



## Financial Performance

A comparison of the key financial results of your Company for the year ended June 30, 2015 is as under:

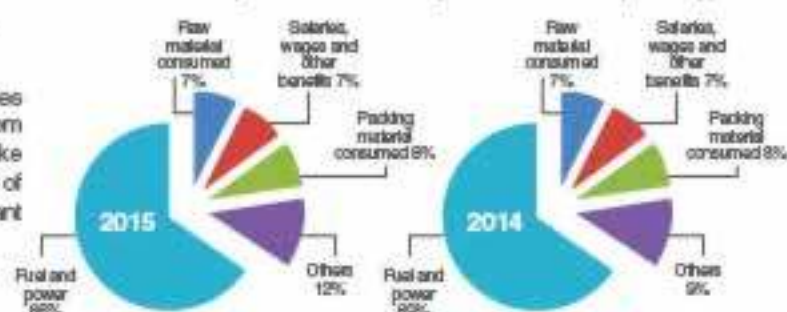
Particulars	2015	2014
	Rs. in '000	
Sales revenue	3,831,069	3,496,103
Gross profit	971,140	344,837
Operating profit	667,774	6,221
Profit / (loss) before tax	616,005	(140,271)
Net profit / (loss) after tax	433,833	(73,909)
Earnings / (loss) per share (Rupee)	1.19	(0.20)

## Sales Revenue Analysis

During the financial year ended June 30, 2015, company's revenue and cement dispatches increased by 10% and 4% respectively, which was result of growing local demand and marketing efforts.

## Cost Analysis

Your Company has efficiently controlled its cost of sales resulting in an increased gross profit margin up to 25 % from 10% in the corresponding year. External factors like decreasing fuel prices and favorable price adjustments of electricity unit from NEPRA also made a significant contribution in enhancing the margins of the company.



## Cash Flow Strategy

The Company effectively manages its cash flows by monitoring them on regular basis. Working capital requirements are planned and met through internal cash generations and short term borrowings and financial support from the sponsor. Your company generated comparatively higher cash from its operations during the current year, i.e. Rs. 368 million (2014: Rs. 152 million), which was mainly due to improved margin and capacity utilizations. Cash generated was utilized for the repayments of long term financing installments and fixed capital expenditures. Your Company has also arranged financings from its sponsors and parent company for the smooth operations and its working capital requirements.

## Audit Committee

The Board of Directors has established an Audit Committee which comprises of four members all of whom are non-executive directors. Composition of the Audit Committee has been made in line with the requirements of CCG.

The audit committee reviews the quarterly, half yearly and annual financial statements before submission to the Board and their publications. The audit committee also reviews the internal auditor's findings and held separate meetings with internal and external auditors as required by the Code of Corporate Governance

## Code of Corporate Governance.

The Directors' of your Company review the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of Code of Corporate Governance. We are taking all necessary steps to ensure Good Corporate Governance in your Company as required by the Code. As part of the compliance, we confirm the following:

- The financial statements prepared by the management of the Company, present fairly the Company's state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standard as applicable in Pakistan has been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern. Further the Company is paying all debts in time and no default is made on the part of Company to repay its debts to the banks.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- All outstanding statutory payments are of nominal and routine nature.
- The Company operates funded gratuity scheme for its employees as disclosed in relevant note to the financial statements.
- Pattern of share holding in the prescribed format disclosing aggregate number of shares has been annexed to the report.
- Key Operating and Financial data for the last 6 years has been annexed to the report.

## Power Cement Limited

### Board of Directors

During the year under review four Board of Directors (BOD) meetings and four Audit Committee (AC) meetings were held and attendance of each director is as under:

Name of Director	BOD Meetings attended	AC Meetings Attended
Mr. Kashif A. Habib	4	N/A
Mr. Muhammad Yahya Khan	1	1
Mr. Muhammad Yousuf Adil	3	3
Mr. Nasim Beg	3	1
Syed Salman Rashid	4	3
Mr. Muhammad Ejaz	0	N/A
Mr. Samad Habib	2	N/A

Leave of absences were granted to directors who could not attend the meetings due to their pre occupations.

### Training Programs Attended By Directors

During the year, no director attended directors' training certification program. The Board already consists of certain directors who are exempted from the directors' training program in accordance with regulation No.35 (xi) of Listing Regulations of the Stock Exchanges due to having minimum of 14 years of education and 15 years of experience on the board of a listed company. Other directors have attended trainings in previous years and currently there is only one director which requires certification under the directors' training program. The Company is committed to comply with the requirement of the subject regulations by 30th June 2016.

### Auditors Observation

'We draw attention to note 9.1 and 19.1.5 to the financial statements which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs. 182,604 million and reversal of loan from previous sponsors amounting to Rs. 115,927 million in the financial statements. Our opinion is not qualified in respect of these matters.'

### Note 9.1 of the Financial Statements is reproduced as under:

From 1993-94 to 1998-99, excise duty was levied and recovered from the Company being wrongly worked out on retail price based on misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honorable Supreme Court of Pakistan as per its judgement dated February 15, 2007. Accordingly, the Company filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182,604 million.

The refund was however rejected by Collector of Appaste vide order in appeal number 01 of 2009 dated 19 March 2009 and Additional Collector, customs, Sales Tax and Federal excise vide its order in original number 02 of 2009 dated 24 January 2009 primarily based on the fact that the Company has failed to discharge the burden of proof to the effect that incidence of duty had not been passed on to the customers of the Company. Accordingly, the Company filed an appeal before the Learned Appellate Tribunal Inland Revenue (ATIR) regarding CED which, vide its order dated 23 May 2012 held that the requisite documents proving the fact that the incidence of duty had not been passed to the customers of the Company has been submitted by the Company and therefore the Company has discharged its onus. Based on the foregoing the original order number 01 of 2009 dated 19 March 2009 and order number 02 of 2009 dated 24 January 2009 were set aside by ATIR and appeal was allowed.

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the company, the company has recorded the refund claim receivable with a corresponding credit to the profit & loss account. The matter has been challenged by the Tax department in the High Court. However, the management based on legal advisor's opinion is confident of a favorable outcome. The Company is actively pursuing the matter for the settlement of the said refund claim.

### Note 19.1.5 of the Financial Statements is reproduced as under:

During the year ended 30 June 2013, the Company reversed liability amounting to Rs. 115,927 million in respect of previous sponsors' loan on the basis of arbitration award in favor of the Company.

The management of the Company was taken over by purchasing controlling shareholding during the year 2005. One of the conditions of takeover of the management from the previous sponsors was that the amount payable in respect of this loan was required to be adjusted in respect of any differences in the value of assets and/or unrecorded liabilities. However, due to dispute regarding existence of certain assets, unrecorded liabilities etc., the final amount of the previous sponsor's loan remained undetermined and unsettled and the matter was referred for arbitration as per the Share Purchase Agreement between the management and the previous sponsors. The amount outstanding as at 30 June 2012 amounted to Rs. 115,927 million i.e. Rs. 234,076 million net off with unavailable stores and spares of Rs. 118,149 Million.

In 2013, the arbitrator decided in favor of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. The award has been sent to the Registrar High Court of Sindh for making the award a rule of Court. The management, based on its lawyers' advice is of the opinion that despite of objection filed by the previous sponsors against the arbitration award, the Company has strong grounds considering the fact that the Arbitration Award has been announced in Company's favor and the arbitration award will be made a rule of Court.

Accordingly, the management had reversed the liability with a corresponding credit in the profit & loss account. However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in these financial statements.

### Future Outlook

Factors like improving law and order situation in the country, government initiatives to strengthen construction sector, projects including Pakistan-China Economic Corridor, also mega housing project in the region are all depicting towards stable domestic demand growth.

Major cost ingredients including electricity rates are expected to remain stable and the international prices for the coal have significantly declined and now are expected to remain range bound. External factors like those mentioned above and international demand for cement continued to pose threat on the margins of the cement industry. However, management of your company is knowledgeable for such factors and making efforts to counter such threats and improve the profitability of the company.

### Corporate Social Responsibility

Power Cement Limited has the culture and history of undertaking social and philanthropic activities which reflects the commitment of its Directors and sponsors towards the social uplift of the down trodden.

The company regularly pays to welfare trust engaged in spending Islamic education. During the year, the company has disbursed Rs. 3.686 million as donation to different trusts, charity institutions and welfare organizations.

During the year, your Company contributed Rs. 1,006.5 million towards the national exchequer under various modes.

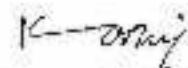
### Auditors

The auditors, M/s. KPMG Taseer Hadi and Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year 2015-16 in the Annual General Meeting.

### Acknowledgement

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every member of the Company in the area of expertise. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institutions, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange, Competition Commission of Pakistan, Central Depository Company of Pakistan Limited for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the years ahead.

For and on behalf of the Board



Muhammad Kashif Habib  
Chief Executive Officer  
3<sup>rd</sup> September 2015

# Pattern of Shareholding

As at 30<sup>th</sup> June 2015

Number of Shareholders	Shareholdings		Total Shares Held
	From	To	
575	1	100	15,821
685	101	500	248,750
645	501	1000	611,449
1340	1001	5000	4,157,823
487	5001	10000	4,220,598
159	10001	15000	2,149,249
125	15001	20000	2,380,638
130	20001	30000	3,421,663
128	30001	50000	5,533,167
116	50001	100000	9,483,718
44	100001	200000	6,620,390
29	200001	500000	9,873,500
8	500001	1000000	5,851,127
4	1000001	1200000	4,340,500
2	1200001	1600000	2,768,000
2	1600001	1900000	3,750,000
4	1900001	3500000	9,210,500
2	3500001	5000000	9,737,000
1	5000001	8000000	7,018,545
2	8000001	21000000	20,700,500
1	21000001	22000000	21,283,000
1	22000001	25000000	24,019,000
1	25000001	208295030	208,295,030
<b>4,491</b>			<b>365,689,968</b>

# Pattern of Shareholding

As at 30<sup>th</sup> June 2015

Shareholders' Category	Number of shareholders	Number of Shares Held	Percentage %
Directors, Chief Executive Officer, And Their Spouse And Minor Children	9	32,725,545	8.95
Associated Companies, Undertaking And Related Parties.	2	229,578,030	62.78
NIT and ICP	1	607	0.00
Public Sector Companies and Corporations	1	110	0.00
Banks Development Financial Institutions, Non Banking Financial Institutions.	31	8,424,166	2.30
Insurance Companies	1	676,169	0.18
Foreign	5	137,756	0.04
Modarabas and Mutual Funds	3	157	0.00
General Public Local	4,407	66,537,159	18.19
Others	31	27,610,269	7.56
	<b>4,491</b>	<b>365,689,968</b>	<b>100.00</b>

