

TENACITY TO BUILD THE FUTURE

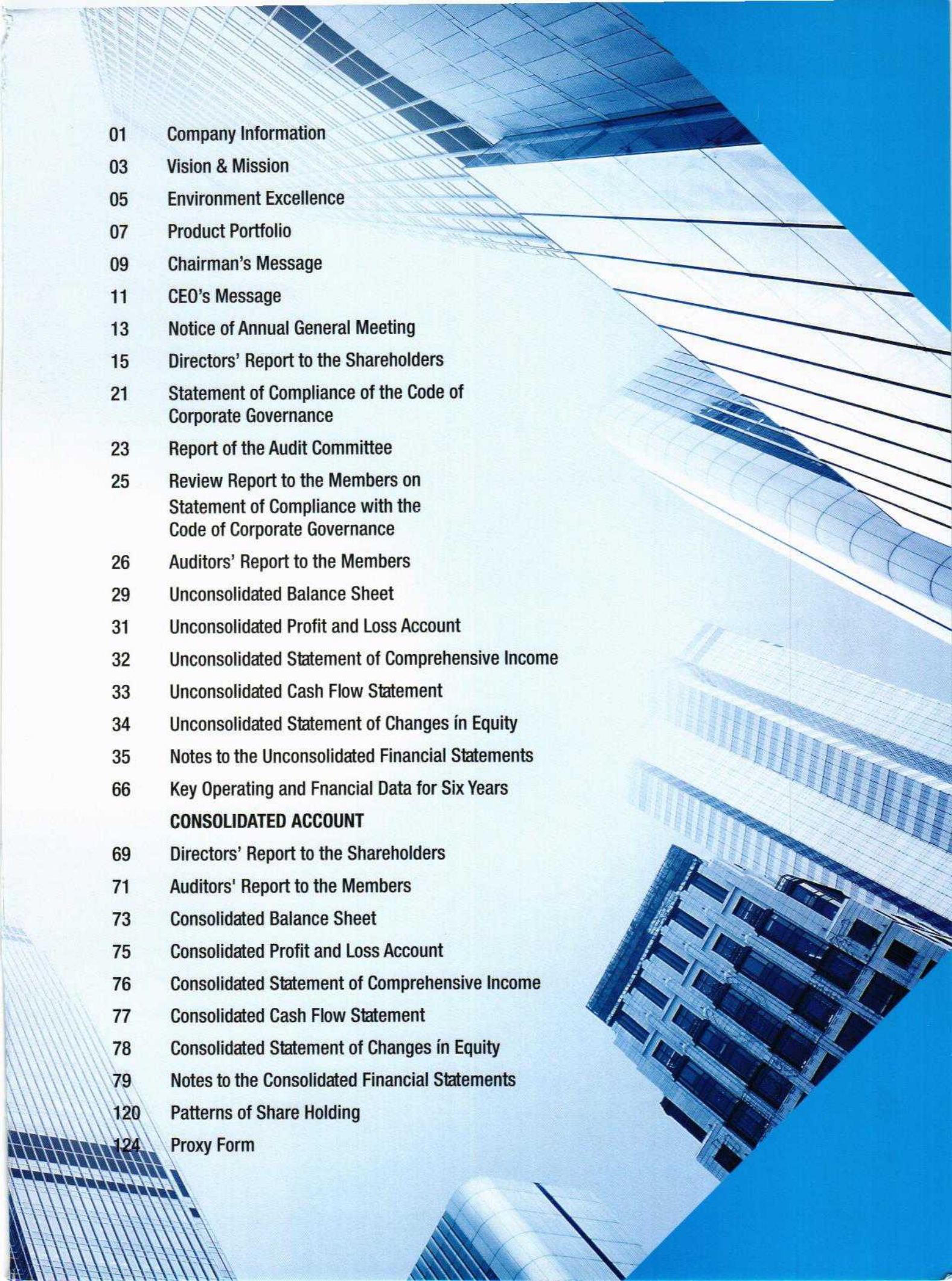


ANNUAL REPORT 2015





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COMPANY INFO

BOARD OF DIRECTORS

Sir Mohammed Anwar Pervez, O.B.E, H.Pk.

Mr. Zameer Mohammed Choudrey

Mr. Mohammad Younus Sheikh

Mr. Arshad Mehmood Chaudhary

Mr. Dawood Pervez

Mr. Muhammad Irfan A. Sheikh

Ms. Najma Pirzada

Chairman

Chief Executive

Director

Director

Director

Director Finance & CFO

Director

Audit Committee

Mr. Mohammad Younus Sheikh

Mr. Dawood Pervez

Ms. Najma Pirzada

Chairman

Human Resource & Remuneration Committee

Mr. Muhammad Irfan A. Sheikh

Mr. Mohammad Younus Sheikh

Mr. Dawood Pervez

Chairman

Company Secretary

Ms. Sehar Husain

Registered / Head Office

Bestway Building, 19-A, College Road,

F-7 Markaz, Islamabad.

Tel: +92 (0) 51 265 4856 ~ 64

Fax: +92 (0) 51 265 4865

E-mail: management@bestway.com.pk

Plant Sites

Hattar

Suraj Gali Road, Village Shadi, Hattar, Distt. Haripur,

Khyber Pakhtunkhwa Pakistan.

Tel: +92 (0) 995 639 261 ~ 3, Fax: +92 (0) 995 639 265

E-mail: gmworks1@bestway.com.pk

Farooqia

12 km, Taxila-Haripur Road,

Farooqia, Teh. & Distt. Haripur,

Khyber Pakhtunkhwa Pakistan.

Tel: +92 (0) 995 639 501~3 Fax: +92 (0) 995 639 505

E-mail: gmworks2@bestway.com.pk

Chakwal

Village Tatral, Near PSO Petrol Pump

22 Km Kallar Kahar, Choa Saiden Shah Road

Chakwal, Pakistan.

Tel: +92 (0) 543 584 560 ~ 62 Fax: +92 (0) 543 584 274

Email: gmworks3@bestway.com.pk

Marketing Head Office

House 293-A, Peshawar Road, Rawalpindi

Tel: +92(0) 51 551 3110, 512 5128-9

Fax: +92(0) 51 551 3109,

E-mail: gmmkt@bestway.com.pk

Statutory Auditors

KPMG Taseer Hadi & Co., Chartered Accountants.

Cost Auditors

BDO Ebrahim & Co., Chartered Accountants.

Legal Advisors

Syed Hassan Ali Raza, Advocate High Court.

Shares Department

Technology Trade (Pvt.) Ltd. Dagia House, 241-C, Block-2,

P.E.C.H.S, Shahrah-e-Quaideen, Karachi

Tel: (+92-21) 3439 1316-7 & 19, 3438 7960-61 Fax: (+92-21) 3439 1318

For Open Ended Funds: (+92-21) 3431 3207

Bankers

Allied Bank Limited

Habib Bank Limited

MCB Bank Limited

United Bank Limited

Standard Chartered Bank (Pakistan) Limited

Faysal Bank Limited

Askari Bank Limited

Soneri Bank Limited

Meezan Bank Limited

Bank Alfalah Limited

Dubai Islamic Bank Pakistan Limited

Barclays Bank PLC, Pakistan

National Bank of Pakistan

VISION

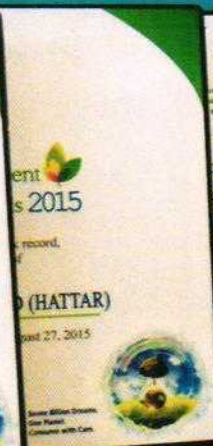
To produce High Quality Cement
at the Lowest Cost

MISSION

Our mission is to:

- Consistently produce high quality cement
- Endeavor to be the lowest cost producer
- Achieve 20% of the market share of North Zone in the short term and Ultimately 30% in the longer term
- Consistently maintain a high standard of customer service
- Continue to invest in human resource through training, development and promotions from within whenever possible in order to meet future expansion needs
- Continue to set aside adequate funds from net profits for fulfilling its various social responsibilities particularly in the field of education and health





ENVIRONMENT EXCELLENCE



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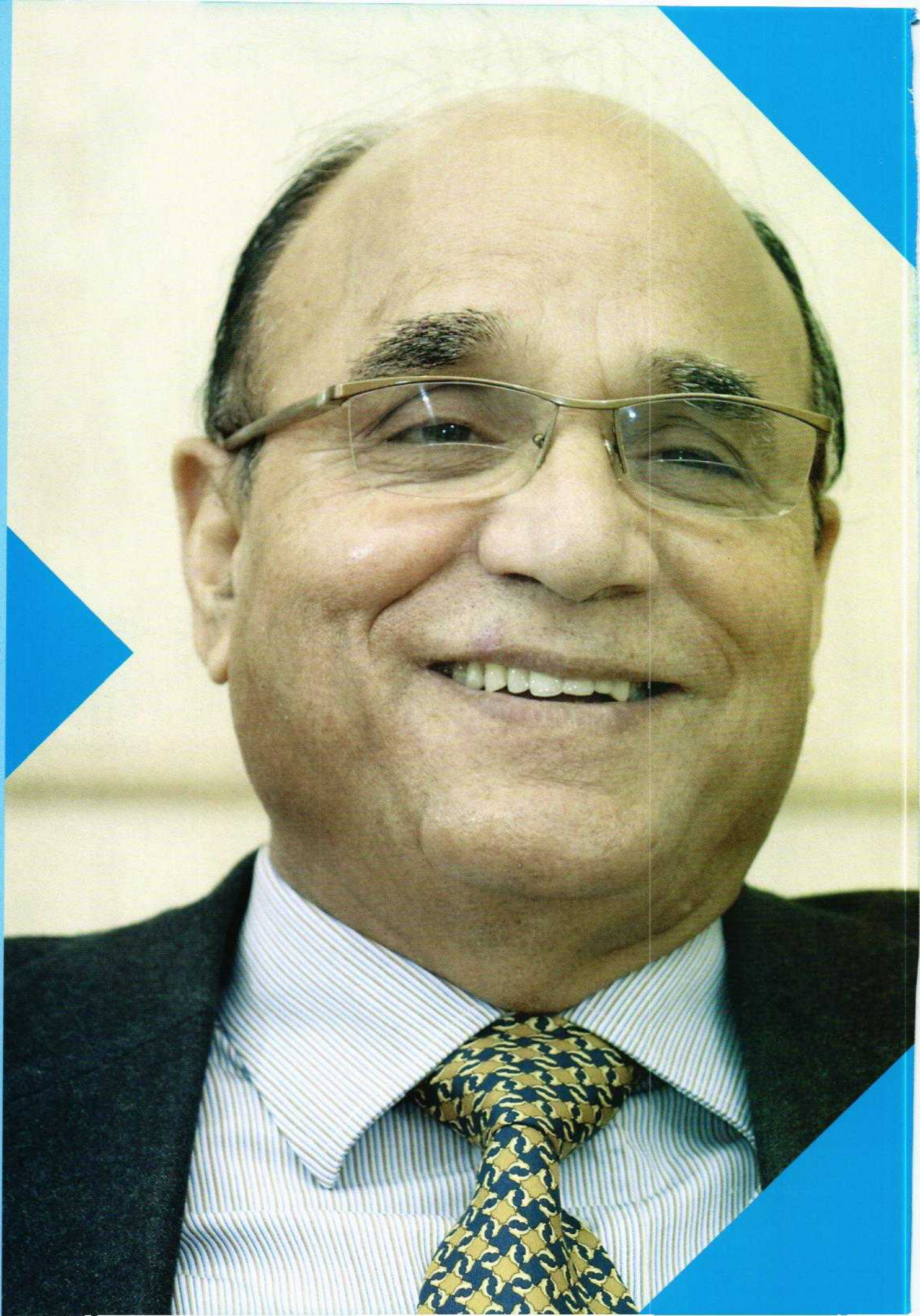
BESTWAY PAKISTAN PRODUCT PORTFOLIO

DOMESTIC



EXPORT





CHAIRMAN'S MESSAGE

Sir Muhammad Anwar Pervez O.B.E, H.Pk.

A year of great progress

2014-15 highlights

On behalf of the Board of Directors, it gives me immense pleasure to place before you the financial statements of Bestway Cement Limited for the year ended 30 June, 2015.

Ten years ago under our Chief Executive, the company set out a new direction. The emphasis was not only to maintain the company's position as a major player in the cement sector, but also to increase market share.

The progress since has been significant. We have not only consolidated our leadership position, but the management team led by the Chief Executive has doubled the turnover and profitability. Significant investments have been made in long-term growth drivers including infrastructure and human capital development.

Due to the relentless efforts of our management team, Bestway has established itself as the largest cement manufacturer in Pakistan with a total production capacity of more than 8 million tonnes per annum. The acquisition of Lafarge Pakistan (now known as Pakcem Limited) for an enterprise value of US\$329 million, propelled Bestway to become the market leader representing 18% of the market share.

During the period under review, turnover increased from Rs. 29.0 billion to Rs. 30.5 billion and our profit before tax registered an increase of 11.5% from Rs 10.4 billion in June 2014 to Rs. 11.6 billion in June 2015.

Under the guidance of our Chief Executive, we continue to be forerunners in the cement industry focused on minimising environmental externalities, and contributing to the country's power generation capacity. After pioneering the use of waste heat recovery at our Chakwal plant in 2011, this year the company launched two projects of 13.5MWs at Hattar and Farooqia plants respectively and inaugurated the fourth plant of 12MW at Pakcem. With the fourth WHR plant, Bestway Cement achieved another milestone by becoming the only company in the industry to deploy WHR technology at all its operations. These green initiatives have allowed us to enhance the operational efficiencies of our businesses which have in turn allowed us to maintain our market competitiveness. Our prudent approach towards working capital management, has allowed us to once again generate solid free cash flow.

Sustainability

I firmly believe that our commitment to good financial performance needs to be matched by a continued focus on corporate social responsibility, by working with integrity and delivering sustainable business development.

In May 2014, Bestway Cement Limited was ranked 10th out of 478 Publically Listed Companies by volume of donations in Pakistan according to Pakistan Centre for Philanthropy's (PCP) Philanthropy Survey 2012.

During the period under review, the company donated Rs. 94 million to our charitable Trust Bestway Foundation. Bestway Foundation continues to invest in local village schools, national universities, basic health units and hospitals throughout Pakistan.

In 2015, Bestway Cement received Annual Environment Excellence Award by the National Forum for Environment & Health. Looking forward, we will continue setting ambitious long-term sustainability targets and reporting on our progress.

Governance

Strong governance and transparent reporting are critical to retaining various stakeholders' trust and the long-term creation of value. Our firm commitment to corporate governance best practices enables us in achieving that goal and in managing our risks and opportunities effectively. Accordingly in 2014-15, the Company continued to conduct its operations with integrity and responsibility. Transparency in Bestway's operations has been an area of steady focus and continuous review over the years. All efforts are made to ensure adherence to strict internal standards of conduct as well as prescribed industry regulations.

