

Attock Cement
Pakistan Limited



Third Quarter Report March 31, 2014

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COMPANY INFORMATION

Board of Directors

Dr. Ghaith R. Pharaon (Chairman)
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Abdus Sattar
Fakhrul Islam Baig
Babar Bashir Nawaz

Chief Executive

Babar Bashir Nawaz

Alternate Directors

Shuaib A. Malik
Irfan Amanullah

Audit Committee of the Board

Abdus Sattar	Chairman
Shuaib A. Malik	Member
Fakhrul Islam Baig	Member

HR & Remuneration Committee

Shuaib A. Malik	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz	Member

Company Secretary

Irfan Amanullah

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor

Sattar & Sattar
Attorneys at Law

Bankers

Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan Ltd.
Allied Bank Ltd.
Bank Al-Habib Ltd.
JS Bank Limited
NIB Bank Limited
United Bank Limited
Meezan Bank Limited
Barclays Bank PLC, Pakistan
The Bank of Punjab
Habib Bank Limited
Askari Bank Limited
Samba Bank Limited

Registered Office

D-70, Block-4, Kehkashan-5
Clifton, Karachi-75600
Tel: (92-21) 35309773-4
UAN: (92-21) 111 17 17 17
Fax: (92-21) 35309775
Email: acpl@attockcement.com
Website: www.attockcement.com

Plant

Hub Chowki, Lasbella
Baluchistan

Share Registrar

Technology Trade (Pvt) Limited
Dagia House, 241-C, Block-2
PECHS, Off: Shahrah-e-Quaideen,
Karachi.
Tel: (92-21) 34391316-17
Fax: (92-21) 34391318

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DIRECTORS' REVIEW

DIRECTORS' REVIEW

The Directors are pleased to announce the results of the Company for the period ended March 31, 2014.

Operational & Financial Review

Production and sales figures for period ended March 31, 2014 are as follows:

	July-Mar. 2014	July-Mar. 2013
	Tons	
Clinker Production	1,357,180	1,322,053
Cement Production	1,399,823	1,310,296
Cement Despatch - Local	905,567	986,808
- Export	491,346	331,819
	1,396,913	1,318,627
Clinker Capacity Utilization	104%	101%

During the period under review the Company achieved 104% of rated clinker capacity.

Industry Review

In the first nine months of the fiscal year the cement industry witnessed a meager growth of only 1%. Local sales showed a growth of merely 2% and exports posted decline of 2%. Though the south market grew by 3% but it was mainly due to exports which registered overall increase of 23% as compared to same period last year. Local sales in south witnessed decline of 6% as compared to the same period last year.

Sales Review

Though the company achieved 100% volumetric sales during the period under review, however, the growth was achieved through exports as the local sales remained under pressure owing to availability of surplus capacity and difficult law and order situation in the principal market of Karachi. Considering the flat local sales, since the start of fiscal year 2013-2014, the company extensively explored the regional markets and found greater excess in the markets of Sri Lanka and South Africa. As a result, the Company was able to achieve the total sales of 1,396,913 M Tons which is higher by approximately 6% as compared to same period last year.

Financial Review

Due to increase in dispatches the net sales revenue increased by 11% as compared to same period last year. Despite higher exports, the overall net retention increased by 5% or Rs. 301 per ton as compared to corresponding period.

During the period under review the production cost per ton of cement sold increased by 14% as compared to same period last year mainly due to unprecedented rise in power tariff. Though the overall coal prices in international markets came down by around 10% however, 52% increase in power tariff on August 05, 2013 diluted the entire positive impact of reduction in coal prices. During 3rd quarter of the year, the company managed to pass some of the impact of this increase to the end user; however, any further increase in power tariff may have an adverse impact on the production cost of the company.

Due to this unprecedented increase in power rates the gross and operating margins reduced from 31% to 28% and from 23% to 20% respectively as compared to same period last year and overall net profit after tax has also reduced from Rs. 1,479 million to Rs. 1,408 million, a decrease of Rs. 71 million (5%).

Iraq Project

The management is pleased to report that the company has signed a joint venture agreement with M/s Al Keetan Trading and Commercial Agencies Limited, a private limited liability company formed under the laws of Republic of Iraq for the construction and management of a cement grinding unit of 3,000 tons per day. The management has now initiated the formation of a Limited Liability Company in Iraq.

Future Outlook

The local dispatches during the period under review remain depressed and did not get any boost as expected earlier. The industry progress remains depressed and witnessed a meager growth of 1% which is very alarming. Despite the several positive indicators on the economic front the demand is not stimulating, as desired, due to lack of initiation of major projects like construction of water reservoirs, highways and motorways, trade corridors etc.