# Details of Shareholders Categories

As at 30<sup>th</sup> June 2015

	Number of Shares Held	Percentage %
<b>Directors, Chief Executive Officer, and their Spouse and Minor Children</b>		
Syed Salman Rashid	10,700,000	2.93
Mohammad Kashif	10,000,500	2.73
Syed Saad Salman	7,018,545	1.92
Rehana Salman	5,000,000	1.37
Muhammad Yahya Khan	2,000	0.00
Nasim Beg	2,000	0.00
Samad A. Habib	1,000	0.00
Muhammad Yousuf Adil	1,000	0.00
Muhammad Ejaz	500	0.00
	<b>32,725,545</b>	<b>8.95</b>
<b>Associated Companies, Undertaking And Related Parties.</b>		
Arif Habib Corporation Limited	208,295,030	56.96
Summit Bank Limited	21,283,000	5.82
	<b>229,578,030</b>	<b>62.78</b>
<b>NIT and ICP</b>		
M/S. Investment Corpo.Of Pakistan (Icp)	607	0.00
	<b>607</b>	<b>0.00</b>
<b>Public Sector Companies and Corporation</b>		
Lahore Stock Exchange Limited	110	0.00
	<b>110</b>	<b>0.00</b>

# Details of Shareholders Categories

As at 30<sup>th</sup> June 2015

	Number of Shares Held	Percentage %
<b>Banks, Development Financial Institutions and Non Banking Financial Institutions</b>		
Habib Bank Ag Zurich, Deira Dubai	4,737,000	1.30
J.P.Morgan Clearing Corp. Clearing A/C	1,850,000	0.51
Sherman Securities (Private) Limited	400,000	0.11
Adeel Zafar Securities (Pvt) Ltd.	300,000	0.08
Global Securities Pakistan Limited - Mf	267,500	0.07
Abbasi Securities (Private) Limited	200,000	0.05
Asda Securities (Pvt.) Ltd.	150,000	0.04
Pearl Securities Limited - Mf	130,000	0.04
Al-Haq Securities (Pvt) Ltd.	100,000	0.03
Standard Capital Securities (Pvt) Limited - Mf	100,000	0.03
Djm Securities (Private) Limited	70,000	0.02
S.D. Mirza Securities (Pvt) Ltd.	25,000	0.01
Cma Securities (Pvt) Limited	25,000	0.01
Islamic Investment Bank Limited	20,203	0.01
Shaffi Securities (Pvt) Limited	17,000	0.00
Tannu Securities (Pvt) Limited	10,000	0.00
Darson Securities (Pvt) Limited	5,000	0.00
Jsk Securities Limited	5,000	0.00
M/S. Islamic Investment Bank Ltd.	2,020	0.00
Akhai Securities (Private) Limited	2,000	0.00
Awj Securities (Private) Limited.	2,000	0.00
Time Securities (Pvt.) Ltd.	1,671	0.00
M/S. Naeem Security (Pvt) Ltd.	1,512	0.00
Escorts Investment Bank Limited	1,000	0.00
Prudential Securities Limited	630	0.00
National Bank of Pakistan	1,054	0.00
Nh Securities (Pvt) Limited.	300	0.00
M/S. Royal Bank of Scotland	115	0.00
M/S. Crescent Investment Bank	110	0.00
M/S. Trust Securities	50	0.00
Azee Securities (Private) Limited	1	0.00
	<b>8,424,166</b>	<b>2.30</b>
<b>Insurance Companies</b>		
State Life Insurance Corp. of Pakistan	676,169	0.18
	<b>676,169</b>	<b>0.18</b>
<b>Modarabas and Mutual Funds</b>		
First Interfun Modaraba	122	0.00
Industrial Capital Modaraba	14	0.00
Asian Stock Fund Limited	21	0.00
	<b>157</b>	<b>0.00</b>

# Financial Highlights

Six Years at a Glance

30th June

INVESTMENT MEASURE		2015	2014	2013	2012	2011	2010
Ordinary Share Capital	Rs in '000	3,656,900	3,656,900	3,656,900	3,656,900	3,656,900	1,828,450
Reserves	Rs in '000	(880,505)	(1,314,133)	(1,247,304)	(1,617,265)	(1,770,696)	(831,629)
Ordinary Share Holders' Equity	Rs in '000	1,862,170	1,428,542	1,495,371	1,125,410	971,979	996,821
Dividend on Ordinary Shares	Rs in '000	-	-	-	-	-	-
Dividend per Ordinary Share	Rs.	-	-	-	-	-	-
Profit / (Loss) Before Taxation	Rs in '000	616,005	(140,271)	434,854	292,672	(755,625)	(746,498)
Profit / (Loss) After Taxation	Rs in '000	433,833	(73,909)	370,222	153,431	(926,670)	(720,616)
Earning / (Loss) Per Share	Rs.	1.19	(0.20)	1.01	0.42	(4.27)	(3.94)

## MEASURE OF FINANCIAL RATIOS

Current Ratio	x:1	0.86	0.62	0.60	0.40	0.45	0.34
Gearing Ratio	x:1	0.53	0.59	0.56	0.60	0.76	0.76
Acid Test Ratio	x:1	0.39	0.25	0.25	0.09	0.15	0.11
Number of Days Stock	In days	29	29	36	23	19	50

## MEASURE OF PERFORMANCE

Profit / (Loss) After Taxation as % of Capital Employed	%	10.38	(2.06)	10.62	5.22	(20.28)	(17.70)
Sales	Rs in '000	3,831,069	3,496,103	3,511,774	2,930,152	2,220,360	2,198,443
Cost of Sales as % of Sales	%	74.65	90.14	79.42	89.87	102.61	96.90
Profit/(Loss) Before Taxation as % of Sales	%	16.08	(4.01)	12.37	9.99	(34.03)	(33.96)
Profit/(Loss) After Taxation as % of Sales	%	11.32	(2.11)	10.54	5.24	(41.74)	(32.78)
Asset Turnover	In times	0.64	0.60	0.63	0.57	0.44	0.42



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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Beaumont Road  
Karachi , 75530 Pakistan

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## **Review report to the Members on the Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Power Cement Limited** for the year ended 30th June 2015 to comply with the requirements of Listing Regulation No 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in paragraph 9 in the Statements of Compliance with respect to the requirement to complete director's training of atleast one director during the year which will be complied in the upcoming year.

**Date:** 3<sup>rd</sup> September 2015  
Karachi

KPMG TaseerHadi & Co.  
Chartered Accountants  
Mazhar Saleem

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# Statement of Compliance with the Code of Corporate Governance

Power Cement Limited  
As at 30<sup>th</sup> June 2015

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

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

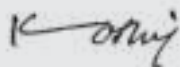
1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes

Category	Names
Executive Director	Mr. Muhammad Kashif Habib
Non Executive / Independent Directors	Mr. Muhammad Yahya Khan Mr. Muhammad Yousuf Adil
Non Executive Directors	Mr. Samad A. Habib Mr. Nasim Beg Mr. Muhammad Ejaz Syed Salman Rashid

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year ended 30th June 2015.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, no director attended directors' training certification program. The Board already consists of certain directors who are exempted from the directors' training program in accordance with regulation No.35 (xi) of Listing Regulations of the Stock Exchanges due to having minimum of 14 years of education and 15 years of experience on the board of a listed company. Other directors have attended trainings in previous years and currently there is only one director which requires certification under the directors' training program. The Company is committed to comply with the requirement of the subject regulations by 30th June 2016.
10. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has approved appointment of Chief Financial Officer and Company Secretary including remuneration and terms and conditions of employment duly approved.
15. The board has formed an Audit Committee. It comprises 4 members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non executive director.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Muhammad Kashif Habib - CEO  
3<sup>rd</sup> September 2015



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## Auditors' Report to the Members

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

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

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

- a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion:
  - i) the balance sheet and profit and loss account with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 9.1 and 19.1.5 to the financial statements which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs.182.604 million and reversal of loan from previous sponsors amounting to Rs.115.927 million in the financial statements. Our opinion is not qualified in respect of these matters.

**Date:** 3<sup>rd</sup> September 2015  
Karachi

*KMG Taseer Hadi & Co.*

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KPMG TaseerHadi & Co.  
Chartered Accountants  
Mazhar Saleem

# Balance Sheet

As at 30<sup>th</sup> June 2015

	Note	2015	2014
<b>(Rupees in '000)</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	4	4,423,374	4,402,670
Long term deposits		19,635	19,635
		<b>4,443,009</b>	<b>4,422,305</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	5	562,409	642,543
Stock-in-trade	6	284,975	177,302
Trade debts	7	259,722	143,038
Advances and other receivables	8	96,306	141,603
Trade deposits		7,256	7,818
Tax refunds due from government	9	287,265	245,730
Cash and bank balances	10	47,267	5,476
		<b>1,545,200</b>	<b>1,363,510</b>
		<b>5,988,209</b>	<b>5,785,815</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 400,000,000 (2014: 400,000,000) Ordinary shares of Rs. 10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up capital 365,689,968 (2014: 365,689,968) Ordinary shares of Rs. 10/- each	11	3,656,900	3,656,900
Discount on issuance of right shares		(914,225)	(914,225)
General reserve		80,000	80,000
Accumulated loss		(960,505)	(1,394,133)
		<b>1,862,170</b>	<b>1,428,542</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	12	905,397	923,805
Loan from related parties - unsecured	13	1,169,055	1,172,990
Deferred taxation	14	205,214	27,985
Deferred liabilities	15	39,559	33,164
		<b>2,319,225</b>	<b>2,157,944</b>
<b>CURRENT LIABILITIES</b>			
Loan from previous sponsors	19.1.5	735	735
Trade and other payables	16	608,019	935,441
Mark-up accrued	17	15,655	13,019
Short-term borrowings	18	687,297	544,182
Current portion of long term financing	12	495,108	705,952
		<b>1,806,814</b>	<b>2,199,329</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19	5,988,209	5,785,815

The annexed notes from 1 to 37 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



**DIRECTOR**



**CHIEF FINANCIAL OFFICER**

# Profit and Loss Account

For the year ended 30<sup>th</sup> June 2015

	Note	2015	2014
(Rupees in '000)			
<b>Sales - net</b>	20	<b>3,831,069</b>	3,496,103
Cost of sales	21	<b>(2,859,929)</b>	(3,151,266)
<b>Gross profit</b>		<b>971,140</b>	344,837
Distribution cost	22	<b>(181,597)</b>	(260,489)
Administrative expenses	23	<b>(58,981)</b>	(68,882)
Other income	24	<b>1,991</b>	8,763
Other operating expense	25	<b>(64,779)</b>	(18,008)
		<b>(303,366)</b>	(338,616)
<b>Operating profit</b>		<b>667,774</b>	6,221
Finance income		<b>309,253</b>	230,836
Finance costs		<b>(361,022)</b>	(377,328)
<b>Finance costs - net</b>	26	<b>(51,769)</b>	(146,492)
<b>Profit / (Loss) before taxation</b>		<b>616,005</b>	(140,271)
Taxation	27	<b>(182,172)</b>	66,362
<b>Profit / (Loss) after taxation</b>		<b>433,833</b>	(73,909)
(Rupee)			
<b>Earnings / (Loss) per share - Basic and diluted</b>	28	<b>1.19</b>	(0.20)