Outlook

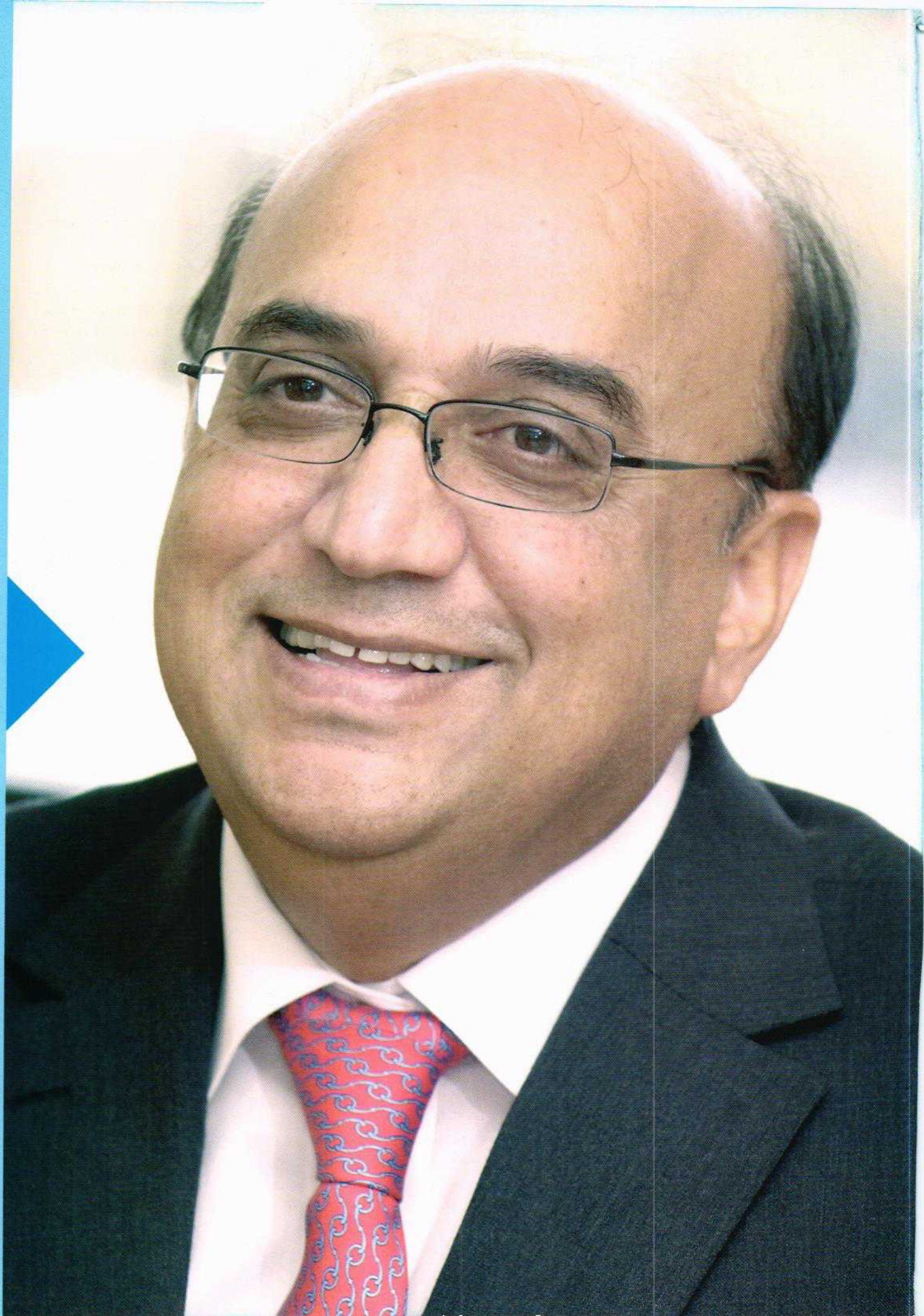
In 2015, our focus will be on continuing to drive margin improvement in our business, together with delivering value from our recent acquisition and achieving the synergies between Pakcem and other parts of our business.

Whilst, there are still many challenges and milestones ahead of us and I am sure backed by robust cash flow and a strong balance sheet, we look forward to the future with enthusiasm and confidence.

Our continuing success as a business depends on the quality of our people and their determination, experience and creativity. I wish to express my enormous admiration for our dedicated teams of people who, with their talents and energy, are the determining factors of Bestway's current and future successes.

I salute my fellow directors for their commitment and the contribution they make to our strategic deliberations and on behalf of the board I applaud every one of our stakeholders for their contribution to the continuing success of the company.

Sir Mohammed Anwar Pervez, OBE H Pk
Chairman



CEO's MESSAGE

Zameer Mohammad Choudrey

Group Chief Executive's Review Review of Business

2014-15 has been a year of many milestones. Despite many challenges, we had a remarkable year with swift, seamless execution as our driving force, enabling us to not only remain market leaders, but become the largest in the industry.

Financial Performance

Our Company posted its highest ever turnover and profitability during the year 2014-15

	2014	2015
Turnover	Rs. 29.0 billion	Rs. 30.5 billion
Profit before tax	Rs. 10.4 billion	Rs. 11.6 billion
Shareholders' funds	Rs. 22.5 billion	Rs. 25.4 billion
EPS	Rs. 14.76	Rs. 14.96

We witnessed an increase of 5.4% in turnover, attributed largely due to an increase in domestic demand and stable retention prices during the year. Bestway managed to reduce its financial charges to Rs. 387 million from Rs. 462 million last year. The decrease of 16.3% resulted mainly from healthy cash flows and lower mark-up rates compared with last year. In light of the robust performance of the business, the Board of Directors is pleased to propose a final dividend of Rs 2.5 (25%) for the year ending 30 June, 2015.

Acquisition of Lafarge Pakistan

We strengthened our market leadership by acquisition of majority shares in Lafarge Pakistan Cement Limited (now known as Pakcem Limited), and formally assumed management control of the company on 22 April, 2015.

The Board of Directors and management of our Company is excited about the addition of Pakcem to Bestway's portfolio and committed to adding efficiencies and synergies where possible resulting in better returns for all stakeholders.

Key Performance Indicators

This solid performance was driven by clear and aligned strategy that was underpinned by passionate commitment of our people, excellence in execution, and delivery. Throughout the year, we kept a consistent focus on critical areas of business, such as, increasing our market share, strengthening our product portfolio, reducing our environmental footprint, enhancing production capacity, cost optimisation by launching multiple productivity enhancement initiatives and making distribution network more agile and robust. Delivering superior products for construction and development projects is core to our business ethos.

Future Outlook

Several major infrastructural projects have been announced by the current government with special focus on constructing highways, dams, hydro power and housing projects. Majority of these projects are expected to be launched in the north, which is a key market for the company. Additionally, greater spending by the private sector on construction related activities, fuelled by inward remittances from expatriate Pakistanis, lower interest rates and rising optimism, the domestic demand is set to propel in the near future. Our continuous efforts in improving our market share both domestically, as well as internationally, have helped the company to have a winning edge over our competition.

With a great workforce, powerful product portfolio and a clear strategy in place, we have a winning formula for achieving tremendous results in the coming year and beyond. I would like to thank all our stakeholders who have placed their trust in Bestway Cement and look forward to their continuous support.

Zameer Mohammad Choudrey
CEO

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Bestway Cement Limited (the Company) will be held at Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad at 12:00 noon on Wednesday, 14th October, 2015 to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of previous Annual General Meeting held on September 23, 2014.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon and the Statement of Compliance with the Code of Corporate Governance.
3. To approve and declare final cash dividend of 25% in addition to 75% interim dividends already paid, as recommended by the Board of Directors.
4. To appoint auditors of the Company and fix their remuneration for the year ending June 30, 2016. The present auditors M/s KPMG Taseer Hadi & Co. retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS

5. To consider and if deemed fit, to pass the following resolution under Section 208 of the Companies Ordinance, 1984, with or without modification, as recommended by the Directors:-

"RESOLVED THAT pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, the Company be and is hereby authorized to acquire upto 100,000,000 ordinary shares of Pakcem Limited (subsidiary) at the applicable quoted price of such shares on the Stock Exchanges on the date of purchase.

FURTHER RESOLVED THAT investment already made by the Company in Pakcem Limited in the form of equity investment be and is hereby approved.

FURTHER RESOLVED THAT the above said resolution shall be valid for one year and the Chief Executive Officer and/or the Chief Financial Officer of the Company be and are hereby singly empowered and authorized to undertake the decision of the said investment of shares as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary for the acquisition of shares of Pakcem Limited including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

FURTHER RESOLVED THAT subsequent to the above said equity investment, the Chief Executive Officer and/or the Chief Financial Officer of the Company be and are hereby authorized singly to dispose off, through any mode, a part or all of equity investment made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company."

OTHER BUSINESS

6. Any other business with the permission of the chair.

By Order of the Board

Islamabad:
September 12, 2015

Sehar Husain
Company Secretary

NOTES

The share transfer books of the Company will remain closed from October 8, 2015 to October 14, 2015 (both days inclusive). No transfer will be accepted for registration during this period. Transfers received in order at Technology Trade (Pvt.) Ltd, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi upto the close of business on October 07, 2015 will be treated in time to attend the Annual General Meeting.

1. A member entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend and vote in place of the member. The Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 19-A, College Road, F-7 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she herself/himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by a member with the Company, all such instruments shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

In addition to the above the following requirements have to be met:

4. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
5. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
6. The proxy shall produce his original NIC or original passport at the time of meeting.
7. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Shareholders are informed that w.e.f. July 01, 2015 rate of withholding tax has been increased to 17.5% in respect of non filers and 12.5% for filers of the income tax returns. The shareholders are advised to e-file their returns as the Department places the names of the e-filers on their website and to provide their NTN to the Shares Registrars of the Company for availing the benefit of lower withholding rate.
9. Members are requested to provide copies of their valid CNICs, mandatory for dispatch of dividend warrants and also promptly notify any changes in their addresses.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This Statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on October 14th, 2015:

Following the acquisition of majority shares in Pakcem Limited (formerly, Lafarge Pakistan cement Limited), the Company formally assumed management control of the company on 22 April 2015. At present, the Company has a shareholding in Pakcem Limited of 88.20% and the Board of Directors and management of the Company is excited about the aforesaid addition to the Company's portfolio and committed to adding efficiencies and synergies where possible resulting in better returns for all stakeholders.

The Board of Directors of the Company in their meeting held on September 12, 2015 has already approved the proposal of this equity investment in Pakcem Limited. The Company is planning to acquire up to 100,000,000 shares in Pakcem Limited at the applicable quoted price of such shares on the Stock Exchanges on the date of purchase (but in no event at a price greater than Rs.17 per share). The Company expects significant dividends from this equity investment which will eventually enhance the return on investment of the shareholders of the Company. The Directors have carried out their due diligence for the proposed investment and consider this enhanced control of shareholding in Pakcem limited to be a beneficial strategic investment.

Keeping in view the benefit derived from this investment, approval of the shareholders is solicited for passing the special resolutions specified in the notice of meeting.

The directors have no interest in the special business.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors take pleasure in presenting their report together with the Company's Financial Statements for the year ended 30 June, 2015 and the Auditors' Report thereon.

Overview of the Economy

The country recorded GDP growth of 4.2% for the fiscal year ended 30 June, 2015 which is a slight improvement over growth of 4.0% for the year before. Large Scale Manufacturing (LSM) could not perform better with growth remaining at 2.5% for the first three quarters as compared to 4.6% of the corresponding period last year. The construction sector registered a growth of 7.0% against a growth of 7.2% last year. Acceleration in the construction activity in the country primarily resulted from execution of various infrastructure projects and increased investment in small scale construction. While interest rates and inflation witnessed a decreasing trend with inflation registering its all-time low since 2003, during the year, power shortage remained the single largest impediment to economic growth.

Industry Overview

Domestic demand grew by 8% from 26.1 million tonnes to 28.2 million tonnes. Exports on the other hand, registered a decline of 12% from 8.1 million tonnes to 7.2 million tonnes mainly due to slower demand and competitive prices over the corresponding period last year. Overall industry dispatches slightly increased from 34.2 million tonnes to 35.4 million tonnes during the reporting period.

Assumption of Management Control

Following the acquisition of majority shares in Lafarge Pakistan Cement Limited (now known as Pakcem Limited), Bestway formally assumed management control of the company on 22 April, 2015.

The Board of Directors and management of your Company is excited about the addition of Pakcem to Bestway's portfolio and committed to adding efficiencies and synergies where possible resulting in better returns for all stakeholders.

Pursuant to the acquisition of LPCL, the Company, is in its completion stage of acquiring 300, 002 shares representing 50% of the issued share capital of Ecocem Pakistan (Pvt.) Limited held by Lafarge Industrial Ecology International for a consideration of Rs. 22 million.

PRODUCTION & SALES REVIEW	2015 Tonnes	2014 Tonnes	Increase Tonnes	Percentage Increase
Clinker production	4,043,634	3,869,025	174,609	4.5%
Cement production	4,486,530	4,368,750	117,780	2.7%
Cement sales	4,528,025	4,371,841	156,184	3.5%

The year 2014-15 proved to be another year of fierce competition for cement producers. Your Company persevered not only in successfully increasing its market share in the north zone from 17% to 21.3%, but has become the largest cement producer in the country. Despite competition in international markets, Bestway continued to be one of the largest exporters of cement to Afghanistan and India.

Operating Highlights

The Company recorded sales of Rs. 38.7 billion compared to Rs. 37.2 billion during the preceding year, which is an increase of 4.2%. Net turnover amounted to Rs. 30.5 billion compared to Rs. 29.0 billion for the preceding year. This increase of 5.4% was mainly due to increase in domestic demand and stable retention prices during the year.

Gross profit increased to Rs. 12.6 billion from Rs. 11.4 billion last year. This increase of 10.3% was due to higher turnover and better retention prices.

During the year under review, Bestway managed to reduce its financial charges to Rs. 387 million from Rs. 462 million of last year. The decrease of 16.3% resulted mainly from healthy cash flows and lower mark-up rates compared with last year.

Profit before taxation for the year ended 30 June, 2015 stood at Rs. 11.6 billion as compared to Rs. 10.4 billion for the previous year. Profit after taxation for the year amounted to Rs. 8.7 billion as compared to Rs. 7.9 billion for the year ended 30 June, 2014.

Earnings per share of the Company for the year ended 30 June, 2015 stood at Rs. 14.9 as against restated EPS of Rs. 14.7 for the year ended 30 June, 2014.

Balance Sheet

Your Company continued to discharge its repayment obligations on all types of loans on a timely basis. The Company's total borrowings as at 30 June, 2015 stood at Rs. 25.8 billion compared to Rs. 2.4 billion for the same period last year. This increase in borrowings was due to acquisition of Pakcem Limited by the Company during the year.

The capital and reserves of your Company grew to Rs. 25.4 billion as compared to Rs. 22.5 billion for the year ended 30 June, 2014.

Net current liabilities on 30 June, 2015 stood at Rs. 855 million against net current assets of Rs. 785 million on 30 June 2014. This change occurred primarily as a result of Rs. 3 billion worth of instalments of the long term financing falling due within one year of the balance sheet date.

Other Investments

Your Company's investment in United Bank Limited continues to be highly profitable for the Company. The Bank's profit before tax for the year ended 31 December, 2014 stood at Rs. 35.6 billion against Rs. 28.9 billion for the corresponding period last year which represents an increase of 23%.

We are delighted to inform you that the bank paid out a cash dividend of 115% for its year ended 31 December, 2014 thus providing a return of Rs. 1,124 million on your investment in the Bank as compared to Rs. 983 million for the year ended 31 December, 2013.

Contribution to the National Exchequer

Your Company is among the largest tax payers in the country. During the year under review, Bestway Cement contributed to the exchequer more than Rs. 7.1 billion on account of sales tax and excise duty and Rs. 1.9 billion on account of income tax. In addition, your Company pays large amounts on account of various indirect taxes to the federal, provincial and local governments.

Appropriation

The directors and management team of your Company are mindful of providing a superior return to the shareholders. In view of superb performance by your Company during the current period, the directors feel great pleasure in recommending a final dividend of Rs. 2.5 per share. Three Interim dividends of Rs. 2.5 each per share were declared along with quarterly results of the company and have been paid out during the period. The total dividend is to be approved by the shareholders at the Annual General Meeting to be held on 14 October, 2015.

Plants' Performance

Your Company's management follows an elaborate plan of preventative maintenance, which it has adopted right from the beginning. This proactive approach ensures efficient and stable operations with minimum disruptions. Our well-knit team of dedicated managers, engineers, technicians and other members of the management and administrative staff play key role in the successful implementation of this plan.

During the year under review, all our cement plants and waste heat recovery plants operated satisfactorily.

Alternative Energy & CPP Initiatives

Cement manufacturing is an energy-intensive process. Power represents one of the largest costs of production. The current power crisis in the country has necessitated a shift from conventional fossil fuels to alternate energy solutions.