The company is continuously monitoring the local market situation and has kept all its options open in terms of sale to regional markets. The company's aggressive strategy to reach out the new markets is paying its dividends and despite sluggish local conditions is able to sell its entire production. Though

the environment in regional market is also very competitive, however, the management is striving to achieve sufficient quantities to ensure 100% capacity utilization.

On the cost saving side, the company is also evaluating the installation of captive power plant based on coal and so far has completed its financial and technical feasibility. Company is now looking into installation of coal based power plant to reduce the power cost and also exploring various options for re-modernization of plant operations to improve efficiencies that would positively contribute towards profitability of the Company.

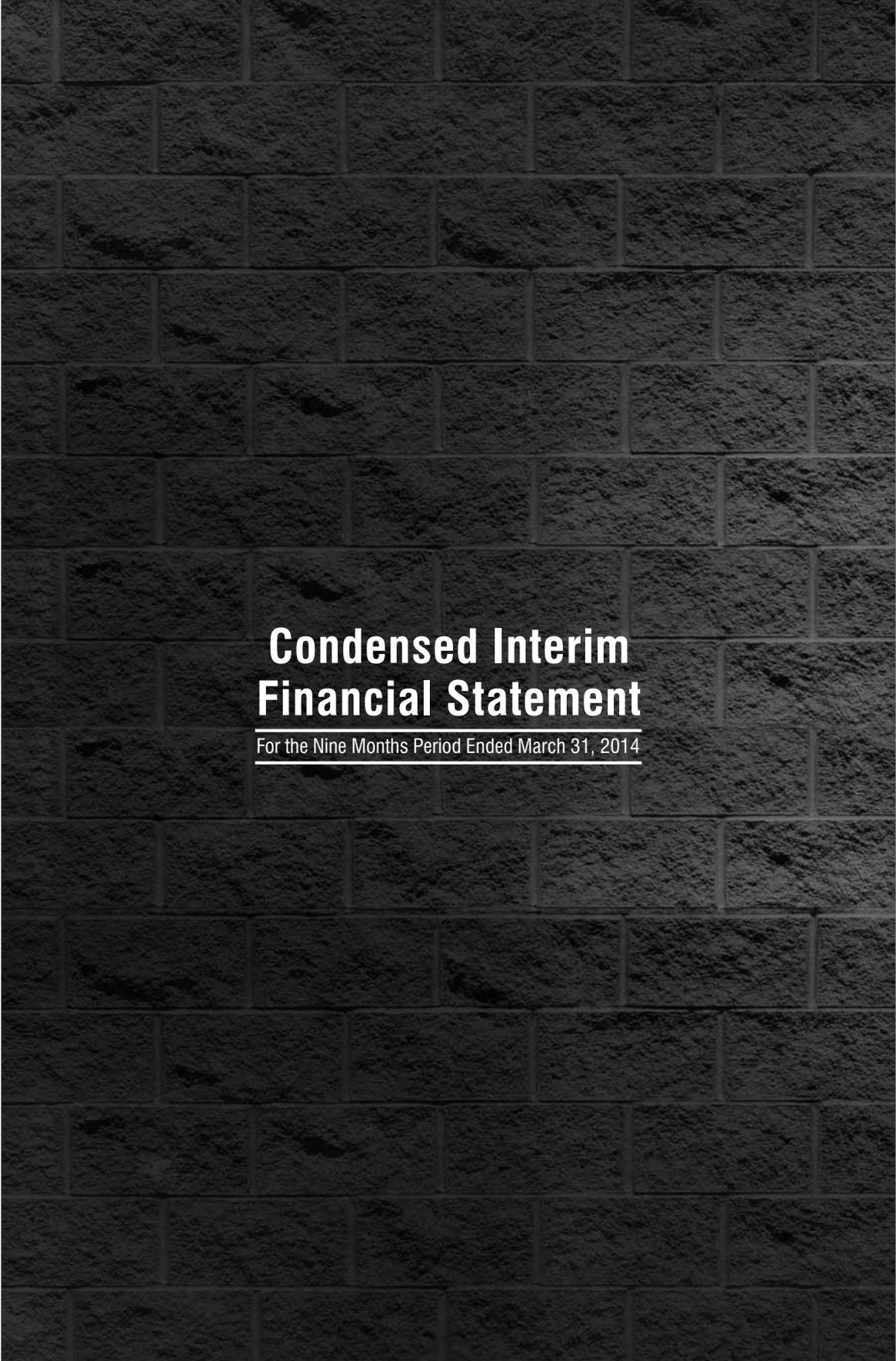
On behalf of the Board



BABAR BASHIR NAWAZ
Director & Chief Executive

April 17, 2014

Islamabad, Pakistan

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Condensed Interim Financial Statement