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Comprehensive Income

For the year ended 30<sup>th</sup> June 2015

	2015	2014
	(Rupees in '000)	
<b>Profit / (Loss) for the year</b>	<b>433,833</b>	(73,909)
<b>Other comprehensive income</b>		
<i>Items that will never be reclassified to profit or loss:</i>		
Actuarial (loss) / gain on defined benefit obligations	(255)	1,466
Related deferred tax reversal / (charge)	50	(446)
	(205)	1,020
<b>Total comprehensive income / (loss) for the year</b>	<b>433,628</b>	(72,889)

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

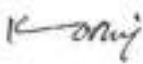
  
CHIEF FINANCIAL OFFICER

# Cash Flow Statement

For the year ended 30<sup>th</sup> June 2015

	Note	2015	2014
(Rupees in '000)			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	31	<b>362,943</b>	152,534
Gratuity paid		<b>(8,700)</b>	(8,550)
Income tax paid		<b>(44,905)</b>	(25,442)
Finance cost paid		<b>(82,370)</b>	(91,786)
		<b>(135,975)</b>	(125,778)
Net cash generated from operating activities		<b>226,968</b>	26,756
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of tangible assets		<b>(128,727)</b>	(186,753)
Acquisition of intangible assets		-	(899)
Proceeds from sale of fixed asset		<b>435</b>	960
Net cash used in investing activities		<b>(128,292)</b>	(186,692)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term finance		<b>(390,000)</b>	(250,000)
Loan from related party - net		<b>(10,000)</b>	(577,500)
Loan from sponsors - net		<b>190,000</b>	1,013,500
Net cash (used in) / generated from financing activities		<b>(210,000)</b>	186,000
Net (decrease) / increase in cash and cash equivalents		<b>(111,324)</b>	26,064
Cash and cash equivalents at the beginning of the year		<b>(528,706)</b>	(554,770)
Cash and cash equivalents at the end of the year	32	<b>(640,030)</b>	(528,706)

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Changes In Equity

For the year ended 30<sup>th</sup> June 2015

	Capital Reserve		Revenue Reserve		Total
	Share Capital	Discount on issuance of right share	General	Accumulated loss	
----- (Rupees in '000) -----					
Balance as at 30 <sup>th</sup> June 2013	3,656,900	(914,225)	80,000	(1,327,304)	1,495,371
<i>Total comprehensive Loss for the year</i>					
Loss after taxation	-	-	-	(73,909)	(73,909)
Other comprehensive income	-	-	-	1,020	1,020
	-	-	-	(72,889)	(72,889)
<i>Transactions with owners recorded directly in equity</i>					
Tenderable gain from Parent Company	-	-	-	6,060	6,060
Balance as at 30 <sup>th</sup> June 2014	3,656,900	(914,225)	80,000	(1,394,133)	1,428,542
<i>Total comprehensive income for the year</i>					
Profit after taxation	-	-	-	433,833	433,833
Other comprehensive loss	-	-	-	(205)	(205)
	-	-	-	433,628	433,628
<b>Balance as at 30<sup>th</sup> June 2015</b>	<b>3,656,900</b>	<b>(914,225)</b>	<b>80,000</b>	<b>(960,505)</b>	<b>1,862,170</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 Power Cement Limited (the Company) was established as a private limited company on 1 December 1981 and was converted into a Public Limited Company on 9 July 1987 and is listed on Karachi and Lahore Stock Exchanges. The Company is a subsidiary of Arif Habib Corporation Limited. The Company's principal activity is manufacturing, selling and marketing of cement. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Jamshoro (Sindh).

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

### 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani rupee which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupee has been rounded to nearest thousand.

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

#### a) Fixed assets

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The Company also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## b) Trade debts

The Company reviews its doubtful debts at each reporting dates to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions whereas actual results may differ, resulting in future changes to the provisions.

## c) Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade, stores and spares and corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

## d) Income taxes

In making the estimates for income taxes currently payable the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

## e) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of present value of defined benefit obligations. Change in these assumptions in future years may affect the liability under the scheme in those years.

## 2.5 New or amendments to existing standard / interpretation and forthcoming requirements

### 2.5.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations become effective. However, these amendments were not relevant or did not have any material effect on the financial statement of the company.

### 2.5.2 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented.

### 3.1 Fixed assets

#### a) Operating property, plant and equipment - owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except for lease hold land, which is stated at cost.

Cost of lease hold land is not amortized since the lease is renewable at nominal price at the option of the lessee.

Depreciation on plant and machinery is charged using units of production method. The unit of production method results in depreciation charge based on the actual use or output.

Depreciation other than plant and machinery is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the company, at the rates specified in note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Normal repair and maintenance are charged to profit and loss as and when incurred. Gains and losses on disposal of assets, if any, are included in profit and loss currently.

#### b) Assets subject to finance lease

The Company accounts for property, plant and equipment obtained under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments at inception of lease or fair value whichever is lower.

Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on plant and machinery is charged on the unit of production method basis. Depreciation on assets other than plant and machinery is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

#### c) Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates specified in note 4.1 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## d) Capital work-in-progress (CWIP)

Capital work in progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

## e) Ijarah lease

Leased assets which are obtained under Ijarah agreement are not recognized in the Company's balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Ujrah payments under the agreement are charged to profit and loss account over the lease term.

## f) Major stores and spares

Spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year are classified as fixed assets under category of major stores and spares.

## 3.2 Impairment

### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### *Non-financial assets*

The carrying amounts of non-financial assets other than inventories and deferred tax asset, 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 recognized, as an expense in the profit and loss account, 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 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).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 3.3 Stores, spare parts and loose tools

These are valued at cost determined on moving average basis, less provision for obsolescence. Stores and spares in transit are valued at invoice value plus other charges incurred thereon as on balance sheet date.

## 3.4 Stock in trade

Stock of raw and packing materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at moving average cost.

Stocks in transit are valued at cost comprising invoice value plus other charges directly attributable to the acquisition of related purchase incurred up to the balance sheet date.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 3.5 Trade debts

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment, if any.

A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

## 3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances net of short term borrowings.

## 3.7 Taxation

Income tax on profit or loss for the year comprises current and deferred tax.

### a) Current

The company falls under the presumptive tax regime under Section 115 (4) and 169 of the Income Tax Ordinance, 2001, to the extent of direct export sales. Provision for tax on other income and local sales is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher, is provided in these financial statements.

### b) Deferred

Deferred taxation is recognized, using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognized is based on the expected manner of the realization or settlement of the carrying amount of assets and liabilities, using rates of taxation enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets, are reduced to the extent that they are no longer probable that the related tax benefit will be realized.

## 3.8 Staff retirement benefits

### a) Defined benefit plan

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contribution are made to the fund in accordance with actuarial recommendations. The most recent valuation in this regard was carried out on 30 June 2015 by using the Projected Credit Unit Method for valuation of the scheme. The actuarial gains/losses are recognized in other comprehensive income in the year in which they arise.

### b) Compensated absences

The company accounts for liability in respect of un-availed compensated absences for all its permanent employees, in the period of absence. Provision for liabilities towards compensated absences is made on the basis of last drawn gross salary.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 3.9 Trade and other payables

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

## 3.10 Provisions

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

## 3.11 Foreign currency transactions

Transaction in foreign currencies are translated into Pakistani rupees using the exchange rates prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in rupees using the exchange rates approximating those prevailing on the balance sheet date. All exchange differences are taken into profit and loss account.

## 3.12 Financial instruments

### a) Initial recognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it.

### b) Derecognition of financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit and loss account.

## 3.13 Offsetting of financial assets and financial liabilities

Financial asset and financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

## 3.14 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positives and liabilities when fair value is negative.

## 3.15 Borrowing and finance costs

Borrowing costs are recognized as an expense in the period in which these are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. 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 that asset.

Finance cost comprise interest expense on borrowings, if any, unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to profit and loss in the period in which they are incurred.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 3.16 Revenue recognition

- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognized as revenue on dispatch of goods to customers. Export sales are recognized as revenue on the basis of goods shipped to customers.
- Profit on bank deposits is recorded on accrual basis.
- Gain / (loss) on sale of fixed assets is recorded when title is transferred in favour of transferee.
- Income from scrap is recorded on dispatch of scrap to the customers.
- Rebate on export is recognized after finalization of export documents.

## 3.17 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved. The distribution of dividend is subject to the covenant as mentioned in note 12.2.

## 3.18 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to share holders 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 share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## 4. FIXED ASSETS

	Note	2015 (Rupees in '000)	2014
Property, plant and equipment	4.1	4,337,651	4,275,940
Intangible assets	4.4	413	862
Capital work in progress	4.5	29,858	83,260
Capitalisable stores and spares	4.6	55,452	42,608
		<u>4,423,374</u>	<u>4,402,670</u>

### 4.1 Property, plant and equipment

	Cost			2015 Rate	Accumulated depreciation			Written down value as at 30 June 2015
	As at 1 July 2014	Additions / (disposals)	As at 30 June 2015		As at 1 July 2014	Charge for the year / (on disposal)	As at 30 June 2015	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----				
<b>Owned assets</b>								
Land - lease hold	3,025	-	3,025	-	-	-	3,025	
Factory building on leased hold land	778,828	-	778,828	5%	310,569	23,413	444,846	
Non-factory building on leased hold land	20,938	-	20,938	10%	11,433	950	8,555	
Lease hold improvement	28,248	-	28,248	10%	4,004	2,424	21,820	
Plant and machinery	4,815,328	165,515	4,980,843	Units of production	1,096,600	72,828	3,811,415	
Factory and laboratory equipment	33,573	2,376	35,949	10%	12,264	2,284	21,401	
Quarry equipments	11,819	-	11,819	15%	10,219	240	1,360	
Office equipments	8,645	96	8,741	10%	3,417	529	4,795	
Computer and peripherals	14,250	826	15,076	33%	8,785	1,940	4,351	
Furniture and fixture	19,594	338	19,932	10%	9,910	987	9,035	
Vehicles	27,910	134	27,454	20%	19,017	1,914	7,048	
		(590)				(525)		
	<u>5,762,158</u>	<u>169,285</u>	<u>5,930,853</u>		<u>1,486,218</u>	<u>107,509</u>	<u>4,337,651</u>	
		(590)				(525)		