The management of your Company has decided to setup one waste heat recovery power plant at Pakcem Limited's Kallar Kahar operations with a generation capacity of 12MW. The implementation of this project will not only generate 12 MW power, but also reduce emission of waste gases and positively impact the environment. The project is at the outset and is expected to be fully operational in the third quarter of 2016-17.

The Company countered its reliance on the national grid by launching two 6MW and 7.5MW waste heat recovery power plants at Hattar and Farooqia plants. Both plants became operational during June, 2015.

This is an important step in energy conservation for your Company, making it a forerunner in adopting WHR technology at all four operations. These projects will significantly reduce Company's dependence on external source of electricity thus helping in reduction of cost of production and improving operational efficiency.

Quality Assurance

Bestway Cement is a company driven by efficiency and quality consciousness. With strict quality control procedures in place, the Company has deployed high quality control equipment at the plants. Bestway's laboratories are equipped with state-of-the-art x-ray fluorescent analyser and diffractometer and were the first in Pakistan to introduce the technology. By virtue of this equipment, the Company has been able to consistently produce better quality cement than is currently available in the country.

Marketing

Bestway is the largest cement producer in Pakistan. Your company continues to be a top brand both in the domestic market, as well as various international markets, where it is firmly established as a premium brand. Bestway Cement continues to maintain its position as the largest exporter of cement to Afghanistan and India. Your company has been able to achieve its status as the market leader due to its consistently superior quality, effective marketing strategy, customer care and sheer dedication of its marketing team.

Your company is among the few in the country which are certified to export its cement to South Africa, India and Sri Lanka. It has recently acquired EC-Certificate of Conformity also. These certifications enable Bestway to pursue export opportunities in India, South Africa, its neighbouring countries, the European Community and countries where EC certification is required.

Acquisition of Lafarge Pakistan Cement Limited has further strengthened Bestway's standing in both domestic and international markets.

Training and Development

Bestway places great importance on the training, development and education of its personnel. In order to keep its workforce abreast with best operational techniques and practices, technical and general managerial training courses are organised for various departments and categories of personnel. Staff members are also sent on courses, workshops and seminars organised externally by other institutions. The company actively encourages and assists its employees in pursuit of professional development and career enhancement.

As part of its commitment to skills development and grooming of workforce, Bestway regularly employs freshly qualified graduates, professionals and even unskilled human resource. There are carefully planned training programmes in place to ensure that these personnel are equipped with necessary knowledge, hands-on experience and confidence to become skilled and productive resource.

At any given time, Bestway employs more than 100 trainee engineers, management trainees and apprentices. Trainee engineers undergo intensive training in electrical, mechanical and mining departments, while management trainees are inducted in marketing, finance, personnel and administration where they are carefully trained to become effective managers in the future. Apprentices are employed in various technical departments at all the factories. While some of those trainees and apprentices are retained in the company, others move on to other industries where they successfully build upon the foundation provided to them at Bestway Cement through the training imparted to them for the advancement of their careers and contributing towards the development of the country.

Health, Safety and Environment

As a responsible corporate citizen, Bestway Cement recognises the importance of health and safety not only for its own employees, but also for non-company personnel in the successful conduct of our business. Your company is therefore committed to preventing injury at workplace and strives for continuous improvement in its environment, health and safety management and performance.

Initiatives including trainings on health and safety, safety meetings, incident reporting, safety audits, safety champions, good housekeeping and hygiene controls are actively and consistently pursued to instil safe behaviour in all personnel. Your Company has strived to make industrial operations safer, and has established numerous directives and standards to increase awareness among both employees and contractors. These advisories are to be strictly adhered to across the organisation and shared with external stakeholders as best practices.

Bestway Cement actively pursues protection and upgradation of the environment by ensuring that its plants continue to comply with established environmental quality standards at all times. Our plants not only meet the stringent environmental quality standards prescribed by the Environment Protection Authority of Pakistan, they even surpass the international standards for emissions. In addition to having a robust environmental control mechanism in place to ensure cleaner environment, Bestway also conducts a quarterly review of its production facilities through an independent expert.

Bestway believes that it is possible to create a symbiotic relationship between multiple industries, so waste from one company can be used as fuel or raw material for another, thus preserving natural resources. Our plants are ISO 14001:2004 Environmental Management System (EMS) certified, and the company regularly participates in various environment uplift programmes including tree plantation drives and quarry rehabilitation initiatives. The wellbeing of the social environment in which Bestway operates is considered an integral part of the company's success.

You would be delighted to learn that for the fifth year running your company has been given the prestigious Environment Excellence Award by the National Forum for Environment and Health for all of its factories.

Corporate Social Responsibility

As a business conglomerate with strong local roots, Bestway invests in its operations for the long term and thus appreciates that it has a special responsibility towards society. This starts with our own employees, whose health and safety is one of our top priorities. Your company plays an active part in the socio-economic development of local communities such as improving access to health services and education, taking part in urban development and environmental conservation programs and helping create businesses and jobs.

Bestway Foundation, the charitable trust of the Bestway Group to which your company is a major contributor, was established in the year 1997. It works in close association with Bestway Cement and its main goal is provision of education in rural communities. The foundation is also certified from the Pakistan Centre for Philanthropy.

Quality education is fundamental to building a strong and vibrant society. This aspect has long been neglected especially in the rural areas where masses are still deprived of good educational facilities. Bearing this in mind, the foundation constructed a brand new college building in a far flung and backward area of Gujar Khan Tehsil to provide free and quality educational facilities to girls who would otherwise go without higher education due to lack of a girls college in the area. The project consisting of numerous classrooms, laboratories, facilities for extracurricular activities and accommodation for the residence of the faculty members, was entirely funded by the foundation and became operational in 2011 at a cost of Rs. 30 million.

In keeping with its philosophy, the foundation decided to establish a large state-of-the-art school in District Chakwal. Suitable land was earmarked for the project, building plans were finalised and necessary arrangements were made last year to commence the construction. Work is progressing at full pace and the school is expected to be complete by end of December 2015 at a cost of Rs. 57.6 million.

In August 2005, the Foundation adopted 29 dysfunctional government schools in underprivileged rural areas as a Public-Private Partnership initiative. It spent a huge amount of money on renovating dilapidated buildings, provision of furniture, science and computer laboratories and necessary teaching aids, hiring of new teaching staff and proper retraining of the few existing teachers. Through tireless work and huge investment those schools were turned into centres of excellence where more than 4,300 students are educated every year. The foundation has remained fully committed to the initiative ever since and devoted a huge amount of resources and time annually on ensuring that quality education is imparted from those schools. Having achieved its aim of reviving those schools to a high standard, the foundation handed back those schools to the government during the year under review.

The foundation continues to provide scholarships to a large number of talented students throughout the country, a vast majority of whom are medical and engineering students, who for want of sufficient resources are unable to continue their higher studies.

During the year, the foundation also provided financial assistance of more than Rs. 50 million to various educational and health institutions. Some of the beneficiaries of that assistance include Institute of Business Administration, Muhammad Gulistan Khan Foundation, Layton Rahmatullah Benevolent Trust, National Society for Mentally and Emotionally Handicapped Children, Forman Christian College University, Family Educational Services Foundation, Northern University Peshawar, Care Foundation and Kaghan Memorial Trust.

In addition to pursuing its core objective of improving education, Bestway Foundation also provides financial assistance to a large number of widows and indigents of the local communities in form of monthly stipends.

In the area of basic health, free medical facilities are provided to the local communities through dispensaries located at our factory premises. During the year under review alone, more than 14,000 patients benefited from those free dispensaries.

Your company also contributes generously towards various welfare causes such as flood relief activities and projects of social and communal uplift.

Changes in the Board of Directors

The directors wish to report the following changes in the Board of Directors:

Syed Asif Shah, Mr. Mehmood Afzal and Mr. Ghulam Sarwar Malik resigned from the Board of the Company effective from 24 April 2015. The casual vacancies created by their resignations were filled by Ms. Najma Naheed Pirzada, Mr. Dawood Pervez and Mohammed Younus Sheikh with effect from the same date.

The new Board of Directors is as follows:

Sir Mohammed Anwar Pervez - Chairman
Mr. Zameer Mohammed Choudrey - CEO
Mr. Muhammad Irfan Anwar Sheikh – Director Finance & CFO
Mr. Mohammed Younus Sheikh
Mr. Dawood Pervez
Mr. Arshad Mahmood Chaudhary
Ms. Najma Naheed Pirzada (Independent Director)

Future Prospects

Bestway's acquisition of Lafarge Pakistan Cement Limited should further enable the company to have deeper and wider market penetration, broader product offering and even better margins through economies of scale.

Respite has been given to power tariff owing to reduced global fuel prices. However, Bestway's decision to set up waste heat recovery power plant at Pakcem, Kallar Kahar operation should considerably support the company in mitigating the impact of power shortages and tariff hikes in the future.

Coal prices have remained fairly stable and no major increase in prices is anticipated in the foreseeable future. As fuel represents one of the largest costs of production, stable coal prices bode well for the company.

Improving law and order situation and general economic environment in the country, should result in better prospects for the cement industry of Pakistan. Inflation and interest rates are inclined to remain low for some time to come. This, coupled with the government's focus on infrastructure development, is expected to encourage economic activity in the country. Projects like Pakistan China Economic Corridor and increased allocation in Public Sector Development Programme (PSDP) in particular, will generate positive impact on cement demand in the domestic market.

Bestway is one of the most efficient and lowest cost producers in the industry. This should enable Bestway to easily absorb any unforeseen cost pressures. Increasing cement consumption should result in higher prices which will help the company to maintain healthy margins.

Bestway is firmly established as the leading brand in Afghanistan and India and your company will seek to expand its share in those markets. Afghanistan continues to generate good demand for Pakistani cement, in particular Bestway. With smoother and increased movement of goods across the Wagah border, Indian market holds a lot of promise for your company.

Like always, your management is cognisant of the challenges that lie ahead and will continue to make all out efforts to ensure further growth and superior returns in the ensuing years.

The directors are pleased to state that:

- The financial statements prepared by the management of the Company fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored. The system itself is also subject to continuous review for enhancement wherever and whenever necessary.
- There are no doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- None of the directors, executives, spouses and minor children transacted any shares of the Company during the book closure periods notified in the year under review.
- Key financial data for the last six years is given in subsequent pages.
- Outstanding taxes, duties and charges have been disclosed in the financial statements.
- A statement of the pattern of shareholding in the Company as at 30 June 2015 of certain classes of share holders whose disclosure is required under the Code of Corporate Governance is in subsequent pages.

- Attendance by each director in the 8 Board Meetings held during the year was as follows:

Name of the Member	No. of Meetings Attended
Sir Mohammed Anwar Pervez	7
Mr. Zameer Mohammed Choudrey	7
Mr. Arshad Mehmood Chaudhary	6
Mr. Muhammad Irfan Anwar Sheikh	8
Mr. Ghulam Sarwar Malik	6
Mr. Mehmood Afzal	6
Syed Asif Shah	6
Mr. Dawood Pervez	3
Mr. Mohammed Younus Sheikh	3
Ms. Najma Naheed Pirzada	1

Leave of absence was granted to the Directors who could not attend some of the Board meetings.

- Attendance by each director in the 4 Audit Committee meetings held during the year was as follows:

Name of the Member	No. of Meetings Attended
Syed Asif Shah	3
Mr. Ghulam Sarwar Malik	3
Mr. Mehmood Afzal	3
Mr. Mohammed Younus Sheikh	1
Mr. Dawood Pervez	1
Ms. Najma Naheed Pirzada	1

- Attendance by each director in the 3 HR and Remuneration Committee meetings held during the year was as follows:

Name of the Member	No. of Meetings Attended
Mr. Muhammad Irfan Anwar Sheikh	3
Mr. Ghulam Sarwar Malik	2
Mr. Arshad Mehmood Chaudhary	2
Mr. Mohammed Younus Sheikh	1
Mr. Dawood Pervez	1

Auditors


The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants retire at the conclusion of the meeting and being eligible, have offered themselves for reappointment. The Audit Committee of the company having considered the matter recommend the retiring auditors for reappointment.

Acknowledgements

The directors wish to place on record their appreciation for the continued support, contribution and confidence demonstrated in the company by its shareholders, members of staff, customers, suppliers, our bankers particularly, Allied Bank Limited, Habib Bank Limited, MCB Bank Limited, United Bank Limited, Standard Chartered Bank (Pakistan) Limited, Faysal Bank Limited, Askari Bank Limited, Soneri Bank Limited, Meezan Bank Limited, Bank Alfalah Limited, Dubai Islamic Bank Pakistan Limited, National Bank of Pakistan, and various government agencies throughout the year.

Islamabad:
September 12, 2015

For and on behalf of the Board


Zameer Mohammed Choudrey
Chief Executive Officer

STATEMENT OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulation # 35 of listing regulations of the Karachi Stock Exchange Limited (KSE) 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. Under the policy of the Company of encouraging representation of independent non-executive directors and directors representing minority interests on its board of directors the Company the Board was restructured through resignation of the executive directors as mentioned at # 4 of this report and co-option of non-executive/independent directors in their place. The representative position is as follows:


Name of the Director	Representative Position
Sir Mohammed Anwar Pervez	Non-Executive
Mr. Zameer Mohammed Choudrey	Executive
Mr. Arshad Mehmood Chaudhary	Non-Executive
Mr. M. Irfan A Sheikh	Executive
Mr. Dawood Pervez	Non-Executive
Mr. Mohammad Younus Sheikh	Non-Executive
Ms Najma Naheed Pirzada	Independent Director

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Three executive directors Mr. Ghulam Sarwar Malik, Mr. Mehmood Afzal and Syed Asif Shah resigned from the board of directors of the Company during the year ending June 30, 2015 and the vacant posts were filled in by co-option of Mr. Dawood Pervez, Mr. Mohammad Younus Sheikh and Ms. Najma Naheed Pirzada in the meeting of the Board held on April 24, 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 alongwith 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 the particulars of the significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided 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, alongwith the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. Sir Mohammed Anwar Pervez, Mr. Zameer Mohammed Choudrey, Mr. M. Irfan A. Sheikh and Mr. Arshad Mehmood Chaudhary are exempted from directors training programme due to 14 years of education and 15 years of experience on the board of listed company which covered this year's compliance of Code of Corporate Governance. However directors training programme for the rest of the Board will be arranged in the coming months.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of their employment.
11. 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.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an audit committee. It comprises of three members, and all the members including Chairman of the committee are non-executive directors while one of them is an independent director.
16. The meetings of the audit committee were held at least once in every quarter prior to the approval of interim and final results of the Company. 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 of three members, of whom the Chairman is an executive director while the other two are non-executive directors.
18. The board has set up an effective internal audit function which is working since inception. The members of the department are considered suitably qualified and experienced for the purpose and are 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 Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants' (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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 of the KSE and the auditors have confirmed that they have observed the 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 the Company's securities, was determined and intimated to the Directors, employees and the Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the Stock Exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Islamabad:
September 12, 2015

For and on behalf of the Board


Zameer Mohammed Choudrey
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

The role of the Board Audit Committee in the context of the Board's broader governance framework is to oversee:

- The integrity of financial statements;
- The appointment, remuneration, qualification, independence and performance of External Auditors
- The performance and leadership of Internal audit function
- The outcome of Internal Audit activities
- The effectiveness of system of internal controls and risk management
- Compliance with legal and regulatory requirements
- Compliance by management with constraints imposed by Board

The Audit Committee has concluded its review of the conduct and operations of the Company during 2015, and reports that:

- The Financial Statements, Directors Report and other information in the Annual Report have been reviewed by the Chief Executive Officer and the Chief Financial Officer. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Appropriate accounting policies have been consistently applied. Applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended 30 June, 2015, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- The preparation of Financial Statements is in conformity with International Financial Reporting Standards as applicable in Pakistan and requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.
- Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.
- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the Auditors of the Company.
- Understanding and compliance with Company codes and policies has been affirmed by the Management and employees of the Company individually. Employees have confirmed and signed their understanding of the Company's code of ethics.
- All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

Internal Audit

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy. The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.
- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.
- The Head of Internal Audit has direct access to the Chairman of the Board Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.
- During the year four Board Audit Committee meetings were held to ensure that the Audit Function effectively performed its assigned task.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

External Auditors

- The statutory Auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30 June, 2015 and shall retire on the conclusion of the 22nd Annual General Meeting.
- The Audit Committee has reviewed and discussed Audit observations and Audit Management Letter with the External Auditors.
- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meeting of the Company during the year and have indicated their willingness to continue as Auditors.
- The Audit Committee has recommended the reappointment of KPMG Taseer Hadi & Co., Chartered Accountants, as External Auditors of the Company for the year ending 30 June 2016.