For the Nine Months Period Ended March 31, 2014

Condensed Interim Balance Sheet

As at March 31, 2014

	Note	Unaudited Mar. 31, 2014 -----Rupees '000 -----	Audited June 30, 2013 (Re-stated)
ASSETS			
Non-current assets			
Fixed assets - property, plant and equipment	4	5,914,240	5,998,663
Long-term investment		4,500	4,500
Long-term loans and advances		25,459	28,653
Long-term deposits		42,980	42,980
		5,987,179	6,074,796
Current assets			
Stores, spares and loose tools	5	1,374,807	956,276
Stock-in-trade		641,471	564,899
Trade debts - considered good		268,362	349,283
Loans and advances		52,224	35,434
Short-term deposits and prepayments		37,407	19,423
Investments		2,989,995	2,282,729
Accrued interest		4,298	4,298
Other receivables		19,831	22,594
Cash and bank balances		293,357	389,014
		5,681,752	4,623,950
Total assets		11,668,931	10,698,746
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,145,225	995,848
Unappropriated profit		6,771,996	6,852,908
		7,917,221	7,848,756
LIABILITIES			
Non-current liabilities			
Liabilities against assets subject to finance lease		14,880	6,517
Deferred taxation		1,007,951	1,041,952
Retirement benefit obligations		134,021	149,045
		1,156,852	1,197,514
Current liabilities			
Trade and other payables	6	2,404,684	1,591,671
Current maturity of liabilities against assets subject to finance lease		2,378	1,862
Taxation - provision less payments		187,796	58,943
		2,594,858	1,652,476
Total liabilities		3,751,710	2,849,990
Contingency and commitments	7		
Total equity and liabilities		11,668,931	10,698,746

The annexed notes form an integral part of these condensed interim financial statements.


Babar Bashir Nawaz
Chief Executive


Abdus Sattar
Director

Condensed Interim Profit And Loss Account

For the nine months period ended March 31, 2014 - Unaudited

	Note	Quarter ended		Nine months period ended	
		Mar. 31, 2014	Mar. 31, 2013	Mar. 31, 2014	Mar. 31, 2013
← Rupees in '000 →					
Net sales	8	3,246,697	3,084,663	9,163,777	8,253,682
Cost of goods sold		<u>(2,277,024)</u>	(2,207,986)	<u>(6,553,184)</u>	(5,763,728)
Gross Profit		969,673	876,677	2,610,593	2,489,954
Distribution cost	9	(177,997)	(63,082)	(563,205)	(398,390)
Administrative expenses		(68,221)	(62,451)	(219,570)	(188,151)
Other operating expenses		(54,800)	(51,500)	(137,800)	(135,643)
Other operating income		61,391	40,946	178,601	178,314
Operating profit		730,046	740,590	1,868,619	1,946,084
Finance cost		(5,207)	(3,478)	(16,738)	(10,697)
Profit before taxation		724,839	737,112	1,851,881	1,935,387
Taxation		(188,000)	(216,500)	(444,000)	(456,525)
Profit after taxation		536,839	520,612	1,407,881	1,478,862
Other comprehensive income		-	-	-	-
Total comprehensive income		<u>536,839</u>	<u>520,612</u>	<u>1,407,881</u>	<u>1,478,862</u>
Earnings per share-diluted (Rs.)		<u>4.69</u>	<u>4.55</u>	<u>12.29</u>	<u>12.91</u>

The annexed notes form an integral part of these condensed interim financial statements.


Babar Bashir Nawaz
 Chief Executive


Abdus Sattar
 Director

Condensed Interim Statement of Cash Flows

For the nine months period ended March 31, 2014 - Unaudited

	Note	Mar. 31, 2014	Mar. 31, 2013
-----Rupees '000-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	2,404,731	2,307,246
Finance cost paid		(16,750)	(10,697)
Income tax paid		(349,148)	(313,648)
Retirement benefit obligations paid		(40,146)	-
Decrease / (increase) in long-term loans and advances		3,194	(5,428)
Net cash from operating activities		2,001,881	1,977,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(205,843)	(762,268)
Proceeds from disposal of fixed assets		6,816	8,868
Proceeds from sale of open ended mutual fund units		3,586,137	2,584,631
Purchase of open ended mutual fund units		(4,161,988)	(2,912,931)
Interest received		17,558	15,111
Net cash used in investing activities		(757,320)	(1,066,589)
CASH FLOWS FROM FINANCING ACTIVITY			
Payments made under finance lease		(2,595)	-
Dividend paid		(1,337,623)	(816,907)
Net cash used in financing activity		(1,340,218)	(816,907)
Net (decrease) / increase in cash and cash equivalents		(95,657)	93,977
Cash and cash equivalents at the beginning of the period		389,014	219,762
Cash and cash equivalents at the end of the period		293,357	313,739

The annexed notes form an integral part of these condensed interim financial statements.