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

	Cost			2014 Rate	Accumulated depreciation			Written down value as at 30 June 2014
	As at 1 July 2013	Additions/ (disposals)	As at 30 June 2014		As at 1 July 2013	Charge for the year / (on disposal)	As at 30 June 2014	
----- (Rupees in '000) -----								
<b>Owned assets</b>								
Land - lease hold	3,025	-	3,025	-	-	-	-	3,025
Factory building on leased hold land	778,828	-	778,828	5%	285,924	24,645	310,569	468,259
Non-factory building on leased hold land	20,938	-	20,938	10%	10,377	1,056	11,433	9,505
Lease hold improvement	26,741	1,507	28,248	10%	1,337	2,667	4,004	24,244
Plant and machinery	4,700,314	115,014	4,815,328	Units of production	1,034,116	62,484	1,096,600	3,718,728
Factory and laboratory equipment	33,458	115	33,573	10%	9,897	2,367	12,264	21,309
Quarry equipments	11,819	-	11,819	15%	9,937	282	10,219	1,600
Office equipments	5,557	3,088	8,645	10%	3,119	298	3,417	5,228
Computer and peripherals	10,558	3,692	14,250	33%	6,622	2,163	8,785	5,465
Furniture and fixture	19,201	393	19,594	10%	8,854	1,056	9,910	9,684
Vehicles	27,606	1,294 (990)	27,910	20%	17,703	2,047 (733)	19,017	8,893
	<u>5,638,045</u>	<u>125,103</u> (990)	<u>5,762,158</u>		<u>1,387,886</u>	<u>99,065</u> (733)	<u>1,486,218</u>	<u>4,275,940</u>

#### 4.2 Depreciation charge for the year has been allocated as follows:

	Note	2015 (Rupees in '000)	2014
Cost of sales	21	96,481	87,410
Distribution cost	22	2,724	2,914
Administrative expenses	23	8,304	8,741
		<u>107,509</u>	<u>99,065</u>

#### 4.3 The details of fixed assets disposed off during the year are as follows:

Particulars of assets	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
----- (Rupees in '000) -----							
<b>2015</b>							
Vehicle	590	(525)	65	435	370	Negotiation	Mr. Muzammil
2014	<u>990</u>	<u>(733)</u>	<u>257</u>	<u>960</u>	<u>703</u>		

#### 4.4 Intangible assets

The Company's intangible assets comprise computer softwares. The carrying amount is as follows:

	2015 (Rupees in '000)	2014
Cost	1,485	1,485
Accumulated amortization	(1,072)	(623)
	<u>413</u>	<u>862</u>
Carrying amount at the beginning of the year	862	21
Additions during the year	-	899
Amortization during the year	(449)	(58)
Carrying amount at the end of the year	<u>413</u>	<u>862</u>
Rate of amortization	<u>50%</u>	<u>50%</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 4.5 Capital Work in Progress

	Cost as at 1 July 2014	Additions	Transferred to operating fixed assets	Cost as at 30 June 2015
------(Rupees in '000)-----				
Packing plant	62,698	19,746	82,444	-
Slag feeding system	3,451	2,148	-	5,599
Refuse derived fuel system	17,111	7,148	-	24,259
	<u>83,260</u>	<u>29,042</u>	<u>82,444</u>	<u>29,858</u>

## 4.6 Capitalisable stores and spares

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Opening balance		42,608	64,218
Additions during the year		114,811	81,531
Transferred to property, plant and equipment and capital work in progress		(101,967)	(103,141)
Closing balance		<u>55,452</u>	<u>42,608</u>

## 5. STORES, SPARES AND LOOSE TOOLS

Stores		170,641	183,517
Coal	5.1	193,870	294,445
Spare parts		208,059	175,219
Loose tools		3,358	2,881
		<u>575,928</u>	<u>656,062</u>
Provision for slow moving / obsolete store and spares	5.2	(13,519)	(13,519)
		<u>562,409</u>	<u>642,543</u>

5.1 This includes coal in-transit amounting to Nil (2014: Rs. 166.742 million).

### 5.2 Provision for slow moving / obsolete stores

Opening balance		13,519	13,519
Charge for the year		-	-
Closing balance		<u>13,519</u>	<u>13,519</u>

## 6. STOCK-IN-TRADE

Raw material		8,621	33,306
Packing material		58,205	49,834
Work-in-process		175,962	67,732
Finished goods		42,187	26,430
		<u>284,975</u>	<u>177,302</u>

## 7. TRADE DEBTS - Considered good

Secured against letter of credit		-	7,530
Unsecured			
- Due from related parties	7.1	19,165	15,099
- Others		240,557	120,409
		<u>259,722</u>	<u>143,038</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

7.1 The related parties from whom the debts are due are as under:

	2015 (Rupees in '000)	2014
Javedan Corporation Limited	6,999	6,898
Safe Mix Concrete Products Limited	12,001	8,036
Aisha Steel Mills Limited	165	165
	<u>19,165</u>	<u>15,099</u>

7.1.1 The balances due from related parties are mark-up free. The aging analysis of these balances is as follows:

	2015 (Rupees in '000)	2014
Not past due	16,400	9,728
Past due 1-60 days	2,557	5,371
Past due 61 days -1 year	208	-
	<u>19,165</u>	<u>15,099</u>

## 8. ADVANCES AND OTHER RECEIVABLES

### Advances

	Note	2015	2014
To employees	8.1	5,572	8,453
To contractors and suppliers		35,210	49,481
Against letter of credit		5,344	13,469
Income tax		43,454	44,927

### Other receivable

Rebate receivable	5,856	5,421
Others	870	19,852
	<u>96,306</u>	<u>141,603</u>

8.1 This includes advances to executives amounting to Rs. 4.763 million (2014: Rs 6.657 million).

## 9. TAX REFUND DUE FROM GOVERNMENT

	2015 (Rupees in '000)	2014
Income tax refundable	94,809	53,274
Sales tax refundable	2,989	2,989
Excise duty receivable	189,467	189,467
	<u>287,265</u>	<u>245,730</u>

9.1 From 1993-94 to 1998-99, excise duty was levied and recovered from the Company being wrongly worked out on retail price based on misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honourable Supreme Court of Pakistan as per its judgment dated February 15, 2007. Accordingly, the Company filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million.

The refund was however, rejected by Collector of Appeals vide order in appeal number 01 of 2009 dated 19 March 2009 and Additional Collector, Customs, Sales tax and Federal excise vide its order in original number 02 of 2009 dated 24 January 2009 primarily based on the fact that the Company has failed to discharge the burden of proof to the effect that incidence of duty had not been passed on to the customers of the Company. Accordingly, the Company filed an appeal before the Learned Appellate Tribunal Inland Revenue (ATIR) regarding CED which, vide its order dated 23 May 2012 held that the requisite documents proving the fact that the incidence of duty had not been passed to the customers of the Company has been submitted by the Company and therefore the Company has discharged its onus. Based on the foregoing the original order number 01 of 2009 dated 19 March 2009 and order number 02 of 2009 dated 24 January 2009 were set aside by ATIR and appeal was allowed.

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the company, the company has recorded the refund claim receivable with a corresponding credit to the profit & loss account. The matter has been challenged by the Tax department in the High Court. However, the management based on legal advisor's opinion is confident of a favourable outcome. The Company is actively pursuing the matter for the settlement of the said refund claim.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

**9.2** The Company received an order from Additional Collector, Hyderabad vide order no. 22 of 2000 alleging that Central Excise Duty of Rs. 6.863 million was not paid on certain sales for the years 1995-1996 and 1996-1997. The said amount was paid by the Company, however, a corresponding receivable was recorded. The Company filed an appeal in Honourable Sindh High Court which was rejected vide order dated 29 May 2007. The Company then filed a petition in Honourable Supreme Court of Pakistan which was disposed off vide order dated 18 July 2011 with the permission to approach the Court of Civil jurisdiction. Accordingly, a civil suite was filed by the Company challenging the order of Deputy Collector of Customs, Central Excise & Sales Tax, Hyderabad. The management in consultation with its lawyer is confident that the outcome of the case would be in favour of the Company and that the amount deposited above would be recovered.

## 10. CASH AND BANK BALANCES

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Cash in hand		440	477
Cash with banks:			
- In current accounts		46,665	4,587
- In savings accounts	10.1	162	412
		<u>47,267</u>	<u>5,476</u>

**10.1** These carry mark-up ranging from 4% - 7% (2014: 9% - 12%) per annum.

## 11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015 (Number of Shares)	2014 (Number of Shares)		2015 (Rupees in '000)	2014 (Rupees in '000)
		Fully paid ordinary shares of Rs. 10 each issued:		
353,510,380	3,535,10,380	For cash	3,535,104	3,535,104
840,000	840,000	For consideration other than cash	8,400	8,400
11,339,588	11,339,588	Bonus shares	113,396	113,396
<u>365,689,968</u>	<u>365,689,968</u>		<u>3,656,900</u>	<u>3,656,900</u>

**11.1** Shares held by the associated companies as at the balance sheet date were 208,295,030 (2014: 237,842,913).

**11.2** In 2013, the Company in its Extra Ordinary General Meeting, held on 4 June 2013, approved capital restructuring through reduction of share capital of the Company to the extent of 50% i.e. from 365,689,968 shares to 182,844,984 shares of Rs. 10 each amounting to Rs. 1,828,449,840, subject to the approval of regulatory authorities and completion of all statutory and legal formalities.

The proposed reduction in share capital will be done through cancellation of one share for every two shares held in the Company. Fraction shares arising as a result of capital restructuring will be consolidated and disposed off through stock exchange.

During the year ended 30 June 2014, a petition has been filed with the High Court to confirm the reduction.

## 12. LONG TERM FINANCING

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Syndicated term finance - secured	12.1 & 12.2	1,400,505	1,629,757
Current maturity shown under current liability		(495,108)	(705,952)
		<u>905,397</u>	<u>923,805</u>

**12.1** This represents syndicated term finance facility arranged by the Company with a syndicate of local commercial banks (the Syndicate). In 2012, the Company entered into a revised restructuring agreement with the Syndicate dated 23 December 2011. As per the revised restructuring agreement the principal is payable in nine half yearly installments from 23 December 2011 to 23 December 2015.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

The mark up charged during first 3.5 years i.e. from 23 June 2010 to 22 December 2013 is 6 month KIBOR + 0% per annum and after 3.5 years i.e. 23 December 2013 to 23 December 2018, the mark up will be charged at 6 month KIBOR + 1.75% per annum. Mark-up outstanding at the time of restructuring and mark up accrued from restructuring date till the date of final settlement of principal will then be paid in four (4) half yearly installments commencing from 23 June 2016.

During the year, the Company again entered into a revised restructuring agreement with the Syndicate dated 26 December 2014. As per the revised restructuring agreement, principal installments aggregating Rs. 360 million has been deferred as following:

- Rs. 250 million falling due on 23 December 2014 will be repaid on 23 June 2018.

- Rs. 110 million out of Rs. 250 million falling due on 23 June 2015 will be repaid on 23 December 2018.