**Islamabad:
30 August 2015**

**Mohammad Younus Sheikh
Chairman, Board Audit Committee**

REVIEW REPORT TO THE MEMBERS ON 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 Bestway Cement Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange 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 its 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 30 June 2015.

Further, we highlight below instances of non-compliance with the requirement of the Code as reflected in the note references where these are stated in the Statement of Compliance:

- i. As disclosed in point 9, none of the Directors obtained certification under directors' training program during the year as required under clause XI of the Code.

Islamabad:
12 September, 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi

AUDITORS' REPORT TO THE MEMBERS

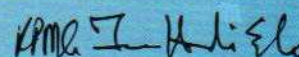
We have audited the annexed unconsolidated balance sheet of Bestway Cement Limited ("the Company") as at 30 June 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in 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.

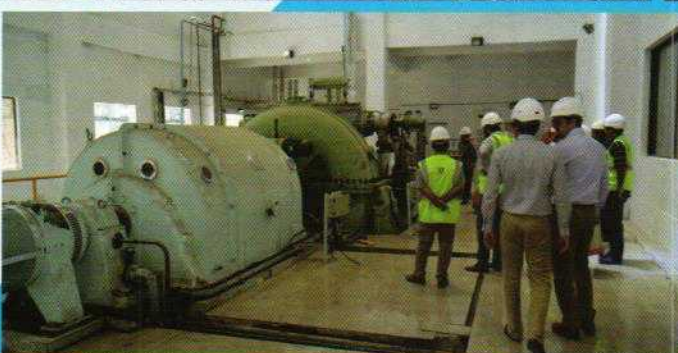
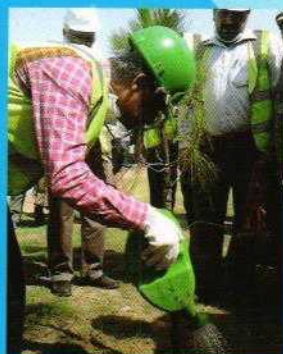
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, 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 financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

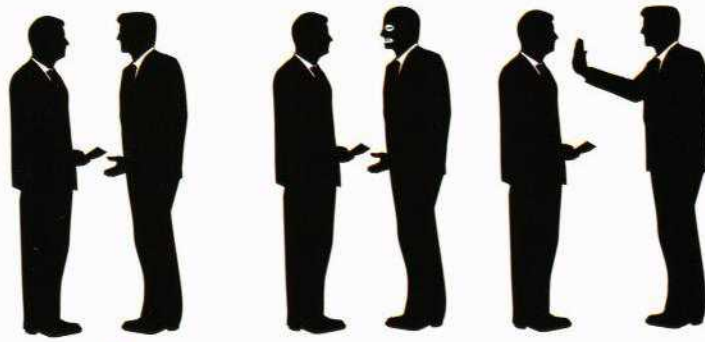
- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the 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;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Islamabad:
12 September, 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi





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Unconsolidated Balance Sheet

As at 30 June, 2015

	Note	2015 Rupees in thousands	2014
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up share capital	4	5,793,849	5,793,849
Share premium		3,225,770	3,225,770
Unappropriated profit		16,392,557	13,524,545
		<u>25,412,176</u>	<u>22,544,164</u>
NON CURRENT LIABILITIES			
Long term financing - secured	5	13,200,000	-
Long term musharaka - secured	6	8,800,000	-
Long term advance		1,996	5,988
Deferred liabilities	7	4,661,847	4,798,556
		<u>26,663,843</u>	<u>4,804,544</u>
CURRENT LIABILITIES			
Trade and other payables	8	5,772,574	4,899,142
Markup accrued		416,546	12,324
Short term borrowings - secured	9	835,809	2,373,832
Current portion of long term financing	5	1,800,000	-
Current portion of long term musharaka	6	1,200,000	-
Provision for taxation - net		138,860	160,738
		<u>10,163,789</u>	<u>7,446,036</u>
		<u>62,239,808</u>	<u>34,794,745</u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE

Unconsolidated Balance Sheet

As at 30 June, 2015

	Note	2015 Rupees in thousands	2014
NON CURRENT ASSETS			
Property, plant and equipment	11	24,658,980	24,224,367
Intangible asset	12	27,518	32,374
Investment property	13	345,905	345,785
Long term investments	14	27,804,701	1,862,803
Long term advance		4,003	8,006
Long term deposits	15	90,073	90,323
		<u>52,931,180</u>	<u>26,563,658</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	16	3,242,478	4,044,671
Stock in trade	17	1,768,488	1,932,612
Trade debts - considered good	18	746,333	571,981
Advances	19	393,711	400,784
Deposits and prepayments	20	12,056	21,518
Interest accrued		3,150	704
Other receivables	21	80,506	1,820
Due from Government agencies	22	693,161	1,040,735
Bank balances	23	2,368,745	216,262
		<u>9,308,628</u>	<u>8,231,087</u>
		<u>62,239,808</u>	<u>34,794,745</u>


DIRECTOR & CFO

Unconsolidated Profit and Loss Account

For the year ended 30 June, 2015

		2015	2014
	Note	Rupees in thousands	
Turnover - net	24	30,509,548	28,950,528
Cost of sales	25	17,955,055	17,570,204
Gross profit		12,554,493	11,380,324
Administrative expenses	26	384,994	302,155
Distribution cost	27	746,302	706,974
Other expenses	28	732,265	596,702
Finance cost	29	386,682	462,030
Other income	30	(1,296,585)	(1,121,693)
		953,658	946,168
Profit before taxation		11,600,835	10,434,156
Taxation	31	(2,932,910)	(2,562,419)
Profit for the year		8,667,925	7,871,737
Earnings per share - basic and diluted	35	14.96	13.59

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Unconsolidated Statement of Comprehensive Income

For the year ended 30 June, 2015

	2015	2014
	Rupees in thousands	
Profit for the year	8,667,925	7,871,737
Items that will never be reclassified to profit or loss		
Remeasurement of defined benefit liability	(8,370)	(7,165)
Related tax effect	2,305	1,973
Total other comprehensive income	(6,065)	(5,192)
Total comprehensive income for the year	<u>8,661,860</u>	<u>8,396,598</u>

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Unconsolidated Cash Flow Statement

For the year ended 30 June, 2015

	2015	2014
Note	Rupees in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,600,835	10,434,156
Adjustments for:		
Gain on disposal of operating fixed assets	(12,347)	(24,284)
Depreciation	1,181,281	1,061,031
Amortization	4,856	5,919
Rental income from investment property	(26,705)	(24,639)
Profit on deposit accounts	(65,420)	(51,794)
Gain on remeasurement of investment property to fair value	(120)	(31,791)
Finance cost	386,682	462,030
Provision for staff retirement benefits	53,292	38,752
	1,521,519	1,435,224
	13,122,354	10,886,058
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	779,036	(327,402)
Stock in trade	164,124	290,823
Trade debts	(174,352)	(283,309)
Advances	7,073	(186,741)
Deposits and prepayments	9,462	43,080
Other receivables	(78,686)	(499)
Due from Government agencies	347,574	(111,104)
(Decrease) / Increase in current liabilities		
Trade and other payables	(898,790)	1,313,056
	155,441	737,904
Cash generated from operations	13,277,795	11,623,962
Finance cost paid	(113,417)	(518,533)
Staff retirement benefits paid	(25,739)	(13,962)
Income tax paid during the year	(1,926,865)	(694,882)
	(2,066,021)	(1,227,377)
Net cash generated from operating activities	11,211,774	10,396,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(1,476,026)	(2,006,300)
Proceeds from sale of operating fixed assets	26,593	42,802
Rent received from investment property	27,054	30,945
Decrease in long term advance	11	4,003
Profit on deposit accounts received	62,974	51,230
Decrease/ (Increase) to long term deposits	250	(57)
Acquisition of subsidiary	(25,941,898)	-
Net cash used in investing activities	(27,301,042)	(1,877,377)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	15,000,000	-
Repayment of long term financing	-	(5,868,750)
Long term shirkat-ul-melk - repayments	-	(200,000)
Liability against asset subject to finance lease - repayments	-	(59,061)
Proceeds from long term musharika	10,000,000	-
Repayment of long term musharika	-	(300,000)
Dividend paid	(5,220,226)	(3,618,991)
Net cash generated from / (used in) financing activities	19,779,774	(10,046,802)
Net increase / (decrease) in cash and cash equivalents	3,690,506	(1,527,594)
Cash and cash equivalents at beginning of the year	(2,157,570)	(629,976)
Cash and cash equivalents at end of the year	1,532,936	(2,157,570)

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The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Unconsolidated Statement of Changes in Equity

For the year ended 30 June, 2015

	Issued, subscribed and paid-up capital	Revenue reserve		Total
		Share premium	Unappropriated profit	
Rupees in thousand				
Balance at 1 July 2013	5,793,849	3,225,770	9,424,002	18,443,621
Profit for the year	-	-	7,871,737	7,871,737
Other comprehensive income	-	-	(5,192)	(5,192)
Total comprehensive income for the year	-	-	7,866,545	7,866,545
Transactions with owners, recorded directly into equity				
Dividend - Final 2013 @ Rs. 2 per share	-	-	(1,158,770)	(1,158,770)
Dividend - Interim @ Rs. 2 per share	-	-	(1,158,770)	(1,158,770)
Dividend - Interim @ Rs. 2.5 per share	-	-	(1,448,462)	(1,448,462)
Total transactions with owners, recorded directly into equity	-	-	(3,766,002)	(3,766,002)
Balance at 30 June 2014	5,793,849	3,225,770	13,524,545	22,544,164
Balance at 1 July 2014	5,793,849	3,225,770	13,524,545	22,544,164
Profit for the year	-	-	8,667,925	8,667,925
Other comprehensive income	-	-	(6,065)	(6,065)
Total comprehensive income for the year	-	-	8,661,860	8,661,860
Transactions with owners, recorded directly into equity				
Dividend - Final 2014 @ Rs. 2.5 per share	-	-	(1,448,462)	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	(1,448,462)	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	(1,448,462)	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	(1,448,462)	(1,448,462)
Total transactions with owners, recorded directly into equity	-	-	(5,793,848)	(5,793,848)
Balance at 30 June 2015	5,793,849	3,225,770	16,392,557	25,412,176

The annexed notes from 1 to 38 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

1. THE COMPANY AND ITS OPERATIONS

Bestway Cement Limited ("the Company") is a public company incorporated in Pakistan on 22 December 1993 under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange Limited since 09 April 2001. The Company is principally engaged in production and sale of cement. The Company's registered office is situated at Bestway Building, 19-A, College Road F-7 Markaz, Islamabad. The Company is a subsidiary of Bestway (Holdings) Limited, which holds 55.32% shares in the Company.

On April 22, 2015, the Company assumed management control of Pakcem Limited (formerly Lafarge Pakistan Cement Limited) ("the subsidiary company"). Pursuant to Company's successful bid for 75.86% of Lafarge Pakistan's shares for an enterprise value of USD 329 million in July 2014 and acquisition of another 12.07% shares of the target company through the public offer process. Accordingly, Pakcem Limited has become a subsidiary of the Company during the period.

The Company has agreed to acquire 300,002 share representing 50% of the issued share capital in Ecocem Pakistan (Pvt.) Limited held by Lafarge Industrial Ecology International for a consideration of Rs. 22.4 million. Ecocem is in the business of sorting, processing and selling solid municipal waste.

The Company is considering acquisition of 14,091,087 ordinary shares of Rs. 10 each representing 12.23% in UBL Insurers Limited ("UIL") currently held by the Abu Dhabi Group. The price is to be negotiated between the Buyer and the Sellers. Currently, Bestway (Holdings) Limited and United Bank Limited, associated companies of "the Company" jointly hold 85.60% shares in the Target Company along with management control. The proposed transaction will be subject to necessary legal formalities.

2. BASIS OF PREPARATION

2.1 Separate financial statements

These unconsolidated financial statements are the separate financial statements of the Company in which investments in subsidiary and associate are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

Consequent to preparation of consolidated financial statements by consolidating the subsidiary company, the Company has prepared its separate financial statements for the first time for the year ended 30 June 2015 and also presented corresponding figures for the year ended 30 June 2014. This has resulted in all equity accounted investments to be carried at cost.

Prior to the year ended 30 June 2015, the Company in its individual financial statements accounted for its investments in associate using the equity method of accounting. Consequent to the preparation of separate financial statements as mentioned above, the Company now accounts for those investments at cost as more fully explained in note 3.10

The results of the Company, based on investments in associate accounted for under the equity method, are reflected in the consolidated financial statements of the Company.

2.2 Statement of compliance

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

2.3 Basis of measurement

These unconsolidated financial statements have been prepared on the historical cost basis except for the following:

- investment property has been measured at fair value; and
- liability related to staff retirement benefits are measured at values determined through actuarial valuation.

2.4 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

economic environment in which the Company operates. The unconsolidated financial statements are presented in Pakistani Rupees (PKR), which is the Company's functional and presentation currency. Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

2.5 Use of estimates and judgments

The preparation of unconsolidated financial statements is in conformity with the approved accounting standards that requires management to make judgments, estimates and assumptions that affect the application of policies and 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 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 estimates are 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the unconsolidated financial statements is discussed in the ensuing paragraphs :

2.5.1 Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment's with a corresponding effect on the depreciation charge and impairment loss.

2.5.2 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores, spare parts and loose tools and stock in trade on a regular basis. Provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spare parts and loose tools, further carrying amount of stock in trade is adjusted where the net realisable value is below the cost. Further, the carrying amounts of trade and other receivables, are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

2.5.3 Taxation

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.5.4 Provision of staff retirement gratuity

The Company adopts certain actuarial assumptions as disclosed in note 8.2 to these unconsolidated financial statements for determination of present value of defined benefit obligations. Any change in these assumptions in future years might affect the carrying values of the provisions.

2.5.5 Provisions and contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.5.6 Impairment of assets

In making an estimate of future cash flows from the Company's assets including investment in associate, the management considers estimated future cash flows and its ultimate net disposal value.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

2.5.7 Fair value of investment property

The Company regularly reviews the fair value of investment property, the estimate of fair values are directly linked to market value conditions. Any change in estimate will effect the carrying value of investment property with corresponding impact on profit and loss account.

2.6 Standards, interpretations and amendments to approved accounting standards that are 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 unconsolidated financial statements.
- IFRS 10 'Consolidated unconsolidated financial statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate unconsolidated 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 unconsolidated financial statements' and will deal with only separate unconsolidated 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. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- 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 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements.
- Amendments to IAS 27 'Separate unconsolidated 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 unconsolidated financial statements. The adoption of the amended standard is not likely to have an impact on Company's unconsolidated 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

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

3.1 Employees' Benefits

Gratuity - Defined benefit plan

The Company maintains an unfunded gratuity scheme for all its eligible employees. Annual provision for gratuity is made on the basis of actuarial valuation carried out by using the Projected Unit Credit Method. Latest valuation was conducted as at 30 June 2015.

Certain actuarial assumptions have been adopted as disclosed in note 7.2 to the unconsolidated unconsolidated financial statements for valuation of present value of defined benefit obligations.

Compensated absences

The Company recognises provision for compensated absences on an undiscounted basis and are expensed as the related services is provided. A liability is recognized for the amount expected to be paid under compensated absences if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The compensated absences are payable to employees at the time of retirement / termination of service. The provision is determined on the basis of last drawn salary and accumulated leaves balance at the reporting date.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

3.2 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in comprehensive income or equity, in which case it is recognized in comprehensive income or equity.