Babar Bashir Nawaz
 Chief Executive


Abdus Sattar
 Director

Condensed Interim Statement of Changes in Equity

For the nine months period ended March 31, 2014 - Unaudited

	Share capital	Unappropriated profit	Total
	Rs. '000		
Balance as at July 01, 2012 (as reported earlier)	865,955	5,762,938	6,628,893
Effect of change in accounting policy with respect to accounting for retirement benefits obligations - net of tax (note 3)	-	(16,005)	(16,005)
Balance as at July 01, 2012 (Re-stated)	<u>865,955</u>	<u>5,746,933</u>	<u>6,612,888</u>
Issue of bonus shares for the year ended June 30, 2012	129,893	(129,893)	-
Final dividend for the year ended June 30, 2012 @ Rs. 6.00 per share	-	(519,573)	(519,573)
Interim dividend for the year ended June 30, 2013 @ Rs. 3.00 per share	-	(298,754)	(298,754)
Profit after taxation for the period ended March 31, 2013	-	1,478,862	1,478,862
Balance as at March 31, 2013 (Re-stated)	<u>995,848</u>	<u>6,277,575</u>	<u>7,273,423</u>
Balance as at July 01, 2013	995,848	6,950,803	7,946,651
Effect of change in accounting policy with respect to accounting for retirement benefits obligations - net of tax (note 3)	-	(97,895)	(97,895)
Balance as at July 01, 2013 (Re-stated)	<u>995,848</u>	<u>6,852,908</u>	<u>7,848,756</u>
Issue of bonus shares @ 15% for the year ended June 30, 2013	149,377	(149,377)	-
Final dividend for the year ended June 30, 2013 @ Rs. 10.00 per share	-	(995,848)	(995,848)
Interim dividend for the year ending June 30, 2014 @ Rs. 3.00 per share	-	(343,568)	(343,568)
Profit after taxation for the period ended March 31, 2014	-	1,407,881	1,407,881
Balance as at March 31, 2014	<u>1,145,225</u>	<u>6,771,996</u>	<u>7,917,221</u>

The annexed notes form an integral part of these condensed interim financial statements.


Babar Bashir Nawaz
 Chief Executive


Abdus Sattar
 Director

Selected Notes to the Condensed Interim Financial Information For the nine months period ended March 31, 2014 - Unaudited

1 THE COMPANY AND ITS OPERATION

The company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Karachi Stock Exchange. Its main business activity is manufacturing and sale of cement. The company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan.

2 BASIS OF PRESENTATION

The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2013.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2013 except as described below.

IAS 19, (Revised) 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on the plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate measured at the beginning of the year.

Further, a new term "measurement" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the Company's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

Past service cost and amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The change in the accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Selected Notes to the Condensed Interim Financial Information For the nine months period ended March 31, 2014 - Unaudited

Effects of this change in accounting policy have been summarised below:

	June 30, 2013	June 30, 2012
	-----Rs. '000-----	
Impact on Balance Sheet		
Increase in retirement benefits - obligations	127,171	15,474
Decrease in deferred tax liability	36,126	5,999
Decrease in unappropriated profit	97,895	16,005
Decrease in other receivables	6,850	6,530
Impact on Profit and Loss		
Increase in profit before taxation	3,101	1,855
Increase in taxation expense	836	506
Decrease in other comprehensive income	84,088	17,680

The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

	(Unaudited) Mar. 31, 2014	(Audited) June 30, 2013
	-----Rs. in '000-----	
4 FIXED ASSETS		
Operating assets	5,434,317	5,557,713
Capital work-in-progress	50,079	2,692
Stores held for capital expenditure	429,844	438,258
	<u>5,914,240</u>	<u>5,998,663</u>

	(Unaudited) Mar. 31, 2014	(Unaudited) Mar. 31, 2013
	-----Rs. in '000-----	
4.1 Additions to operating assets during the period were as follows:		
Buildings and roads on freehold land	15,881	16,543
Plant and machinery	137,166	181,085
Furniture and fittings	137	891
Office equipment	7,043	5,672
Vehicles	19,601	22,528
	<u>179,828</u>	<u>226,719</u>
Disposals during the period - Net book value	<u>3,773</u>	<u>3,315</u>
Transfers to stores during the period - Net book value	<u>24,432</u>	<u>17,128</u>