The outstanding principal other than deferred principal will be paid as per the existing repayment terms. The loan is secured by way of mortgage over property worth Rs. 3.33 billion and hypothecation charge over assets worth Rs. 3.33 billion.

**12.2** The facility contains a covenant that Company can not pay dividend to its shareholders until it is upto date to its debt obligation including mark-up payments to syndicate.

**12.3** Long term financing has been sub divided into long term financing and loan from related parties for the purpose of better presentation.

## 13. LOANS FROM RELATED PARTIES - UNSECURED

	Note	2015 (Rupees in '000)	2014
Opening balance	13.2	1,172,990	-
Loan amount received	13.1	130,000	1,325,500
Transferred from short term borrowings	18.4 & 13.4	60,000	-
Gain on derecognition during the year	13.2 & 13.4	(274,242)	(230,836)
Gain on initial recognition during the year	13.1	(35,011)	-
Unwinding of discount during the year		115,318	78,326
Closing balance		1,169,055	1,172,990

These represent mark up free long term loans of Rs. 1,515.5 million (30 June 2014: Rs. 1,325.5 million) received from related parties, recorded at fair value at the mark-up rate of 6 months KIBOR plus 1.75% (30 June 2014: 6 months KIBOR plus 1.75%) per annum.

**13.1** During the year, the company received a mark up free loan of Rs. 130 million from a related party on 19 September 2014 recorded at fair value. The loan is repayable on 2 July 2017. The difference between the carrying value of the liability and the fair value is recognized in profit and loss account which is being amortized on effective interest rate over the remaining tenure of the loan.

**13.2** On 28 October 2014, the management entered into a restructuring agreement in respect of loans from related parties amounting to Rs. 1,325.5 million. As per the revised terms the repayment date of the loan was deferred from 9 July 2015 to 2 July 2017.

The said restructuring resulted in substantial modification of the financing terms, accordingly the previous liability has been extinguished and new liability has been recognized at fair value. The difference between the carrying amount of the liability extinguished and the fair value of the new liability has been recognized in profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.

**13.3** On 2 January 2015, the management entered into a revised restructuring agreement in respect of above loans of Rs. 1,325.5 million and Rs. 130 million in which repayment date was further extended up to 2 June 2018. The revised restructuring did not meet the derecognition criteria as mentioned in International Accounting Standards.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

- 13.4** As at 30 June 2015, the revision in terms of the mark up free loan as mentioned in note 18.4 resulted in substantial modification of the financing terms, accordingly the previous liability has been extinguished and new liability has been recognized at fair value. The difference between the carrying amount of the liability extinguished and the fair value of the new liability has been recognized in profit and loss account which will be amortised on effective interest rate over the remaining tenure of the loan.

## 14. DEFERRED TAXATION

2015  
2014  
(Rupees in '000)

Deferred tax asset / (liability) comprises of temporary differences as follows:

### Deductible temporary differences

Deferred liability - provision for gratuity	7,714	7,545
Provision for stores and spares	2,636	3,076
Provision for leave encashment	2,450	2,595
Carry forward tax losses	379,995	593,913
Recognition of liability	-	34,696
	<u>392,795</u>	<u>641,825</u>

### Taxable temporary differences

Accelerated tax depreciation	(598,009)	(669,810)
	<u>(205,214)</u>	<u>(27,985)</u>

### 14.1 Movement of deferred tax (asset) / liability

	2015			
	Balance at 1 July 2014	Recognized in profit and loss	Recognized in other comprehensive income	Balance at 30 June 2015
	(Rupees in '000)			
<b>Deductible temporary differences</b>				
Deferred liability - provision for gratuity	(7,545)	(119)	(50)	(7,714)
Provision for stores and spares	(3,076)	440	-	(2,636)
Provision for leave encashment	(2,595)	145	-	(2,450)
Carry forward tax losses	(593,913)	213,918	-	(379,995)
Recognition of liability	(34,696)	34,696	-	-
	<u>(641,825)</u>	<u>249,080</u>	<u>(50)</u>	<u>(392,795)</u>
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	669,810	(71,801)	-	598,009
	<u>27,985</u>	<u>177,279</u>	<u>(50)</u>	<u>205,214</u>

	2014			
	Balance at 1 July 2013	Recognized in profit and loss	Recognized in other comprehensive income	Balance at 30 June 2014
	(Rupees in '000)			
<b>Deductible temporary differences</b>				
Deferred liability - provision for gratuity	(7,010)	(981)	446	(7,545)
Provision for stores and spares	(3,076)	-	-	(3,076)
Provision for leave encashment	(2,703)	108	-	(2,595)
Carry forward tax losses	(615,215)	21,302	-	(593,913)
Recognition of liability	-	(34,696)	-	(34,696)
	<u>(628,004)</u>	<u>(14,267)</u>	<u>446</u>	<u>(641,825)</u>
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	637,513	32,297	-	669,810
Long term financing	84,392	(84,392)	-	-
	<u>93,901</u>	<u>(66,362)</u>	<u>446</u>	<u>27,985</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

15. DEFERRED LIABILITIES	Note	2015 (Rupees in '000)	2014
Provision for employees gratuity	15.2	<u>39,559</u>	<u>33,164</u>
<b>15.1</b> Number of Employees under the scheme		<b>(Number)</b>	
The number of employees covered under scheme are:		<u>276</u>	<u>274</u>
<b>15.2</b> The amounts recognised in these financial statements, based on the actuarial valuation carried out by Nauman Associates as at 30 June are as follows:			
<b>a) Significant actuarial assumptions</b>		<b>2015</b>	<b>2014</b>
<b>Financial assumptions</b>			
Discount rate		<b>9.75%</b>	13.25%
Expected rate of eligible salary increase in future years		<b>8.75%</b>	12.25%
<b>Demographic assumptions</b>			
Mortality rate		<b>SLIC 2001-2005</b>	SLIC 2001-2005
Withdrawal rate		<b>Moderate</b>	Moderate
Retirement assumption		<b>Age 60</b>	Age 60
		<b>2015</b>	<b>2014</b>
		<b>(Rupees in '000)</b>	
<b>b) Reconciliation of balance due to defined benefit plan</b>			
Present value of defined benefit obligation		<b>43,062</b>	36,756
Fair value of plan assets		<b>(3,503)</b>	(3,592)
		<u>39,559</u>	<u>33,164</u>
<b>c) Movement of the liability recognized in the balance sheet</b>			
Liability recognised in the balance sheet as at 1 July		<b>33,164</b>	30,810
Charge for the year		<b>14,840</b>	12,370
Remeasurements chargeable in other comprehensive income		<b>255</b>	(1,466)
Contribution during the year		<b>(8,700)</b>	(8,550)
Liability recognised in the balance sheet as at 30 June		<u>39,559</u>	<u>33,164</u>
<b>d) Change in present value of defined benefits obligations</b>			
Present value of defined benefits obligation as at 1 July		<b>36,756</b>	31,406
Current service cost for the year		<b>11,022</b>	9,653
Interest cost for the year		<b>4,353</b>	2,927
Benefits paid during the year		<b>(7,808)</b>	(5,746)
Benefits due but not paid		<b>-</b>	(1,313)
Remeasurements:			
Actuarial (gains)/losses from changes in demographic assumptions		<b>-</b>	-
Actuarial (gains)/losses from changes in financial assumptions		<b>-</b>	-
Experience adjustments		<b>(1,261)</b>	(171)
Present value of defined benefits obligation as at 30 June		<u>43,062</u>	<u>36,756</u>
<b>e) Changes in fair value of plan assets</b>			
Fair value of plan assets as at 1 July		<b>3,592</b>	596
Contribution during the year		<b>8,700</b>	8,550
Expected return on plan assets		<b>535</b>	210
Benefits paid / discharged during the year		<b>(7,808)</b>	(5,746)
Benefits due but not paid		<b>-</b>	(1,313)
Actuarial loss on plan assets		<b>(1,516)</b>	1,295
Fair value of plan assets as at 30 June		<u>3,503</u>	<u>3,592</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

<b>f) Expenses recognized in the profit and loss account</b>	<b>2015</b>	<b>2014</b>			
	(Rupees in '000)				
Current service cost	11,022	9,653			
Interest cost	4,353	2,927			
Return on plan assets	(535)	(210)			
	14,840	12,370			
<b>g) Remeasurements Chargeable in Other Comprehensive Income</b>					
Remeasurements:					
Actuarial (gains)/losses from changes in demographic assumptions	-	-			
Actuarial (gains)/losses from changes in financial assumptions	-	-			
Experience adjustments	(1,261)	(171)			
	(1,261)	(171)			
Return on plan assets, excluding interest income	1,516	(1,295)			
Total Remeasurements Chargeable in Other Comprehensive Income	255	(1,466)			
<b>h) Expected charge for the year ending 30 June 2016 is Rs. 15.016 million.</b>					
<b>i) Plan assets as at 30 June 2015 comprise:</b>	<b>Amount</b>	<b>Percentage</b>			
Cash and / or deposits	806	23.02%			
Other	2,697	76.98%			
	3,503	100%			
<b>j) Sensitivity analysis</b>					
<b>Discount rate effect</b>	<b>Present value obligation</b>	<b>Rate effect</b>			
<b>Original liability</b>	43,062	9.75%			
1% increase	40,141	10.75%			
1% decrease	46,455	8.75%			
<b>Salary increase rate effect</b>					
<b>Original liability</b>	43,062	8.75%			
1% increase	46,512	9.75%			
1% decrease	40,040	7.75%			
<b>Maturity profile</b>					
The average duration of defined benefit obligation is 7 years.					
<b>k) Analysis of present value of defined benefits obligations and fair value of plan assets</b>					
	<b>2014-15</b>	2013-14	2012-13	2011-12	2010-11
	----- (Rupees in '000) -----				
Present value of defined obligations	(43,062)	(36,756)	(31,406)	(26,007)	(18,495)
Fair value of plan assets	3,503	3,592	596	83	559
Deficit	(39,559)	(33,164)	(30,810)	(25,924)	(17,936)
<b>l) Experience adjustments</b>					
Experience adjustment arising on plan liabilities	(1,261)	(171)	(2,350)	(249)	(1,363)