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and any adjustment to tax payable in respect of previous year in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity, but the Company intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised and settled simultaneously.

The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the differences reverse, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.3 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

3.4 Borrowing cost

Markup, interest and other charges on qualified borrowings are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired / constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the profit and loss account in the period in which they are incurred.

3.5 Property, plant and equipment

Tangible assets

Owned

These are measured at cost, which includes purchase price, import duties, directly attributable costs and related borrowing costs less accumulated depreciation and impairment loss, if any. Freehold land and capital work in progress are stated at cost less impairment loss, if any.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred whereas major improvements and modifications are capitalized.

Depreciation is charged to income applying the reducing balance method except leasehold land, buildings and plant and machinery. Buildings and plant and machinery are depreciated on straight line method. Leasehold

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

land is amortized over the remaining period of the lease. Rates of depreciation / estimated useful lives are mentioned in note 11.1.

Depreciation is charged on prorata basis from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation.

Gains and losses on disposals of property, plant and equipment are taken to the profit and loss account.

Leased

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Assets acquired by way of finance lease are stated at amounts equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Outstanding obligations under the lease less finance charges allocated to the future periods are shown as liability. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

3.6 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Amortization of intangible assets, having finite useful life, is charged by applying straight line method over their estimated useful lives, so as to write off the cost of assets at amortization rate as mentioned in note 12 to the unconsolidated financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss account as incurred.

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, used in production or supply of goods or services or for administration purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment property is stated at its fair value at the balance sheet date. Gain or losses, arising from the change in the fair value of investment property are recognized in profit or loss for the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification became its cost for subsequent accounting.

3.8 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss account.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 recognised.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

3.9 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

3.10 Investments

Investments in subsidiary

Subsidiary is that enterprise in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Investments in subsidiary is initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investments in associate

Associates are those entities in which the company has significant influence, but not control over the financial and operating policies. Jointly controlled entities are those entities over whose activities the company has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associate is initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

3.11 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realisable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

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

3.12 Stock in trade

Stocks of raw materials, work in process and finished goods are valued at lower of weighted average cost and net realisable value. Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realisable value signifies estimated selling price less estimated cost of completion and estimated cost to sell.

3.13 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of transfer of risk and rewards varies depending on the individual's terms of the sale agreements. For some international shipments, transfer occurs on the loading of goods onto the relevant carrier at the port.

Return on deposit is accounted for on a time proportion basis. Dividend income is recognized when the right to receive such income is established. Rental income on investment property is recognized when due.

3.14 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.4.

3.15 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Non-derivative financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.16 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

3.17 Earnings per share

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

4. Issued, subscribed and paid up share capital

2015 Number of Shares		2014 Rupees in thousands	
2015	2014	2015	2014
514,163,552	514,163,552	5,141,636	5,141,636
64,038,422	64,038,422	640,384	640,384
1,182,944	1,182,944	11,829	11,829
<u>579,384,918</u>	<u>579,384,918</u>	<u>5,793,849</u>	<u>5,793,849</u>

Authorised share capital

700,000,000 (2014: 700,000,000) ordinary shares of Rs.10 each	<u>7,000,000</u>	<u>7,000,000</u>
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- 4.1 Bestway (Holdings) Limited, U.K. is the parent company controlling 319,885,740 i.e. 55.32% (2014: 319,885,740 i.e. 55.32%) ordinary shares of Rs. 10 each of the Company and 38,164,582 (2014: 41,470,129) ordinary shares of Rs. 10 each and 39,121,271 (2014: 39,121,271) ordinary shares of Rs. 10 each are held by nominee directors and associated companies respectively.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

		2015	2014
	Note	Rupees in thousands	
5. Long term financing - secured			
Syndicate term finance facilities	5.1	15,000,000	-
		15,000,000	-
Current portion of long term financing		(1,800,000)	-
		13,200,000	-

5.1 Syndicate term finance facilities

Allied Bank Limited	5,500,000	-
Habib Bank Limited	5,500,000	-
Soneri Bank Limited	1,500,000	-
Askari Bank Limited	1,000,000	-
MCB Bank Limited	1,500,000	-
	15,000,000	-

5.2 This represents term finance from a syndicate of banks with Allied Bank Limited as lead bank. This facility is repayable in 10 stepped up semi annual installments starting from October, 2015. Markup is payable on semi annual basis at the rate of KIBOR plus 0.50% per annum. This facility is secured by all present and future assets excluding land and buildings of the Company for an amount of Rs. 33.33 billion and mortgage charge created by way of deposit of title deeds.

6. Long term musharka - secured

		2015	2014
	Note	Rupees in thousands	
Meezan Bank Limited		3,000,000	-
Faysal Bank Limited		3,000,000	-
Bank Alfalah Limited		3,000,000	-
Dubai Islamic Bank Limited		1,000,000	-
	6.1	10,000,000	-
Current portion of long term musharka		(1,200,000)	-
		8,800,000	-

6.1 This facility is repayable in 10 stepped up semi annual installments starting from October, 2015. Markup is payable on semi annual basis at the rate of KIBOR plus 0.50% per annum. This facility is secured against security as provided in Note 5.2.

7. Deferred liabilities

		2015	2014
	Note	Rupees in thousands	
Deferred taxation	7.1	4,406,627	4,579,259
Provision for gratuity	7.2	236,483	199,730
Provision for compensated absences	7.3	18,737	19,567
		4,661,847	4,798,556

7.1 Deferred tax liability is recognised on following major temporary differences:

Taxable temporary differences			
Accelerated depreciation		4,399,531	4,571,911
Accelerated amortization		7,096	7,348
	7.1:1	4,406,627	4,579,259

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

7.1.1 Movement of deferred tax liability is as follows:

	2015	2014
	Rupees in thousands	
Opening balance	4,579,259	3,295,869
Charge recognised in profit and loss account for the year	(172,632)	1,283,390
Closing balance	4,406,627	4,579,259

7.1.2 Based on the Company's estimate of future export sales, adjust of Rs. 600.90 million (2014: Rs. 1,039 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 180.27 million (2014: Rs. 363.53 million) with corresponding decrease in deferred tax liability by the same amount.

	2015	2014
	Rupees in thousands	
7.2 The amount recognised in the balance sheet is as follow:		
Present value of defined benefit obligation	236,483	199,730
Net defined benefit liability	236,483	199,730
Balance at 1 July	199,730	164,451
Included in profit and loss account		
Current service cost	28,478	23,967
Interest cost	24,814	18,109
	53,292	42,076
Included in other comprehensive income		
Remeasurement losses		
Experience adjustments	8,370	7,165
Others		
Benefits paid	(24,909)	(13,962)
Balance at 30 June	236,483	199,730

Actuarial Assumptions

The following were the principal assumptions at the reporting date (expressed as weighted averages).

	2015	2014
Discount rate	9.75%	13.25%
Future salary growth	8.75%	12.25%
Withdrawal rates	Moderate	Moderate

Assumption regarding future mortality has been based on published statistics and mortality tables. The mortality rates are based on State Life Insurance Corporation (SLIC) 2001-05 ultimate mortality rate (2014: State Life Insurance Corporation (SLIC) 2001-05 ultimate mortality rate), rated down by one year.

Sensitivity analysis

Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

	30 June 2015		30 June 2014	
	Increase	Decrease	Increase	Decrease
	Rupees in thousands			
Discount rate (1% movement)	(16,207)	18,869	(13,982)	16,955
Future salary growth (1% movement)	19,881	(17,339)	16,955	(14,221)
Future mortality (1 year change)	63	(63)	389	(279)
Withdrawal rate (10% movement)	380	(398)	653	(1,000)

Although the analysis does not take account of the full distribution of cashflows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Expected maturity profile

Following are the undiscounted distribution and timing of benefit payments at year end;

	2015	2014
	Rupees in thousands	
Year 1	67,977	42,845
Year 2	10,231	30,397
Year 3	15,242	9,608
Year 4	14,431	14,820
Year 5	21,359	14,888
Year 6 to Year 10	71,701	87,405
Year 11 and above	483,785	826,137

Expected gratuity expense for the next financial year is Rs. 50.65 million (2014: Rs. 50.33 million).

Risk associated with defined benefit plan

Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Historical information

Present value of the defined benefit obligation

	2015	2014	2013	2012	2011
	Rupees in thousands				
Present value of defined benefit obligation	236,483	199,730	164,451	125,605	105,421
Net liability at end of the year	236,483	199,730	164,451	125,605	105,421

- 7.3 Actuarial valuation of compensated absences has not been carried out since the management believes that the effect of actuarial valuation would not be material.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

		2015	2014
	Note	Rupees in thousands	
8. Trade and other payables			
Payable to contractors and suppliers		768,796	1,417,099
Accrued liabilities	8.1	1,855,545	1,893,907
Payable to the Subsidiary Company	8.2	825,000	-
Advances from customers		111,084	90,788
Security deposits		53,240	47,874
Retention money		32,538	15,383
Workers' Profit Participation Fund		551,825	695,770
Workers Welfare Fund payable		217,729	105,595
Excise duty payable		116,307	37,189
Advance rent of investment property		7,835	7,486
Other payables	8.3	68,962	67,143
Donation payable to Bestway Foundation		166,401	97,218
Dividend payable		997,312	423,690
		<u>5,772,574</u>	<u>4,899,142</u>

8.1 This includes an amount of Rs. 32.84 million (2014: Rs. 27.46 million) payable to Sui Northern Gas Pipeline Limited (SNGPL) against gas consumption during the month of June 2015. The Company has issued bank guarantees in the normal course of business to SNGPL for commercial and industrial use of gas for an amount of Rs. 1,252.41 million (2014: Rs. 1,252.41 million).

8.2 This represents the amount payable to Pakcem Limited (formerly Lafarge Pakistan Cement Limited) against purchase of carried forward tax losses under Group relief provisions of the Income Tax Ordinance, 2001 pursuant to the decision of Board of directors of the Company and Pakcem Limited (formerly Lafarge Pakistan Cement Limited) in their meetings held on 29 June 2015. Subsequent to the period end on 08 September 2015, the Company has been registered as Group under serial number GR000041 and now is entitled to obtain Group Designation letter from SECP to avail the benefit of Group Relief under the Income Tax Ordinance 2001. Further application has been filed with the tax authorities to change the tax year of Pakcem to 30 June 2015. The management of the Company expects that the approvals will have been received prior to filing of tax return for the Tax year 2015 and accordingly the Company will be able to adjust the tax loss purchased against tax liability of the Company.

8.3 This includes an amount of Rs. 42 million (2014: Rs. 42 million) on account of provision, recorded on a prudent basis, which the management feels will ultimately be required to be paid to owners of the land acquired for hattar plant as ordered by the Honorable Peshawar High Court. However, the Company has filed an appeal in the Honorable Supreme Court of Pakistan.

9. Short term borrowings - secured

		2015	2014
	Note	Rupees in thousands	
Running finance from banking companies			
Soneri Bank Limited	9.1	350	247,953
Allied Bank Limited	9.2	810,083	1,008,438
Habib Bank Limited	9.3	25,376	451,900
Askari Bank Limited		-	165,541
Meezan Bank Limited		-	500,000
		<u>835,809</u>	<u>2,373,832</u>

9.1 This represents the utilized amount of a running finance facility of Rs. 300 million for a period of one year (2014: Rs. 300 million). Markup is payable on quarterly basis at the rate of three month's KIBOR plus 0.40% (2014: three months' KIBOR plus 0.60%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Company for an amount of Rs. 634 million (2014: Rs. 400 million).

9.2 This represents the utilized amount of a running finance facility of Rs. 1,150 million for a period of one year (2014: Rs. 1,150 million). Markup is payable on quarterly basis at the rate of one month KIBOR plus 0.40%

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

(2014: one month KIBOR plus 0.40%) per annum. The facility is secured by lien over saving accounts and first pari passu hypothecation charge on all present and future assets excluding land and buildings of the Company for an amount of Rs. 1,333.33 million (2014: Rs. 1,333.33 million).

- 9.3** This represents the utilized amount of running finance facility of Rs. 970 million for a period of one year (2014: Rs. 970 million). Markup is payable on quarterly basis at the rate of three month's KIBOR plus 0.50% (2014: three months' KIBOR plus 0.60%) per annum. The facility is secured by first pari passu hypothecation charge over all present and future movables assets and current assets of the Company for an amount of Rs. 1,294 million (2014: Rs. 1,294 million).

9.4 Unavailed facilities

The Company has running finance facilities and other short term borrowing facilities for an amount of Rs. 8,074 million (2014: Rs. 7,126 million) which the Company has not availed at the year end.

Facilities of letters of guarantee and letters of credit amounting to Rs. 1,646 million (2014: Rs. 309.08 million) and Rs. 5,920 million (2014: Rs. 5,626.03 million) respectively are available to the Company. Facilities of letters of guarantee are secured by first pari passu charge on present and future assets of the Company.

10 Contingencies and commitments

	Note	2015 Rupees in thousands	2014
In respect of bank guarantees	10.1.1	32,627	40,457
In respect of letters of credits		546,103	1,024,567

10.1 Contingencies and commitments

- 10.1.1** All bank guarantees are secured by way of charge over operating fixed assets of the Company.

- 10.1.2** Competition Commission of Pakistan (CCP) issued a show cause notice dated 28 October 2008 to 21 cement companies (including the Company) under section 30 of the Competition Ordinance, 2007. On 27 August 2009, CCP imposed a penalty of Rs. 710 million on the Company and MCL. The cement manufacturers (including the Company) has challenged the CCP order in Honourable High Court and the Honourable High Court has passed an interim order restraining CCP from taking any adverse action against these 21 cement companies.

Against the above referred order of CCP dated 27 August 2009 an appeal was also filed as abundant caution in the Honourable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007. During the year, the case was fixed for hearing on time to time, however because of non availability of defendant, the hearings of the case were adjourned. These appeals are still pending and management is confident of a favorable outcome of the case.

- 10.1.3** Initially DCIR raised assessment against the Company for the tax years 2010 to 2012 for alleged suppression of production worked backed by using "Standard Gypsum Consumption Formula". On appeal by the Company, the CIR(A) vide orders dated 25 July 2013, set aside the assessment for denovo consideration with directions. The Company has filed an appeal before the Honorable ATIR against the set-aside order of the CIR(A), which is pending for adjudication.

Onward the DCIR completed the re-assessment assuming production at 98 % of rated capacity, without confronting to the Company and raised an aggregate demand of Rs. 8,541 million (BCL Rs. 6,982 million and MCL Rs. 1,559 million) for the tax years 2010 to 2012. On appeal by the Company, the CIR(A) vide order dated 22 May 2014 endorsed the view of the DCIR but reduced assumed production of the plant to 86.66 % of rated capacity using weighted average capacity utilization of another cement manufacturer.

On appeal filed by the Company the ATIR has annulled the orders of tax authority. The tax Department has filed reference before the Honourable Islamabad High Court against the appellate orders of the ATIR.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

10.1.4 The tax authority conducted audit of sales tax affairs of the Company and consequent to audit proceedings, the tax authority framed order-in-original No. 01 of 2015 dated 31 August 2015 through which the tax demand of Rs. 230.91 million was raised. The Company is in process of filing an appeal before the CIR(A) against the said order of the tax authority.

10.1.5 Based on an audit for the period from July 2009 to June 2010, DCIR vide Order-in-Original No. 23 of 2013 dated 30 April 2013 raised aggregate sales tax demand of Rs. 639.17 million against the Company mainly on suppression of production. On appeal by the Company, the CIR(A) vide order dated 25 July 2013, set aside the order in original and directed the DCIR for a fresh consideration of the matter. The Company has filed an appeal before the Honorable ATIR against the order of the CIR(A), which is pending for adjudication. The management is confident of a favorable outcome of the case.