Selected Notes to the Condensed Interim Financial Information
For the nine months period ended March 31, 2014 - Unaudited

	(Unaudited) Mar. 31, 2014	(Audited) June 30, 2013
	-----Rs. in '000-----	
5 STORES SPARES AND LOOSE TOOLS		
Bricks	109,480	61,159
Coal	530,159	453,334
Stores & spares	733,003	439,247
Loose tools	2,165	2,536
	<u>1,374,807</u>	<u>956,276</u>
6 TRADE AND OTHER PAYABLES		
Creditors	157,788	161,451
Accrued liabilities	1,385,652	638,613
Electricity charges payable	273,949	219,358
Advances from customers	191,978	42,007
Sales tax & excise duty payable	57,992	122,272
Others	337,325	407,970
	<u>2,404,684</u>	<u>1,591,671</u>

7 CONTINGENCY AND COMMITMENTS

7.1 There has been no change in the status of contingency as reported in annual financial statements for the year ended June 30, 2013.

7.2 Commitments in respect of capital expenditure outstanding as at March 31, 2014 amounted to Rs. 162 million (June 30, 2013: Rs. 61.52 million).

	(Unaudited) Mar. 31, 2014	(Unaudited) Mar. 31, 2013
	-----Rs. in '000-----	
8 NET SALES		
Local Sales	8,339,090	8,156,236
Less: Commission	(175,796)	(159,370)
Net Sales	<u>8,163,294</u>	<u>7,996,866</u>
Exports Sales	2,727,817	1,783,016
	<u>10,891,111</u>	<u>9,779,882</u>
Less: Excise duty and sales tax	(1,727,334)	(1,526,200)
	<u>9,163,777</u>	<u>8,253,682</u>

9 DISTRIBUTION COST

Distribution cost includes Rs. 487.7 million (March 31, 2013: Rs. 333.4 million) in respect of export related expenses.

Selected Notes to the Condensed Interim Financial Information
For the nine months period ended March 31, 2014 - Unaudited

	(Unaudited) Mar. 31, 2014	(Unaudited) Mar. 31, 2013
	-----Rs. in '000-----	
10 CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,851,881	1,935,387
Adjustment for non cash charges and other items:		
Depreciation	286,494	263,204
Gain on disposal of operating assets	(3,044)	(5,552)
Gain on sale of open ended mutual fund units	(47,887)	(70,853)
Gain on re-measurement of fair value of investment in mutual fund units	(83,528)	-
Interest income	(17,558)	(16,723)
Retirement benefits obligations	36,606	-
Finance cost	16,738	10,697
	<u>187,821</u>	<u>180,773</u>
	2,039,702	2,116,160
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets :		
Stores, spares and loose tools	(418,531)	152,886
Stock-in-trade	(76,572)	(157,055)
Trade debts - considered good	80,921	(78,939)
Loans and advances	(16,790)	(4,398)
Short - term deposits and prepayments	(17,984)	(14,781)
Other receivables	9,614	19,460
	<u>(439,342)</u>	<u>(82,827)</u>
Increase in current liabilities:		
Trade and other payables	804,373	273,913
	<u>365,031</u>	<u>191,086</u>
Cash generated from operations	<u>2,404,731</u>	<u>2,307,246</u>
11 SUMMARY OF TRANSACTIONS WITH RELATED PARTIES		
Holding Company		
Dividend paid	1,125,963	436,773
Bonus shares issued at par value	125,572	109,193
Recovery of expenses from holding company	1,110	627
Other related parties		
Purchase of goods	216,567	210,003
Reimbursement of expenses to related parties	3,666	3,301
Recovery of expenses from related parties	3,279	3,819
Payments made to retirement benefit funds	81,610	10,330

Selected Notes to the Condensed Interim Financial Information
For the nine months period ended March 31, 2014 - Unaudited

	(Unaudited) Mar. 31, 2014	(Unaudited) Mar. 31, 2013
	-----Rs. in '000-----	
11.1 Key management compensation		
- salaries and other short-term benefits	64,047	51,434
- post employment benefits	3,916	2,950
	67,963	54,384

12 CORRESPONDING FIGURES

Prior period figures have been reclassified wherever necessary for the purpose of appropriate presentation.

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 17, 2014 by the Board of Directors of the company.


Babar Bashir Nawaz
Chief Executive


Abdus Sattar
Director



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