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

m) The charge for the year has been allocated as follows:	Note	2015 (Rupees in '000)	2014
Cost of sales	21	11,781	9,850
Distribution cost	22	1,821	1,799
Administrative expenses	23	1,238	721
		<u>14,840</u>	<u>12,370</u>
<b>16. TRADE AND OTHER PAYABLES</b>			
Trade creditors	16.1	182,485	177,573
Bills payable		228,282	444,933
Accrued liabilities		4,350	99,510
Royalty payable		-	18,044
Excise duty payable		7,511	6,176
Advances from customers		47,166	101,835
Retention money payable		1,522	1,312
Sales tax and federal excise duty payable		40,257	36,719
Unclaimed dividends		126	126
Withholding tax payable		3,539	2,011
Workers' Profit Participation Fund	16.2	57,612	25,530
Workers' Welfare Fund		21,439	8,867
Leave encashment payable		12,566	11,407
Others		1,164	1,398
		<u>608,019</u>	<u>935,441</u>
<b>16.1</b>	This includes Rs. Nil (2014: Rs. 0.375 million) payable to Javedan Corporation Limited, a related party.		
<b>16.2 Workers' Profit Participation Fund</b>		<b>2015</b>	<b>2014</b>
		(Rupees in '000)	
Balance as at 1 July		25,530	23,334
Mark-up on balance payable	26	2,305	2,196
Allocation for the year		33,083	-
		<u>60,918</u>	<u>25,530</u>
Payments made during the year		(3,306)	-
Balance as at 30 June		<u>57,612</u>	<u>25,530</u>
<b>17. MARK-UP ACCRUED</b>			
On short term borrowings	17.1	15,655	13,019
<b>17.1</b>	This includes amount due to Arif Habib Corporation Limited (Parent Company) amounting to Rs. Nil million (2014: Rs.0.219 million).		
<b>18. SHORT TERM BORROWINGS</b>			
<b>From banking companies:</b>		<b>2015</b>	<b>2014</b>
		(Rupees in '000)	
Running finances	18.1	361,942	384,050
Foreign currency loan	18.2	45,355	20,132
Istisna	18.3	280,000	130,000
		<u>687,297</u>	534,182
<b>From related parties:</b>			
Short term finance from Associated Company		-	10,000
Short term finance from sponsor	18.4	-	-
		<u>687,297</u>	<u>544,182</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

**18.1** This represents short-term running finance facilities from various banks amounting to Rs. 400 million (2014: Rs. 450 million), which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These carry mark up at the rate ranging between 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5% (2014: 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5%) per annum calculated on daily product basis. Mark-up on these facilities is payable quarterly. These facilities have various maturity dates up to June 2015 and are secured by first pari passu charge against current / fixed assets of the Company.

The aggregate amount of aforementioned facilities which have not been availed as at the balance sheet date amounts to Rs. 38.058 million (2014: Rs. 45.817 million). The facility is secured by first pari passu charge against fixed assets (excluding land and building) of the Company.

**18.2** The Company has availed foreign currency loan facility from a bank amounting to Rs. 50 million (2014: Rs. 50 million). The amount is repayable in 180 days from the date of disbursement and carries mark-up at the rate of LIBOR plus 1%. The facility is secured by first pari passu charge against present and future fixed assets of the Company.

**18.3** The amount is repayable in 90 days from the date of disbursement and carries mark-up at the rate of 3 months KIBOR plus 3%. The facility will mature on 31 January 2016 and is renewable.

During the year, the Company availed new istisna facility from a bank amounting to Rs. 250 million (2014: Nil). The amount is repayable in 180 days from the date of disbursement and carries mark-up at the rate of KIBOR plus 1.5%. The facility is secured by third party pledge of securities.

**18.4** During the year, the Company received a markup free loan from a sponsor amounting to Rs. 60 million in December 2014 which was repayable on demand. As on 30 June 2015, the terms of the loan were revised and the repayment was deferred till 2 July 2025 considering which the loan has been reclassified to long term loans as mentioned in note 13.4.

## 19. CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

**19.1.1** The Company received an order from Central Excise and Land Custom on 28 October 1992 alleging that the Sales tax and CED amounting to Rs. 15.210 and Rs. 30.312 million respectively, were not paid on certain sales. Penalty of the Rs. 45.524 million was also levied in the said order on account of non payment of above amount. The company has however disputed the same on grounds of lack of jurisdiction as well as on the merits, the matter is sub-judice. The Honourable High Court of Sindh has granted stay against the said order and the case is currently pending with the Appellate Tribunal Inland Revenue, Karachi. The management in consultation with its legal advisor is confident that the outcome of the case would be in favour of the Company and hence no provision is made in these financial statements.

During the year, the Company received a demand notice from FBR reference # DCIR/Unit-01/ E&C/Zone-II/LTU/2015 demanding Rs 60.624 million and Rs. 15.210 million under CED and Sales Tax respectively. The Honorable High Court of Sindh has granted the stay against the said demand notice. The management in consultation with its legal advisor is confident that the outcome of the case would be in favour of the Company hence no provision is made in these financial statements.

**19.1.2** The Competition Commission of Pakistan (the CCP) took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honourable Lahore High Court (LHC), the LHC vide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 27 August 2009 and imposed a penalty of Rs. 87 million on the company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

During the financial year ended 30 June 2009, the company has filed an appeal before the Honourable Supreme Court of Pakistan and Lahore High Court against the Order of the CCP dated 27 August 2009. The petition filed by the Company and other cement manufacturers before the Lahore High Court are pending for adjudication meanwhile order passed by the Lahore High Court on 31 August 2009 is still operative. Management, based on the legal advice, believes that there are good legal grounds and is hopeful that there will be no adverse outcome for the company, accordingly no provision has been made in these financial statement

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

**19.1.3** A customer has filed claim of Rs. 1.197 million before the Court of District & Session Judge Karachi (East), for recovery of financial loss due to sub-standard supply of cement. The Honourable Judge has decided the order in favour of the customer. Thereafter, the Company filed a revision application against the order before the Sindh High Court. The management based on the advice of the lawyer is confident that the outcome of the case would be in favour of the Company and hence no provision is made in these financial statements.

**19.1.4** Section 113 (2) (c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company has carried forward minimum tax of current and previous years amounting to Rs. 109.125 million and the Company expects to adjust the amount against the future taxable profits. The Company's legal counsel is of the opinion that the Company has strong arguable case and at an appropriate stage the matter can be agitated before Supreme Court of Pakistan in case the adjustment is challenged by the tax authorities. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in these financial statements.

**19.1.5** During the year ended 30 June 2013, the Company reversed liability amounting to Rs. 115.927 million in respect of previous sponsors loan on the basis of arbitration award in favour of the Company.

The management of the Company was taken over by purchasing controlling shareholding during the year 2005. One of the condition of takeover of the management from the previous sponsors was that the amount payable in respect of this loan was required to be adjusted in respect of any differences in the value of assets and/or unrecorded liabilities. However, due to dispute regarding existence of certain assets, unrecorded liabilities etc., the final amount of the previous sponsor's loan remained undetermined and unsettled and the matter was referred for arbitration as per the Share Purchase Agreement between the management and the previous sponsors. The amount outstanding as at 30 June 2012 amounted to Rs. 115.927 million i.e. Rs. 234.076 million net off with unavailable stores and spares of Rs. 118.149 million.

In 2013, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. The award has been sent to the Registrar High Court of Sindh for making the award a rule of Court. The management, based on its lawyers' advice is of the opinion that despite of objection filed by the previous sponsors against the arbitration award, the Company has strong grounds considering the fact that the Arbitration Award has been announced in Company's favour and the arbitration award will be made a rule of Court. Accordingly, the management had reversed the liability with a corresponding credit in the profit & loss account. However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in these financial statements.

**19.1.6** During the year, the Company received a show cause notice on 22 January 2015 from Deputy Commissioner Inland Revenue (DCIR) alleging that the Company is evading Sales Tax and Federal Excise Duty (FED) which was theoretically calculated comparing consumption of energy and coal of cement industry with that of the Company's and also considering the grinded slag as cement on which FED is payable. DCIR alleged the Company for evading an amount of Rs.551.858 million and Rs.168.276 million in respect of sales tax and FED respectively. Thereafter, physical verification of manufacturing premises was conducted on 10 February 2015 u/s 38 and 40B. Hearing was fixed on 23 February 2015 and demand notice was received on 03 March 2015 (dated 26 February 2015) for the recovery of Rs.333.945 million and Rs.106.467 million. The management of the Company filed an appeal with DCIR on 17 March 2015 along with the application for urgent hearing challenging the order on the grounds of judicial impartiality, lack of legal grounds under Sales Tax Act 1990 and Federal Excise Act, validity of order based on presumptions and lack of basic knowledge of cement industry. Simultaneously, application of stay was filed with DCIR on 17 March 2015 and reference petition was filed with Honorable High Court of Sindh requesting a stay from legal action on the impugned order dated 26 February 2015, against which stay was granted to the Company by the Honorable High Court of Sindh on 2 April 2015. In view of the Company's tax consultant, favorable outcome of the case is anticipated; hence no provision is required to be made in these financial statements.

**19.1.7** The Company received another show cause notice from DCIR on 13 June 2015 alleging that the Company has adjusted inadmissible input tax on diesel purchased and consumed in the rented vehicles of the transporter of the Company under Sales Tax Act, 1990. The Company replied through its consultant via letter dated 22 June 2015 explaining that the Company has adjusted a valid input tax under the provisions of Sales Tax Act, 1990.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

Subsequent to year end, a demand notice for recovery was received dated 13 July 2015 for an amount of Rs.17.357 million for adjusting invalid input tax with a penalty of Rs.0.868 million against which Company filed an appeal with DCIR on 04 August 2015, along with application for the grant of stay. Hearing for the same is fixed on 21 August 2015. The Company's legal counsel is of the opinion that no unfavourable outcome can be anticipated.