10.1.6 Sales Tax Department has raised tax demand of Rs. 52.75 million vide order dated 27 March 2010 mainly for misconstrued/ duplicate demand of Sales Tax and Federal Excise Duty on sale of clinker and rejection of input tax on certain eligible items. On first appeal, the CIR(A) confirmed the order while in second appeal by the Company the Honorable Appellate Tribunal Inland Revenue vide order dated 24 February 2011 has set aside the assessment for denovo consideration, resultantly no demand exists at the moment. The Company has also filed an appeal before Islamabad High Court against the set aside order praying for annulment of the assessment.

In re-assessment proceedings the Department again maintained the assessment at a tax demand of Rs. 52.75 million vide order dated 14 September 2012. On appeal, the CIR(A), vide an order dated 21 November 2012, set aside the assessment for denovo consideration, hence no demand as of today.

10.1.7 There are certain other cases outstanding as on 30 June 2015 other than those disclosed in these unconsolidated financial statements. The management assess and claim favorable outcome in these cases and the lawyers have also asserted management claims in respect of favorable outcome.

10.1.8 Income tax related contingencies are disclosed in note 31 to these unconsolidated financial statements.

11. Property, plant and equipment

	Note	2015 Rupees in thousands	2014
Operating fixed assets	11.1	24,591,328	23,731,903
Capital work in progress	11.2	67,652	492,464
		<u>24,658,980</u>	<u>24,224,367</u>

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

11.1 Operating fixed assets

	Owned										Leased
	Free hold land	Lease hold land	Buildings on free hold land	Plant and machinery	Quarry equipment	Other equipment	Furniture and fixtures	Vehicles	Office equipment	Plant and machinery	Total
Rupees in thousands											
Tangible assets											
Cost											
Balance at 01 July 2013	1,178,447	39,517	6,189,587	20,142,199	1,031,090	129,550	94,698	206,578	105,749	227,054	29,344,469
Additions during the year	7,528	-	3,570	323,809	564,962	5,089	7,991	33,933	12,856	-	959,738
Transfers	-	-	4,048	1,137,638	-	-	-	-	-	(227,054)	914,632
Transfer from investment property	-	-	33,889	-	-	-	-	-	-	-	33,889
Adjustments	-	-	-	(249,406)	-	-	-	-	-	-	(249,406)
Disposals	-	-	-	(7,255)	(28,001)	-	-	(15,624)	-	-	(50,880)
Balance at 30 June 2014	1,185,975	39,517	6,231,094	21,346,985	1,568,051	134,639	102,689	224,887	118,605	-	30,952,442
Balance at 01 July 2014											
Additions during the year	1,185,975	39,517	6,231,094	21,346,984	1,568,051	134,639	102,689	224,887	118,605	-	30,952,441
Transfers	21,771	-	7,020	2,006	38,069	13,891	7,355	62,277	16,754	-	169,143
Disposals	-	-	279,093	1,583,559	-	-	-	-	-	-	1,862,652
	-	-	-	-	-	-	-	(57,843)	-	-	(57,843)
Balance at 30 June 2015	1,207,746	39,517	6,517,207	22,932,549	1,606,120	148,530	110,044	229,321	135,359	-	32,926,393
Depreciation											
Balance at 01 July 2013	-	19,681	1,413,757	3,868,837	627,345	61,214	43,088	110,624	52,401	37,841	6,234,788
Charge for the year	-	1,351	207,950	714,007	84,774	9,900	5,565	21,070	8,846	7,568	1,061,031
Transfer	-	-	-	45,409	-	-	-	-	-	(45,409)	-
Adjustments	-	-	-	(42,919)	-	-	-	-	-	-	(42,919)
Disposals	-	-	-	(1,884)	(22,205)	-	-	(8,273)	-	-	(32,362)
Balance at 30 June 2014	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-	7,220,538
Balance at 01 July 2014											
Charge for the year	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-	7,220,538
Transfer	-	1,251	210,199	787,799	134,551	9,307	5,623	22,768	9,783	-	1,181,281
Disposals	-	-	-	(23,157)	-	-	-	-	-	-	(23,157)
	-	-	-	-	-	-	-	(43,597)	-	-	(43,597)
Balance at 30 June 2015	-	22,283	1,831,906	5,348,092	824,465	80,421	54,276	102,592	71,030	-	8,335,065
Carrying value - 2015	1,207,746	17,234	4,685,301	17,584,457	781,655	68,109	55,768	126,729	64,329	-	24,591,328
Carrying value - 2014	1,185,975	18,485	4,609,387	16,763,535	878,137	63,525	54,036	101,466	57,358	-	23,731,904

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

11.1.2 Disposal of property, plant and equipment

Description	Cost	Book value	Sale proceeds	Gain	Mode of disposal	Sold to
Rupees in thousands						
Vehicles						
Toyota Corolla YY-128	1,738	1,321	1,691	370	Insurance claim	IGI Insurance Claim
Honda Civic KJ-701	1,197	206	1,050	844	Negotiation	Mr. Tahir Shafi Ghuri MAP
Toyota Hiace JY-802	1,993	318	1,260	942	Negotiation	Mr. Akhtar Ali Khan
Hyundai Shahzore JK-129	813	110	591	481	Negotiation	Mr. Ikhtlaq Ahmed
Hyundai Shahzore HY-296	724	74	628	554	Negotiation	Mr. Ikhtlaq Ahmed
Suzuki Cultus NE-177	662	165	165	-	Negotiation	Employee
Suzuki Cultus NB-791	638	151	245	94	Negotiation	Employee
Suzuki Alto NK-465	602	172	316	144	Negotiation	Employee
Suzuki Alto NK-384	540	132	229	97	Negotiation	Employee
Suzuki Alto JX-783	514	76	406	330	Negotiation	Employee
Suzuki Alto KC-752	514	78	401	323	Negotiation	Employee
Suzuki Alto KC-215	540	130	168	38	Negotiation	Employee
Toyota Corolla CV-460	1,887	1,824	1,837	13	Negotiation	MAP Rice Mills
Honda City HT-359	837	83	708	625	Negotiation	Mr. Sajid Hussain
Honda City KZ-267	913	152	746	594	Negotiation	Mr. Masood-ur-Rehman
Suzuki Bolan NG-376	477	106	400	294	Insurance claim	IGI Insurance Claim
Toyota Corolla BE-728	1,748	1,411	1,650	239	Insurance claim	IGI Insurance Claim
Toyota Corolla PY-867	1,474	470	852	382	Negotiation	Mr. Zahir M. Abbasi
Toyota Land Cruiser JA 325	5,916	794	2,250	1,456	Negotiation	Mr. Nadir Zafar
Hitachi/O&K Excavators (3)	6,500	4,627	7,762	3,135	Negotiation	Haji Rasool Shah & Sons
Komatsu Excavator	27,616	1,846	3,238	1,392	Negotiation	Haji Rasool Shah & Sons
2015	57,843	14,246	26,593	12,347		
2014	50,880	18,518	42,802	24,284		

11.1.3 Depreciation charge for the year has been allocated as follow:

	Note	2015 Rupees in thousands	2014 Rupees in thousands
Cost of sales	25	1,165,814	1,047,644
Administrative expenses	26	9,649	8,151
Distribution cost	27	5,818	5,236
		1,181,281	1,061,031

11.2 Capital work in progress

Opening balance		492,464	360,533
Additions during the year	11.2.1	1,437,840	1,046,563
		1,930,304	1,407,096
Transferred to operating fixed assets:			
Plant and machinery		(1,583,559)	(910,584)
Buildings on freehold land		(279,093)	(4,048)
	11.2.2	(1,862,652)	(914,632)
		67,652	492,464

11.2.1 This includes borrowing cost capitalised amounting to Rs 130.96 million calculated at a rate of 9.66% per annum (2014: Rs. 38.71 million at 10.33% per annum).

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

11.2.2 Break up of capital work in progress is as follows:

	Note	2015 Rupees in thousands	2014
Plant and machinery and other equipment		28,340	477,223
Advances for capital work in progress		39,312	15,241
		<u>67,652</u>	<u>492,464</u>

12. Intangible asset - computer softwares

Cost

Opening balance		53,411	53,411
Additions during the year		-	-
Closing balance		<u>53,411</u>	<u>53,411</u>
Amortization			
Opening balance		21,037	15,118
Charge for the year	25	4,856	5,919
Closing balance		<u>25,893</u>	<u>21,037</u>
Carrying value		<u>27,518</u>	<u>32,374</u>
Amortisation rate		15%	15%

13. Investment property

Opening balance		345,785	347,883
Surplus on remeasurement of investment property to fair value	13.1	120	31,791
Transfer to property, plant and equipment	13.2	-	(33,889)
Closing balance		<u>345,905</u>	<u>345,785</u>

13.1 The investment property is a portion of head office building held for letting. On 30 June 2015, an independent exercise was carried out to calculate the fair value of investment property. To assess the land and building prices, market research was carried out in the area around the plot where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available / provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category on the investment property being valued.

14. Long term investments

	Note	2015 Rupees in thousands	2014
Investment in related parties - at cost - quoted			
Associated company - United Bank Limited			
93,649,694 shares (2014: 93,649,694 shares) of Rs. 10 each	14.1	1,862,803	1,862,803
Subsidiary company - Pakcem Limited			
1,284,343,491 shares (2014: Nil) of Rs. 10 each	14.2	25,941,898	-
		<u>27,804,701</u>	<u>1,862,803</u>

14.1 This represents 7.65% (2014: 7.65%) share in the equity of United Bank Limited acquired at an average price of Rs. 19.89 per share. Market value of investment in UBL as at 30 June 2015 was Rs. 16,006,606 thousand (2014: Rs. 15,785,592 thousand).

14.2 This represents 88.2% share in the equity of Pakcem Limited (formerly Lafarge Pakistan Cement Limited) (PCL), a company having its principal place in Islamabad, acquired at an average price of Rs. 20.20 per share during the year. Market value of investment in PCL as at 30 June 2015 was Rs. 24,993,319 thousand. (2014: Nil). Management of the Company has carried out an impairment analysis for this investment, based on future expected cash flows for the next five years and thereon cash flows on terminal values. The future cash flows have been discounted at Weighted Average Cost of Capital of 17%. Based on this analysis management believes that investment in subsidiary Company is carried at its recoverable amount.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

15. Long term deposits

This includes security deposits amounting to Rs. 70.29 million (2014: Rs. 70.29 million) given for the electricity connections of the plants.

16. Stores, spare parts and loose tools

	Note	2015 Rupees in thousands	2014
Stores, spare parts and loose tools		2,935,339	3,174,169
Stores and spare parts in transit		307,139	870,502
		<u>3,242,478</u>	<u>4,044,671</u>

17. Stock in trade

Raw and packing material		228,646	231,037
Work in process		1,294,339	1,303,695
Finished stock	17.1	245,503	397,880
		<u>1,768,488</u>	<u>1,932,612</u>

17.1 This includes a stock amounting to Rs. 19.9 million (2014: Rs. 4.9 million) which has been dispatched to customer but risk and rewards are not yet transferred.

18. Trade debts - considered good

18.1.1. This includes Rs. 174.71 million (2014: Rs. 159.01 million) receivable from customers against export sales.

18.1.2 This includes unsecured receivable of Rs. 65.92 million (2014: Rs. Nil) from the Subsidiary Company against sale of coal.

19. Advances

	Note	2015 Rupees in thousands	2014
Advances to executives and employees- considered good		3,206	2,666
Advances to suppliers and contractors - considered good		386,502	394,115
Current portion of long term advance		4,003	4,003
		<u>393,711</u>	<u>400,784</u>

20. Deposits and prepayments

Security deposits		4,626	4,875
Prepayments		7,430	16,643
		<u>12,056</u>	<u>21,518</u>

21. Other receivable

This includes unsecured receivable of Rs. 57.53 million (2014: Rs. Nil) from the Subsidiary Company in respect of management fee.

22. Due from Government agencies

	Note	2015 Rupees in thousands	2014
Customs duty	22.1	28,373	28,373
Capital value tax	22.1	11,729	11,729
Excise duty	22.2	615,146	615,146
Sales tax - net		37,913	385,487
		<u>693,161</u>	<u>1,040,735</u>

22.1 This represents customs duties paid in excess of 5% of the value assessed by the custom authorities for import of off high way dump trucks and the amount paid as Capital Value Tax (CVT) on this import. The collector of

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

customs assessed 30% duty and CVT @ 7.5% of the assessed value on import of off high way dump trucks and did not allow exemption available to the Company under SRO No. 575(1) 2006 dated 06 June 2006. The Company deposited these amounts under protest as guarantee for clearance and filed an appeal before Honourable Sindh High Court. The Honourable High Court granted the leave of appeal and held that exemption for import of off high way dump trucks is available to the Company under SRO No. 575(1) 2006 dated 06 June 2006, therefore the excess amounts paid should be refunded to the Company. Collector of customs filed an appeal in Honourable Supreme Court against the order of Honourable High Court, however no stay was granted against the refund accrued to the Company.

The Company has obtained legal opinion on the basis of which it decided to account for these as refund in the books of account of the Company.

- 22.2** The Honourable Supreme Court of Pakistan in its judgment dated 14 April 2007 in a comparable case for levy of excise duty, dismissed the appeal filed by the Federal Board of Revenue (FBR) and upheld the decisions made by the Honourable High Courts of Peshawar, Sindh and Punjab. [The dispute related to levy of excise duty on the retail price inclusive of excise duty or retail price excluding excise duty]. The FBR's point of view was that excise duty be calculated on a declared retail price inclusive of excise duty whereas the concerned respondents contended that the excise duty would not be included in retail price for calculation of excise duty payable to the Government. The full bench of Supreme Court upheld the judgments made by High Courts and dismissed the appeal of FBR. The FBR moved a review petition before Supreme Court of Pakistan which is pending.

The Company has filed a claim for Rs. 615.15 million (2014: 615.15 million) relating to duty paid during the period June 1998 to April 1999 which pursuant to the above decision was otherwise not leviable and payable under the law. Commissioner Appeals rejected the claim of the Company pertaining to BCL of Rs. 211.15 million, and the Company has filed an appeal with Appellate Tribunal against unlawful rejection of refund claims. A number of hearings were conducted during the year but the case is yet to be discussed. Further on Mustehkam Cement Limited refund claim (before merger) of Rs. 404 million tax authorities held the proceedings in abeyance due to awaiting result of litigation on BCL refund claim. The management believes that the Company's claim is valid and the amount is fully recoverable.

23. Bank balances

	Note	2015 Rupees in thousands	2014
Current accounts	23.1	97,725	146,326
Deposit accounts	23.2 & 23.3	2,271,020	69,936
		<u>2,368,745</u>	<u>216,262</u>

- 23.1** This includes Rs.53.37 million (2014: Rs. 62.22 million) held in current accounts maintained with United Bank Limited, a related party.
- 23.2** Deposit accounts carry interest rates ranging from 1% to 8.6 % (2014: 1% to 10%) per annum. This includes investment of Rs. 2.2 billion in 15 days term deposit with Allied Bank Limited carrying markup at 7% per annum.
- 23.3** This includes an amount of US\$ 0.384 million (2014: US \$ 0.42 million) in US Dollar deposit account.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

24. Turnover - net

	Note	2015 Rupees in thousands	2014
Gross turnover			
- Local		34,503,560	32,169,414
- Export		4,241,757	5,021,006
		38,745,317	37,190,420
Government levies			
Sales tax		(5,498,934)	(5,106,100)
Excise duties		(1,612,652)	(1,417,846)
		(7,111,586)	30,666,474
Rebates and discounts		(1,124,183)	(1,715,946)
		30,509,548	28,950,528

25. Cost of sales

Raw and packing materials consumed	25.1	2,990,925	2,680,760
Fuel and power		11,360,154	11,718,999
Stores, spare parts and loose tools consumed		976,890	803,265
Repairs and maintenance		165,589	91,240
Salaries, wages and benefits	25.2	683,687	584,279
Support services		288,091	250,354
Insurance		29,985	29,767
Equipment rental		16,783	17,434
Utilities		10,026	9,454
Travelling, conveyance and subsistence		54,871	59,227
Communication		4,217	3,930
Printing and stationery		6,027	5,756
Entertainment		6,534	4,268
Depreciation	11.1.3	1,165,814	1,047,644
Amortization	12.1	4,856	5,919
Other manufacturing expenses		28,873	18,426
		17,793,322	17,330,722
Opening work in process		1,303,695	1,470,344
Closing work in process		(1,294,339)	(1,303,695)
Cost of goods manufactured		17,802,678	17,497,371
Opening finished stock		397,880	470,713
Closing finished stock		(245,503)	(397,880)
		17,955,055	17,570,204

25.1 Raw and packing materials consumed

Opening balance	231,037	282,378
Purchases made during the year	2,988,534	2,629,419
Closing balance	(228,646)	(231,037)
	2,990,925	2,680,760

25.2 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 41.51 million (2014: Rs. 30.87 million).