## 19.2 Commitments

Commitments against open letter of credit for:

- Coal
- Stores and spares

Other commitments

- Ijarah Rentals

2015  
2014  
(Rupees in '000)

## 20. SALES - NET

Local  
Export

Less :

Sales tax  
Federal excise duty

## 21. COST OF SALES

Salaries, wages and other benefits including retirement benefits

Raw materials consumed

Packing material consumed

Stores, spares and loose tools

Fuel and power

Insurance

Repairs and maintenance

Depreciation

Other production overheads

Work in process

Opening

Closing

Cost of goods manufactured

Finished goods

Opening

Closing

Note

		<b>105,778</b>	-
		<b>33,718</b>	98,651
		<b>139,496</b>	98,651
		<b>1,259</b>	2,557
		<b>140,755</b>	101,208
		<b>4,530,641</b>	3,871,509
		<b>262,043</b>	467,378
		<b>4,792,684</b>	4,338,887
		<b>(744,790)</b>	(658,418)
		<b>(216,825)</b>	(184,366)
		<b>(961,615)</b>	(842,784)
		<b>3,831,069</b>	3,496,103
	21.1	<b>223,570</b>	192,349
	21.2	<b>219,215</b>	188,116
	21.3	<b>229,134</b>	232,165
		<b>163,982</b>	134,561
		<b>1,956,910</b>	2,065,892
		<b>7,961</b>	10,558
		<b>54,921</b>	42,627
	4.2	<b>96,481</b>	87,410
		<b>31,742</b>	34,984
		<b>2,983,916</b>	2,988,662
		<b>67,732</b>	220,453
	6	<b>(175,962)</b>	(67,732)
		<b>(108,230)</b>	152,721
		<b>2,875,686</b>	3,141,383
		<b>26,430</b>	36,313
	6	<b>(42,187)</b>	(26,430)
		<b>(15,757)</b>	9,883
		<b>2,859,929</b>	3,151,266

**21.1** It includes Rs. 11.781 million (2014: Rs. 9.850 million) against staff retirement benefits.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

21.2 Raw materials consumed	Note	2015 (Rupees in '000)	2014
Opening stock of raw material		33,306	17,080
Purchases		194,530	204,342
		<u>227,836</u>	<u>221,422</u>
Closing stock of raw material	6	(8,621)	(33,306)
		<u>219,215</u>	<u>188,116</u>
<b>21.3 Packing materials consumed</b>			
Opening stock of packing material		49,834	51,133
Purchases		237,505	230,866
		<u>287,339</u>	<u>281,999</u>
Closing stock of packing material	6	(58,205)	(49,834)
		<u>229,134</u>	<u>232,165</u>
<b>22. DISTRIBUTION COST</b>			
Salaries, wages and other benefits including retirement benefits	22.1	23,488	20,119
Export expenses		64,449	135,374
Travelling and conveyance		73	266
Depreciation	4.2	2,724	2,914
Marking fee		2,874	2,823
Incentive and commission on local sales		84,480	95,755
Others		3,509	3,238
		<u>181,597</u>	<u>260,489</u>
<b>22.1</b>	It includes Rs. 1.821 million (2014: Rs. 1.799 million) against staff retirement benefits.		
<b>23. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits including retirement benefits	23.1	16,228	14,257
Travelling and conveyance		154	189
Printing and stationery		2,218	1,415
Repair and maintenance		2,163	5,665
Legal and professional charges		2,639	3,125
Auditor's remuneration	23.2	1,065	1,001
Rent, rates and taxes		5,108	12,607
Advertisement		3,316	5,710
Postage, telephone and telegram		2,124	2,299
Entertainment		519	1,526
Ujarah payments	23.3	1,318	1,318
Fees and subscription		2,856	3,568
Depreciation	4.2	8,304	8,741
Amortization	4.4	449	58
Charity and donation	23.4	2,521	975
Written off advances		3,176	3,660
Bad debts written off		-	13
Miscellaneous		4,823	2,755
		<u>58,981</u>	<u>68,882</u>
<b>23.1</b>	It includes Rs. 1.238 million (2014: Rs. 0.721 million) against staff retirement benefits.		

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 23.2 Auditor's remuneration

	2015 (Rupees in '000)	2014
Audit fees	600	600
Half yearly review fee	250	251
Fee for the review of compliance with Code of Corporate Governance	50	50
Fee for other services	30	-
Out of pocket expenses	135	100
	<b>1,065</b>	<b>1,001</b>

## 23.3 Ujarah payments

The Company has entered into Ujarah arrangements with Bank Islami Pakistan Limited for lease of 2 vehicles having monthly rentals for a total period of 4-5 years. Total of future Ujarah payments under the agreement are as follows:

	2015 (Rupees in '000)	2014
Not later than one year	1,212	1,298
Later than one year but not later than five years	47	1,259
	<b>1,259</b>	<b>2,557</b>

23.4 No directors or their spouses have any interest in any donee's fund to which donation were made.

## 24. OTHER INCOME

	Note	2015 (Rupees in '000)	2014
Gain on disposal of fixed assets	4.3	370	703
Rebate income		967	1,798
Scrap sales		223	5,692
Others		431	570
		<b>1,991</b>	<b>8,763</b>

## 25. OTHER OPERATING EXPENSES

Workers' Welfare Fund	12,572	5,853
Exchange loss	19,124	12,155
Workers' Profit Participation Fund	33,083	-
	<b>64,779</b>	<b>18,008</b>

## 26. FINANCE COSTS - NET

Gain on derecognition of financial liability	13	274,242	-
Gain on initial recognition of loan from related party		35,011	230,836
<b>Finance Income</b>		<b>309,253</b>	<b>230,836</b>
Unwinding of interest on long term finance	12.1	(175,420)	(208,386)
Unwinding of discount of loan from related party	13	(115,318)	(78,326)
Mark-up on short term borrowings		(57,928)	(56,459)
Mark-up on borrowings from related party		(7,134)	(27,895)
Mark-up on Workers' Profit Participation Fund		(2,305)	(2,196)
Bank charges and commission		(2,917)	(4,066)
<b>Finance Costs</b>		<b>(361,022)</b>	<b>(377,328)</b>
		<b>(51,769)</b>	<b>(146,492)</b>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

27. TAXATION	Note	2015 (Rupees in '000)	2014
Current year	27.1	-	-
Prior year		4,893	-
		<u>4,893</u>	<u>-</u>
Deferred	14	177,278	(66,362)
		<u>182,172</u>	<u>(66,362)</u>

**27.1** Minimum tax liability of Rs. 85.027 million has not been recognized in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in next five years against which such liability would be adjusted.

**27.2** The return of income have been filed up to tax year 2014 (corresponding to financial year ended 30 June 2014), while the income tax assessment have been finalized up to and including tax year 2012.

## 27.3 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as Company is subject to the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance). The movement in deferred taxation is mainly due to the availability of tax losses.

## 28. EARNINGS PER SHARE - BASIC AND DILUTED

	2015 (Rupees in '000)	2014
Profit / (Loss) after taxation	<u>433,833</u>	<u>(73,909)</u>
	<b>(Number)</b>	
Weighted average number of ordinary shares	<u>365,689,968</u>	<u>365,689,968</u>
	<b>(Rupee)</b>	
Earnings / (Loss) per share in rupee - basic and diluted	<u>1.19</u>	<u>(0.20)</u>

**28.1** No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

## 29. OPERATING SEGMENTS

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

**29.2** Revenue from sale of cement represents 100% (2014 : 100%) of the total revenue of the company.

**29.3** 93% (2014: 87%) sales of the Company relates to customers in Pakistan.

**29.4** All non-current assets of the Company at 30 June 2015 are located in Pakistan.

## 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 30.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company believes that it is not exposed to major concentration of credit risk. However, to reduce exposure to credit risk, if any, the management monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

### Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. The Company is not materially exposed to credit risk as its majority sales are on advance payment basis.

Credit risk is managed and controlled by the management of the company in the following manner:

- Credit rating and / or credit worthiness is taken into account along with the financial background so as to minimize the risk of default.
- Cash is held with reputable banks only.

The maximum exposure to credit risk at the reporting date is:

Note	2015 (Rupees in '000)	2014
Trade debts	259,722	143,038
Advances and other receivables	52,852	96,676
Deposits	26,891	27,453
Bank balances	46,827	4,999
	<u>386,292</u>	<u>272,166</u>

30.1.1 The maximum exposure to credit risk for trade debt at the balance sheet date by geographic region was as follows:

	2015 (Rupees in '000)	2014
Domestic (Pakistan)	259,722	135,508
Exports	-	7,530
	<u>259,722</u>	<u>143,038</u>

30.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

	2015 (Rupees in '000)	2014
Dealer / distributor	73,091	17,776
End-user customers / exports	186,631	125,262
	<u>259,722</u>	<u>143,038</u>

### 30.1.3 Impairment losses

The aging of trade debtors at the balance sheet date was:

	2015		2014	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Not past due	149,893	-	86,115	-
Past due 1-60 days	45,070	-	24,588	-
Past due 61 days -1 year	63,377	-	31,369	-
More than one year	1,382	-	966	-
	<u>259,722</u>	<u>-</u>	<u>143,038</u>	<u>-</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

**30.1.4** Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debts past due do not require any impairment.

## 30.1.5 Credit Ratings

Details of the credit ratings of bank balances as at 30 June 2015 are as follows:

	Rating		Rating Agency	2015 (Rupees in '000)	2014
	Short term	Long term			
Allied Bank Limited	A1+	AA+	PACRA	48	184
Al-Baraka Islamic Bank	A1	A	JCR-VIS	43,080	80
Bank Alfalah Limited	A1	A	PACRA	66	
Bank Islami Pakistan Limited	A1	A+	PACRA	634	1,529
Bank of Punjab	A1	A	JCR-VIS	4	
Habib Bank Limited	A-1+	AAA	JCR-VIS	45	45
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	458	964
Meezan Bank Limited	A-1+	AA	JCR-VIS	78	77
National Bank of Pakistan	A-1+	AAA	PACRA	404	1,732
Summit Bank Limited	A-1	A	JCR-VIS	2,025	136
Soneri Bank Limited	A1+	AA-	PACRA	8	8
United Bank Limited	A-1+	AA+	JCR-VIS	(23)	244
				<b>46,827</b>	4,999

## 30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments:

	2015					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
<b>Non-derivative liabilities</b>						
Long term finance	1,400,505	(1,722,638)	(270,540)	(267,936)	(1,184,162)	-
Long-term interest free loan from sponsors	1,169,055	(1,645,500)	-	-	(1,645,500)	-
Short term borrowings	687,297	(687,297)	(687,297)	-	-	-
Trade and other payables	608,019	(608,019)	(608,019)	-	-	-
Mark-up accrued	15,655	(15,655)	(15,655)	-	-	-
	<b>3,880,531</b>	<b>(4,679,109)</b>	<b>(1,581,511)</b>	<b>(267,936)</b>	<b>(2,829,662)</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

	-----2014-----					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	
------(Rupees in '000)-----						
<b>Non-derivative liabilities</b>						
Long term finance	1,629,757	(2,012,034)	(500,000)	(250,000)	(1,262,034)	-
Loan from related parties - unsecured	1,172,990	(1,325,500)	-	-	(1,325,500)	-
Short term borrowings	544,182	(544,182)	(544,182)	-	-	-
Trade and other payables	935,441	(935,441)	(935,441)	-	-	-
Mark-up accrued	13,019	(13,019)	(13,019)	-	-	-
	<b>4,295,389</b>	<b>(4,830,176)</b>	<b>(1,992,642)</b>	<b>(250,000)</b>	<b>(2,587,534)</b>	<b>-</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June 2015.

### 30.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

#### a) Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on export sales and import purchases in a currency other than Rupees.

Company's exposure to foreign currency risk is as follows:

	2015		2014	
	(Rupees in '000)	US Dollars	(Rupees in '000)	US Dollars
Trade debts	-	-	7,530	76,253
Bills payable	(228,282)	(2,244,661)	(444,933)	(4,505,651)
Gross exposure	(228,282)	(2,244,661)	(437,403)	(4,429,398)

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the gross exposure.

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
(Rupees)				
<b>US Dollars</b>	<b>101.68</b>	101.35	<b>101.70</b>	98.75

#### Sensitivity analysis

A ten percent strengthening or weakening of the Rupee against USD as at the year end would have increased or decreased the equity and profit and loss account by an amount shown in table below. This analysis assumes that all other variables, in particular the interest rates, remain constant. The analysis is performed on the same basis for 2014.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

	2015	2014
	(Rupees in '000)	
Effect on profit or loss on 10% weakening of Rupee	<u>(22,828)</u>	<u>(43,740)</u>
Effect on profit or loss on 10% strengthening of Rupee	<u>22,828</u>	<u>43,740</u>

## b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure arises from long term loan, bank balances, lease liability, short term running finance and long term loan. Other risk management procedures are same as those mentioned in the credit risk management.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Financial assets (bank balances)	<u>162</u>	<u>412</u>
Variable rate instruments		
Financial liabilities		
- short term borrowings	687,297	544,182
- long term loan	<u>1,400,505</u>	<u>2,335,709</u>
	<u>2,087,802</u>	<u>2,879,891</u>

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the profit or loss of the Company as at 30 June 2015 by Rs. 20.876 million (2014: Rs. 26.52 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

- c) A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity dates at the end of year is as follows:

	Mark-up / return (%)	30 June 2015			US Dollars
		less than 6 month	6 months to 1 year	More than 1 year	
(Rupees in '000)					
<b>Assets</b>					
Bank balance	4 - 7	162	-	-	162
Total assets		162	-	-	162
<b>Liabilities</b>					
Short term borrowings	5 - 12.01	687,297	-	-	687,297
Long term loan	9.44 - 14.49	247,554	247,554	905,397	1,400,505
<b>Total liabilities</b>		934,851	247,554	905,397	2,087,802
<b>On-balance sheet gap</b>		(934,689)	(247,554)	(905,397)	(2,087,640)
<b>Total interest risk sensitivity gap</b>		<u>(934,689)</u>	<u>(1,182,243)</u>	<u>(2,087,640)</u>	<u>(2,087,640)</u>

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

	30 June 2014				US Dollars
	Mark-up / return (%)	less than 6 month	6 months to 1 year	More than 1 year	
----- <b>(Rupees in '000)</b> -----					
<b>Assets</b>					
Bank balance	9 - 12	412	-	-	412
Total assets		412	-	-	412
<b>Liabilities</b>					
Short term borrowings	9.2 - 15.01	272,091	272,091	-	544,182
Long term loan	9.44 - 14.49	352,976	352,976	2,096,795	2,802,747
<b>Total liabilities</b>		625,067	625,067	2,096,795	3,346,929
<b>On-balance sheet gap</b>		(624,655)	(625,067)	(2,096,795)	(3,346,517)
<b>Total interest risk sensitivity gap</b>		<b>(624,655)</b>	<b>(1,249,722)</b>	<b>(3,346,517)</b>	<b>(3,346,517)</b>

## 30.4 Fair value of Financial Instruments

Carrying value of all the financial instruments reflected in the financial statements are not significantly different from their fair values.

## 30.5 Capital risk management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary share holders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not required to maintain any regulatory capital.

## 31. CASH GENERATED FROM OPERATIONS

	2015	2014
	(Rupees in '000)	
Profit / (Loss) before taxation	<b>616,005</b>	(140,271)
<b>Adjustments for:</b>		
Depreciation	<b>107,509</b>	99,065
Amortization	<b>449</b>	58
Gain on derecognition of financial liability	<b>(274,242)</b>	-
Exchange loss	<b>19,124</b>	12,155
Finance cost	<b>361,022</b>	377,328
Gain on initial recognition of financial liability	<b>(35,011)</b>	(230,836)
Gain on disposal of fixed assets	<b>(370)</b>	(703)
Provision for gratuity	<b>14,840</b>	12,370
Operating profit before working capital changes	<b>193,321</b>	269,437
	<b>809,326</b>	129,166

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

		2015	2014
		(Rupees in '000)	
<b>(Increase) / Decrease in current assets</b>			
Stores, spares and loose tools		80,134	(209,922)
Stock-in-trade		(107,673)	147,677
Trade debts		(116,684)	(4,593)
Advances and other receivables		43,824	15,241
Trade deposits		562	(382)
		<b>(99,837)</b>	(51,979)
(Decrease) / increase in trade and other payables		<b>(346,546)</b>	75,347
<b>Net cash generated from operations</b>		<b>362,943</b>	152,534
<b>32. CASH AND CASH EQUIVALENTS</b>			
	Note		
Cash and bank balances	10	47,267	5,476
Short-term borrowings	18	(687,297)	(534,182)
		<b>(640,030)</b>	(528,706)
<b>33. CAPACITY (Clinker)</b>			
Installed capacity (M.Tons)		900,000	900,000
Actual production (M.Tons)		553,063	458,900

**33.1** Production capacity utilization is 61% (2014: 51%) of total installed capacity.

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

## 34. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of associated undertakings and related group companies, directors of the Company, key management personnel and staff retirement funds. Further, contribution to the defined benefit plan (gratuity scheme) are in accordance with the actuarial advice. Remuneration of executive, directors and key management personnel is disclosed in note 34.2. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Details of other transactions / balances with related parties are as follows:

### Transactions with related parties

	2015	2014
	(Rupees in '000)	
<b>Aisha Steel Mills Limited</b>		
- Sale of goods	-	1,143
<b>Safe Mix Concrete Products Limited</b>		
- Sale of goods	49,897	37,980
<b>Javedan Corporation Limited</b>		
- Sale of goods	18,211	15,197

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

	Note	2015 (Rupees in '000)	2014
<b>Rotocast Engineering Company (Private) Limited</b>			
- Services received		<u>3,936</u>	<u>4,475</u>
- Rent & maintenance		<u>-</u>	<u>2,755</u>
<b>Arif Habib Corporation Limited</b>			
- Loan received		<u>260,000</u>	<u>338,000</u>
- Loan repaid		<u>270,000</u>	<u>915,500</u>
- Mark-up accrued		<u>6,989</u>	<u>27,895</u>
- Mark-up repaid		<u>7,208</u>	<u>28,253</u>
<b>Sponsors</b>			
- Loan received		<u>605,000</u>	<u>1,093,500</u>
- Loan repaid		<u>415,000</u>	<u>80,000</u>
<b>Summit Bank Limited</b>			
- Loan received		<u>200,000</u>	<u>100,000</u>
- Loan repaid		<u>200,000</u>	<u>100,000</u>
- Mark-up accrued		<u>6,448</u>	<u>8,610</u>
- Mark-up repaid	34.1	<u>6,468</u>	<u>9,462</u>
<i>Balances with related parties</i>			
<b>Aisha Steel Mills Limited</b>			
- Trade receivable		<u>165</u>	<u>165</u>
<b>Rotocast Engineering Company (Private) Limited</b>			
- Payable against rent		<u>363</u>	<u>390</u>
<b>Arif Habib Corporation Limited</b>			
- Loan payable (including mark-up)		<u>-</u>	<u>10,218</u>
<b>Safe Mix Concrete Products Limited</b>			
- Trade receivable		<u>12,001</u>	<u>8,036</u>
<b>Javedan Corporation Limited</b>			
- Trade receivable		<u>7,374</u>	<u>6,898</u>
- Trade payable		<u>375</u>	<u>375</u>
<b>Sponsors</b>			
- Loan payable		<u>1,515,500</u>	<u>1,325,500</u>
<b>Summit Bank Limited</b>			
- Loan payable		<u>100,000</u>	<u>100,000</u>
- Mark-up payable	34.1	<u>1,381</u>	<u>1,401</u>
<b>34.1</b>	During the year Summit Bank Limited entered as a related party.		

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2015

## 34.2 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	-	-	73,285	1,500	-	58,950
Retirement benefits	-	-	6,107	38	-	5,408
	-	-	79,392	1,538	-	64,358
	----- (Number) -----					
Number of key executives	1	6	53	1	6	45
Number of non-executive directors	-	6	-	-	6	-

The Chief Executive and certain Executives are provided with the use of Company cars and the operating expenses are borne by the Company to the extent of their entitlement.

Executive means an employee of a listed company other than the chief executive and directors whose basic salary exceeds Rs. 0.5 million in a financial year. The chief executive and certain executives of the Company are provided with free use of cars.

**34.3** The remuneration of chief executive is being borne by Arif Habib Corporation - Parent Company, since October 2014.

## 35. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from Component	Reclassification to Component	(Rupees in '000)
Other income	Finance income	230,836

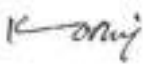
**35.1** The above reclassification has no impact on previously reported profit/ (loss) or equity.

## 36. NUMBER OF EMPLOYEES

The total number of permanent employees as at year end were 282 and average number of employees were 278.

## 37. AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on 3<sup>rd</sup> September 2015.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



# Form of Proxy

24<sup>th</sup> Annual General Meeting

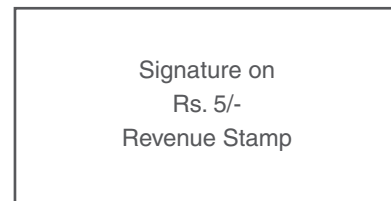
The Company Secretary  
Power Cement Limited  
Arif Habib Centre  
23, M.T. Khan Road  
Karachi

I/we \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Power  
Cement Limited holding \_\_\_\_\_ ordinary shares as per CDC A/c. No. \_\_\_\_\_  
hereby appoint Mr/Mrs/Miss \_\_\_\_\_  
\_\_\_\_\_ of (full address) \_\_\_\_\_  
\_\_\_\_\_ or failing him/her Mr/Mrs/Miss  
\_\_\_\_\_ of (full address)  
\_\_\_\_\_ (being member  
of the Company) as my/our Proxy to attend, act vote for me/us and on my/our behalf at the Annual General Meeting of the  
Company to be held on October 20, 2015 and/or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

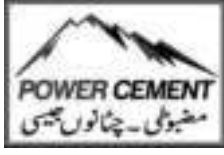
## Witnesses:

- Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No.: \_\_\_\_\_  
Signature: \_\_\_\_\_
- Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No.: \_\_\_\_\_  
Signature: \_\_\_\_\_



## NOTES:

- A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
- Proxy shall authenticate his/her identity by showing his/her original passport and bring folio number at the time of attending the meeting.
- In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., off: Shahrah-e-Quaideen, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by the two persons with their signatures, name, address and CNIC number given on the form.
- In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
- In case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy Form.



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**POWER CEMENT LIMITED**

**Registrar:**

M/s Technology Trade (Pvt) Limited,  
Dagia House, 241-C, Block -2, P.E.C.H.S,  
Off: Shahrah-e-Quaideen, Karachi

Fold: Here





ARIF HABIB GROUP

## Power Cement Limited

Head Office  
1st Floor, Arif Habib Centre,  
23 M.T. Khan Road,  
Ph: 021-3248231-32  
[www.powercement.com.pk](http://www.powercement.com.pk)