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

26. Administrative expenses

	Note	2015 Rupees in thousands	2014
Salaries, wages and benefits	26.1	160,216	141,614
Rent, rates and taxes		8,044	1,756
Repairs and maintenance		8,962	6,223
Insurance		1,688	1,690
Utilities		3,931	3,468
Travelling, conveyance and subsistence		19,236	15,617
Communication		4,440	2,346
Printing and stationery		4,058	3,669
Entertainment		5,943	1,166
Advertisements		3,416	862
Donations	26.2	88,656	86,069
Legal and professional charges		30,118	12,925
Fees and subscription		23,736	12,209
Management charges		-	550
Auditors' remuneration	26.3	9,646	2,753
Depreciation	11.1.3	9,649	8,151
Other		3,255	1,087
		<u>384,994</u>	<u>302,155</u>

26.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 9.35 million (2014: Rs. 5.94 million).

26.2 A provision at 1% (2014: 1%) of the accounting profit after tax for an amount of Rs. 86.69 million has been made for donation to Bestway Foundation, Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad, (2014: Rs.85.51 million). The Chief Executive and the following directors are among the trustees of the Foundation:
 - Sir Mohammed Anwar Pervez - M. Irfan A. Sheikh,
 - Zameer Mohammed Choudrey - Arshad Mehmood Chaudhary
 Above directors or their spouses do not have a beneficial interest in Bestway Foundation.

26.3 Auditors' remuneration

	Note	2015 Rupees in thousands	2014
Annual audit fee		1,500	1,500
Audit fee for audit of consolidated financial statements		600	-
Fee of half year review		500	500
Statutory certifications		910	75
Taxation services		150	603
Transaction advisory services		5,608	-
Out of pocket expenses		378	75
		<u>9,646</u>	<u>2,753</u>

27. Distribution cost

Salaries, wages and benefits	27.1	54,584	45,780
Support services		1,111	1,153
Rent, rates and taxes		11,009	10,900
Repairs and maintenance		2,719	1,280
Utilities		1,068	850
Travelling, conveyance and subsistence		5,887	6,520
Communication		1,037	1,097
Printing and stationery		1,817	1,627
Entertainment		1,329	1,301
Advertising and promotion		5,126	6,052
Depreciation	11.1.3	5,818	5,236
Fees and subscription		37,804	32,086
Freight and handling - Local		68,532	83,128
- Export		546,450	500,937
Other		2,011	9,027
		<u>746,302</u>	<u>706,974</u>

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For the year ended 30 June, 2015

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 3.12 million (2014: Rs. 3.14 million).

28. Other expenses

	2015	2014
	Rupees in thousands	
Workers' (Profit) Participation Fund	551,825	495,458
Workers' Welfare Fund	180,440	101,244
	<u>732,265</u>	<u>596,702</u>

29. Finance cost

Markup on long term financing	183,169	398,544
Markup on long term musharaka	164,909	21,984
Markup on liability against assets subject to finance lease	-	4,230
Markup on short term borrowings	-	22,245
Bank charges and commissions	38,604	15,027
	<u>386,682</u>	<u>462,030</u>

30. Other income

Income from financial assets

Profit on deposit accounts	65,420	51,794
Exchange gain - net	6,491	1,682
	<u>71,911</u>	<u>53,476</u>

Income from non financial assets

Gain on disposal of operating fixed assets	12,347	24,284
Dividend income from United Bank Limited (Associate)	1,123,797	983,322
Rental income from investment property	26,705	24,639
Gain on remeasurement of investment property to fair value	120	31,791
Management fee from related party	58,734	1,200
Other	2,971	2,981
	<u>1,224,674</u>	<u>1,068,217</u>
	<u>1,296,585</u>	<u>1,121,693</u>

31. Taxation

Current	3,105,542	1,279,029
Deferred	(172,632)	1,283,390
	<u>2,932,910</u>	<u>2,562,419</u>

31.1 Numerical reconciliation between tax expense and accounting profit multiplied by the applicable tax rate is as follows:

	2015	2014
	Rupees in thousands	
Accounting profit	11,600,835	10,434,156
Tax on accounting profit at applicable rate of 33% (2014: 34%)	3,828,276	3,778,435
Tax effect of low rates on certain income	(258,474)	(570,978)
Minimum tax	-	(407,990)
Tax effect of permanent difference	(303,030)	(63,418)
Tax effect of income taxable under final tax regime	(348,932)	(391,923)
Tax rate to 30% for deferred taxation and change in proportion of loan and export sales	(251,044)	218,293
Tax effect of super tax	266,114	-
	<u>2,932,910</u>	<u>2,562,419</u>

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

31.2 The assessment for the Assessment Year 2000-2001 through 2002-2003 was finalized by the tax authorities mainly by curtailing business expenditure claimed by the Company and charging surcharge on minimum tax. The appeals for Assessment Year 2000-2001 were decided against the Company by the Appellant Tribunal Inland Revenue [ATIR] against which the Company filed reference with the Islamabad High Court which is pending adjudication. The appeal filed with the Commissioner Inland Revenue (Appeals) [the CIR(A)] for the Assessment Year 2001-2002 was decided against the Company and for the Assessment Year 2002-2003 certain issues were decided in favour of the Company. Against these orders the Company is in appeal with the ATIR which are pending adjudication.

- The assessment of the Company for the Tax Years 2003 through 2014 stood finalized under the self assessment scheme envisaged under the Income Tax Ordinance, 2001 [the Ordinance].
- The tax authority's leveled tax of Rs. 99.08 million under section 161 of the Ordinance along with default surcharge of Rs. 124.93 million for Tax year 2005 by rejecting the legal ground of time limitation raised by the Company. On Company's appeal the CIR(A) passed an order by setting aside the assessment order which was agitated by the Company before the ATIR which is pending for adjudication. The ATIR stayed the re-assessment proceedings till disposal of appeal by the ATIR.
- The tax authorities initiated audit proceedings for the Tax Years 2006 through 2008. The audit proceedings for the Tax Years 2006 and 2007 have been concluded, while the audit proceedings for the Tax Year 2008 are still pending.

The tax authorities amended the assessment of the Company upon conclusion of audit proceeding of tax year 2006 thereby, disallowing the finance cost attributable to funds utilized for acquiring the share of Mustehkam Cement Limited, deduction claimed on account of donations paid to Bestway Foundation, and exemption claimed by Company on interest derived from US dollars accounts. The Company being aggrieved with the amended assessment order filed a rectification application before the tax authorities and also preferred an appeal with the CIR(A), who has annulled the order of the tax authorities against which the tax department has filed an appeal before the ATIR, which has annulled the amended assessment order.

The tax authority amended assessment of the Company for the tax year 2007 charging tax of Rs. 29.26 million by making various disallowances and levying tax on property income and dividend income under the presumptive mode of taxation [PTR]. CIR (A) annulled the order of the tax authorities on all the issues except for upholding the taxation of property income and dividend income under PTR and disallowance of deduction claimed on account of donations paid during the year. The Company as well as the tax authorities have filed cross appeals before the ATIR which are pending for adjudication.

- Income tax assessments of the Company for the Tax Years 2010 to 2012 were amended on alleged concealment of sales by working back production taking gypsum consumed as five per cent of cement produced and raising tax demand of Rs. 16,974 million (BCL Rs. 14,879 million and MCL Rs. 2,095 million). On appeal by the Company the CIR (A) cancelled the assessments for the tax year 2010 and 2011 and set aside the assessment for the tax year 2012 for denovo consideration. Being not satisfied with the order of the CIR(A), the Company has filed second appeal before the ATIR for tax year 2012 in both BCL and MCL cases.

The DCIR has again taken up the same issues through notice dated 12 November 2013 for all the years under consideration. On detailed reply by the Company the DCIR changed the dimension of the case to under utilization of installed capacity and confronted the Company to assess the sales by assuming 98% capacity utilization. The amended assessment in BCL for the Tax Year 2010 and 2011 has been made at a demand of Rs. 2,476 million against which, the Company has filed appeals before the CIR(A), which is subjudice till to-date. However, no order has been passed for tax year 2012 in BCL case and for tax year 2010 to 2012 in MCL cases.

The following tax contingencies stand transferred to the Company from Mustehkam Cement Limited under the Scheme of amalgamation:

- The tax authority has leveled tax of Rs. 9.59 million under section 161 of the Ordinance along with default surcharge of Rs. 14.76 million for tax year 2007 by rejecting the legal ground of time limitation raised by the Company. On Company's appeal the CIR(A) passed an order setting aside the assessment order which has been agitated by the Company before the ATIR which is pending for adjudication.
- For the Assessment Year 1998-99, the Taxation Officer charged additional tax amounting to Rs. 10.39 million in terms of section 87 of the repealed Income Tax Ordinance, 1979 for non-payment of advance tax. At that time, no appeal was filed with the CIR(A) against the impugned order on instructions of the Government of Pakistan [GoP] as MCL was a State owned Enterprise then, and GoP insisted to resolve the disputes with the

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Federal Board of Revenue through inter-ministerial consultations. After Company's privatization, it pursued its case before the appellate authorities and accordingly filed an appeal with the CIR (A) with the request for condonation of delay in time for filing of appeal within the prescribed time. This request for condonation of delay was not accepted. MCL filed appeal with the ATIR where the request for condonation in filing of appeal was also not entertained. Accordingly, MCL filed a reference with the High Court, which we understand is subjudice till to-date.

The management of the Company is confident of the favourable outcome of the appeals filed by it and accordingly no provision has been recognized in these financial statements in respect of tax demand raised by the tax authorities through amendments/rectifications of assessments.

- 31.3** The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Company has during the year distributed sufficient interim dividends for the year ended 30 June 2015, which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2015.

32. Remuneration of the chief executive, directors and executives

The aggregate amounts charged in the unconsolidated financial statements for the year with respect to remuneration, including benefits and perquisites, were as follows:

	2015	2014
	Rupees in thousands	
Chief Executive		
Managerial remuneration and allowances	24,000	24,000
Bonus	-	-
Provision for gratuity	-	-
Compensated absences	-	-
	<u>24,000</u>	<u>24,000</u>
Number of person	<u>1</u>	<u>1</u>
Directors, including Chairman		
Managerial remuneration and allowances	54,989	60,010
Bonus	3,064	6,002
Provision for gratuity	1,968	2,394
Compensated absences	1,626	4,086
	<u>61,647</u>	<u>72,492</u>
Number of persons	<u>5</u>	<u>5</u>
Executives		
Managerial remuneration and allowances	215,955	167,202
Bonus	45,622	29,245
Provision for gratuity	24,101	9,748
Compensated absences	13,451	9,154
	<u>299,129</u>	<u>215,349</u>
Number of persons	<u>129</u>	<u>106</u>

- 32.1** The directors and eligible executives excluding chairman and chief executive are also provided with vehicle and medical insurance facility as per their entitled limits.

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33. Transactions and balances with related parties

The Company is a subsidiary of Bestway (Holdings) Limited, UK ("the parent company") therefore all subsidiaries and associated undertakings of the Parent Company are related parties of the Company. Other related parties comprise of, subsidiary company, directors, key management personnel, entities with common directorships and entities over which the directors are able to exercise influence. Balances with related parties are shown in the notes 4, 8.2, 14, 17, 21 and 23.1 and transactions with related parties are disclosed in notes 11.1.2, 26.2 and 32 to the unconsolidated financial statements. Transactions with related parties other than those disclosed elsewhere in these unconsolidated financial statements are as follows:

	Note	2015 Rupees in thousands	2014
Transactions and balances with parent company			
Management charges		-	550
Dividend paid		2,334,226	656,068
Payable balance at year end - unsecured		965,749	421,003
Transactions with subsidiary company			
Sale of coal		75,289	-
Transfer of store items		5,312	-
Management fee		57,534	-
Purchase of tax losses		825,000	-
Transactions with associated undertakings under common directorship			
Management fee		1,200	1,200
Service / bank charges		7,119	6,097
Donations		87,407	85,507
Dividend received		1,123,797	983,322
Sale of cement		5,704	5,796
Utility expense paid		54	59
Transactions and balances with key management personnel			
Remuneration, allowances and benefits	33.1	727,042	534,416
Advances given during the year		-	1,082
Repayments		1,379	2,069
Balance of advances at the year end - unsecured		-	1,379
33.1 Remuneration, allowances and benefits			
Dividend paid		342,267	222,574
Managerial remuneration and allowances		294,944	251,212
Bonus		48,685	35,247
Provision for gratuity		26,069	12,143
Provision for compensated absences		15,077	13,240
		<u>727,042</u>	<u>534,416</u>

34. Financial instruments

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company through its audit committee of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2015	2014
	Rupees in thousands	
Long term deposits	90,073	90,323
Long term advances	8,006	12,009
Trade debts	746,333	571,981
Advances	3,206	2,666
Deposits	4,626	4,875
Interest accrued	3,150	704
Other receivables	80,506	1,820
Bank balances	2,368,745	216,262
	<u>3,304,645</u>	<u>900,640</u>

The maximum exposure to the credit risk for trade debts at reporting date by geographical region is:

Domestic	571,629	412,971
Middle east and African countries	84,561	-
Asia - other than domestic	90,143	159,010
	<u>746,333</u>	<u>571,981</u>

The maximum exposure to the credit risk for trade debts at reporting date by counter party is:

End user customers	18,310	14,393
Dealers	662,100	557,588
Subsidiary company	65,923	-
	<u>746,333</u>	<u>571,981</u>

The maximum exposure to credit risk for trade debts at the reporting date are with dealers and represents debtors within the country. Included in these an amount of Rs.53.90 million (2014: Rs. 79.05 million) secured against the letter of credits.

The Company's most significant domestic customer is a dealer from whom Rs. 37.49 million (2014: Rs. 35.90 million) is outstanding at the year end.

The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets except as mentioned above.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

Impairment losses

The aging of trade debts at the reporting date is:

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
	Rupees in thousands			
Past due 1-30 days	739,463	-	558,863	-
Past due 31-60 days	98	-	601	-
Past due 61-90 days	-	-	6,566	-
Over 90 days	6,772	-	5,951	-
	746,333	-	571,981	-

There is no movement in the allowance for impairment in respect of trade debts during the year.

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts. The allowance accounts in respect of trade debts are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. The amount considered irrecoverable is written off against the financial asset directly.

34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 expected interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	After five years
2015	Rupees in thousands						
Financial liabilities							
Long term financing	15,000,000	18,703,767	1,528,718	1,490,995	4,334,739	11,349,315	-
Long term musharaka	10,000,000	12,469,177	1,019,145	993,996	2,889,826	7,566,210	-
Markup accrued	416,546	416,546	416,546	-	-	-	-
Trade and other payables	3,833,578	3,833,578	3,833,578	-	-	-	-
Short term borrowings	835,809	835,809	835,809	-	-	-	-
	30,085,935	36,258,877	7,633,796	2,484,991	7,224,565	18,915,525	-
2014							
Financial liabilities							
Markup accrued	12,324	12,324	12,324	-	-	-	-
Trade and other payables	3,962,314	3,962,314	3,962,314	-	-	-	-
Short term borrowings	2,373,832	2,373,832	2,373,832	-	-	-	-
	6,348,470	6,348,470	6,348,470	-	-	-	-

34.2.1 The contractual cash flow relating to long and short term borrowings, murabaha and musharaka have been determined on the basis of expected markup rates.

34.3 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 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. The Company is exposed to currency risk and interest rates only.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

34.3.1 Currency risk

	2015	2014
	US Dollars in thousand	
Exposure to currency risk		
Trade debts	1,716	1,605
Bank balances	384	417
Trade creditors	-	(5,665)
Net exposure	2,100	(3,643)

The following significant exchange rates applied during the year

	2015	2014	2015	2014
	Average rates		Reporting date spot rates	
Rupees / Dollar	101.65	99.05	101.79	98.75

Sensitivity analysis

A five percent strengthening of the PKR against US Dollar at 30 June would have increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular markup rates, remain constant. This analysis is performed on the same basis for 2014.

	Profit or loss Rupees in thousand
30 June 2015	
Effect in US Dollar - gain	(10,688)
	(10,688)
30 June 2014	
Effect in US Dollar - gain	17,987
	17,987

A five percent weakening of the PKR against US Dollar at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

34.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market markup rates. Majority of the markup rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the markup rate profile of the Company's markup bearing financial instruments is:

	Carrying Amount	
	2015	2014
	Rupees in thousands	
Fixed rate instruments		
Financial assets	2,271,020	81,945
Variable rate instruments		
Financial liabilities	25,835,809	2,373,832

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 or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in markup rates throughout the year would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

	Profit or Loss	
	100 basis points decrease	100 basis points increase
	Rupees in thousands	
Cash flow sensitivity (net)		
Variable rate instruments	55,738	(55,738)
30 June 2015	55,738	(55,738)
Variable rate instruments	45,079	(45,079)
30 June 2014	45,079	(45,079)
Fair value of financial assets and liabilities		

The carrying value of financial assets and liabilities reflected in unconsolidated financial statements approximate their respective fair values.

34.4 Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Assets carried at amortized cost	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	Rupees in thousands			
Long term advances	8,006	8,006	12,009	12,009
Long term deposits	90,073	90,073	90,323	90,323
Trade debts	746,333	746,333	571,981	571,981
Advances	3,206	3,206	2,666	2,666
Deposits	4,626	4,626	4,875	4,875
Interest accrued	3,150	3,150	704	704
Other receivables	80,506	80,506	1,820	1,820
Bank balances	2,368,745	2,368,745	216,262	216,262
	3,304,645	3,304,645	900,640	900,640
Liabilities carried at amortized cost				
Long term financing	15,000,000	15,000,000	-	-
Long term musharaka - secured	10,000,000	10,000,000	-	-
Trade and other payables	4,767,794	4,767,794	3,962,314	3,962,314
Markup accrued	416,546	416,546	12,324	12,324
Short term borrowings	835,809	835,809	2,373,832	2,373,832
	31,020,149	31,020,149	6,348,470	6,348,470

34.5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Unconsolidated Financial Statements

For the year ended 30 June, 2015

34.6 Capital management

The Board'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 Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

35. Earnings per share (basic and diluted)

	2015	2014
Profit for the year (Rupees in thousands)	8,667,925	7,871,737
Weighted average number of ordinary shares in issue (Number)	579,384,918	579,384,918
Earnings per share - basic and diluted (Rupees)	14.96	13.59

There is no dilution effect on earnings per share of the Company.

36. Cash and cash equivalents

	2015	2014
	Rupees in thousands	
Bank balances	2,368,745	216,262
Short term running finances	(835,809)	(2,373,832)
	1,532,936	(2,157,570)

37. Plants capacity and production of clinker

		Metric Tonnes	Metric Tonnes
Available capacity	- Hattar	1,170,000	1,170,000
	- Farooqia	1,109,700	1,109,700
	- Chakwal	3,420,000	3,420,000
Actual production	- Hattar	982,588	952,146
	- Farooqia	802,324	758,942
	- Chakwal	2,258,722	2,157,937

During the year the actual production from Hattar remained limited due to planned shut down for the maintenance work at cement mill to maintain its efficiency level.

38. General

38.1 Number of persons employed

	2015	2014
Employees at year end (Number)	2,081	1,705
Average employees during the year (Number)	2,049	1,916

38.2 Post Balance Sheet Events

38.2.1 The Board of Directors in their meeting held on 12 September, 2015 has proposed a final dividend of Rs. 2.5 per share.

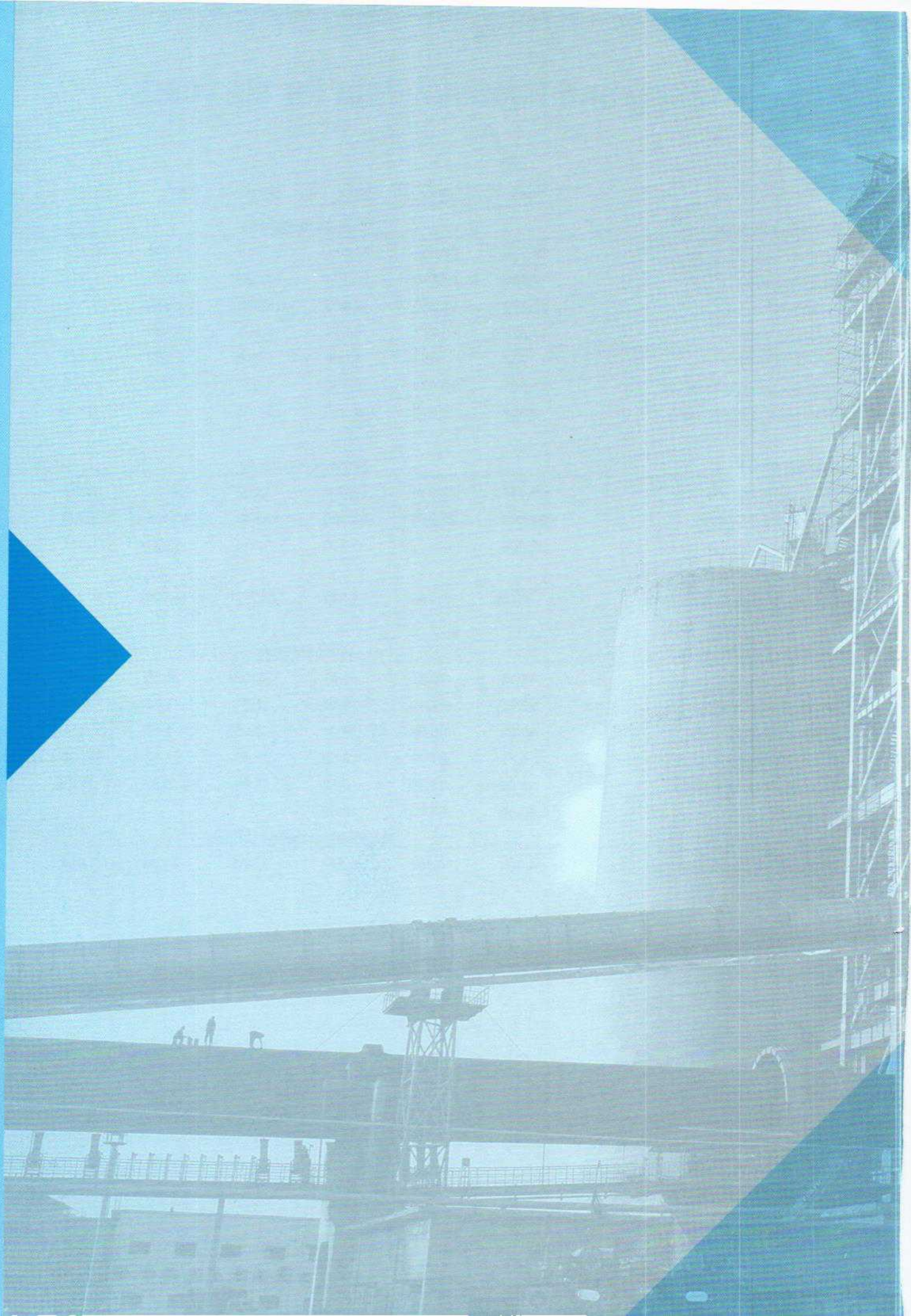
38.2.2 These unconsolidated financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 12 September, 2015.

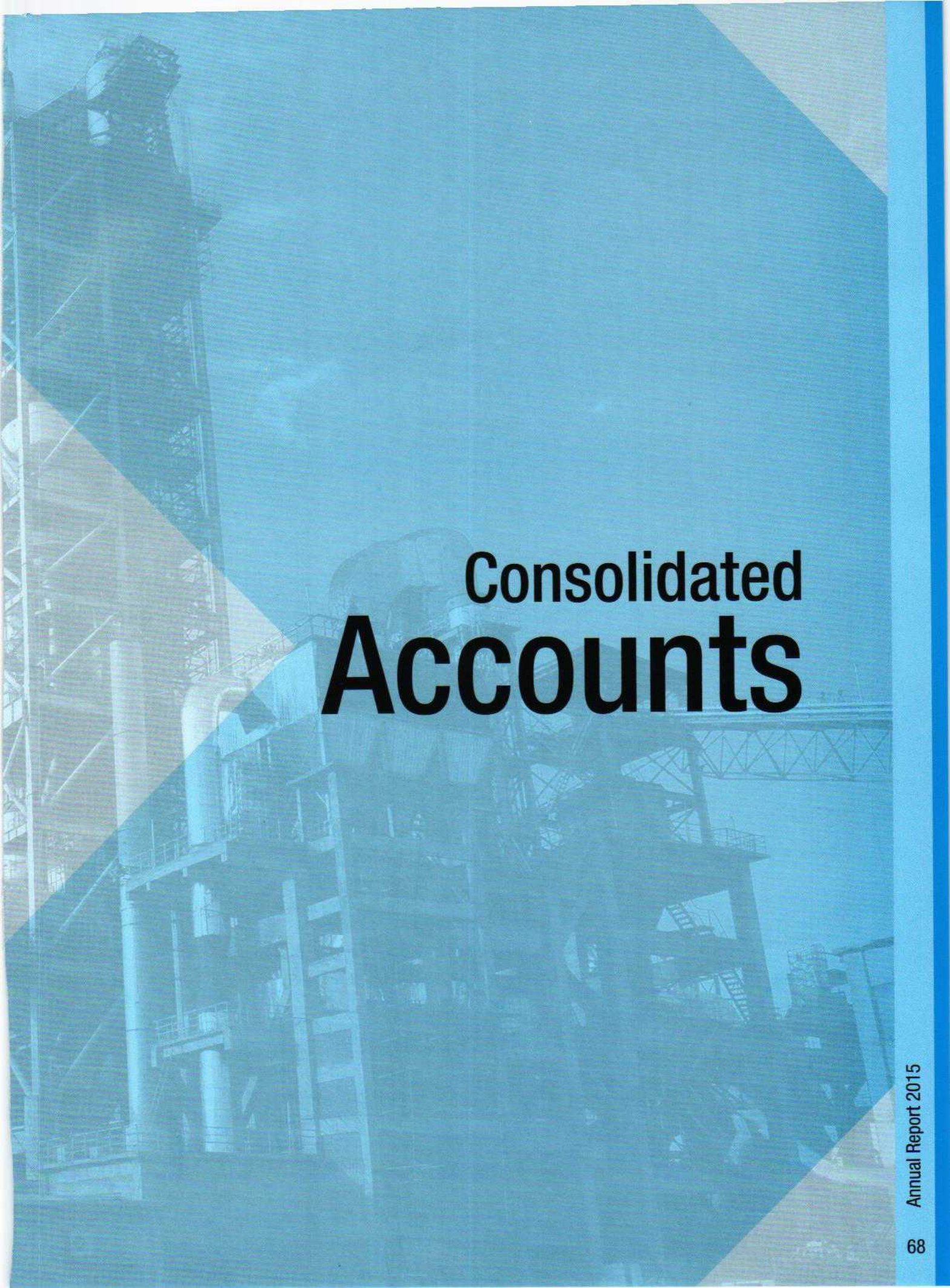

CHIEF EXECUTIVE


DIRECTOR & CFO

Key operating and financial data for six years

	2015	2014	2013	2012	2011	2010
Operating Results	Rupees in millions					
Turnover (net)	30,510	28,951	24,074	17,789	13,332	13,333
Cost of sales	17,955	17,570	14,104	12,093	10,419	11,564
Gross profit	12,554	11,380	9,970	5,696	2,914	1,769
Operating profit	11,423	10,371	8,577	5,152	2,405	571
Financial charges	387	462	1,009	1,916	2,489	2,223
Profit/(loss) before taxation	11,601	10,434	8,135	3,934	424	(1,412)
Profit/(loss) after taxation	8,668	7,872	4,399	3,061	179	(1,209)
Balance Sheet	Rupees in millions					
Shareholders' funds	25,412	22,544	18,444	14,032	10,972	7,006
Operating fixed assets	24,687	24,256	23,508	15,849	16,459	16,896
Long term financing	22,000	-	5,116	5,574	8,221	11,571
Liability subject to finance lease	-	-	-	57	110	154
Net current (liabilities)/ assets	(855)	785	1,222	(2,917)	(4,526)	(4,310)
Significant Financial Ratios	Percentages					
Gross profit ratio	41.15	39.31	41.41	32.02	21.86	13.27
Net profit/(loss) ratio	28.41	27.19	18.27	17.21	1.34	(9.07)
Interest coverage ratio	30.98	23.58	9.06	3.05	1.17	0.36
Return on equity	34.11	34.92	23.85	21.81	1.63	(17.26)
Earnings/(loss) per share	14.96	13.79	7.59	5.29	0.57	(3.95)
Dividend	100.00	65.00	20.00	-	-	-
	In thousand metric tonnes					
Despatches of cement	4,424	4,372	3,977	3,270	3,208	4,253





Consolidated Accounts

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors take pleasure in presenting their report together along with audited consolidated financial statements for the year ended 30 June, 2015.

Assumption of Management Control

Following the acquisition of majority shares in Lafarge Pakistan Cement Limited (now known as Pakcem Limited), Bestway formally assumed management control of the company on 22 April, 2015. The Board of Directors and management of your Company is excited about the addition of Pakcem to Bestway's portfolio and committed to adding efficiencies and synergies where possible resulting in better returns for all stakeholders.

Subsequently, Bestway Cement Limited has become the Holding Company and Pakcem, its subsidiary. The financial year has been changed from Jan-Dec to Jul-Jun and the financial information below represents consolidated accounts for one year of Bestway Cement and three-months period of Pakcem from 22 April, 2015 to 30 June, 2015.

Overview of the Economy

The construction sector registered a growth of 7.0% against a growth of 7.2% last year. Acceleration in the construction activity in the country primarily resulted from execution of various infrastructure projects and increased investment in small scale construction.

Power shortage remained an impediment to economic growth, while interest rates and inflation witnessed a decreasing trend with inflation registering its all-time low since 2003.

Industry Overview

Domestic demand grew by 8% from 26.1 million tonnes to 28.2 million tonnes. Exports on the other hand, registered a decline of 12% from 8.1 million tonnes to 7.2 million tonnes mainly due to slower demand and competitive prices over the corresponding period last year.

Overall industry dispatches slightly increased from 34.2 million tonnes to 35.4 million tonnes during the reporting period.

Production and Sales Review

Consolidated Production and Sales

	30 June 2015 Tonnes	30 June 2014 Tonnes	Increase Tonnes	Percentage Increase
Clinker production	4,294,735	3,869,025	425,710	11%
Cement production	4,776,382	4,368,750	407,632	9%
Cement & Xtreme Bond Sales	4,853,272	4,371,841	481,371	11%

*Figures for the 2015 comprise of full year for Bestway and two months & nine days for Pakcem Limited (formerly Lafarge Pakistan Limited).

Your Company persevered not only in successfully increasing its market share in the north zone from 17% to 21.3%, but has become the largest cement producer in the country. Despite competition in international markets, Bestway continued to be one of the largest exporters of cement to Afghanistan and India.

Operating Highlights

The year under review proved to be another year of fierce competition for cement producers. The Company recorded consolidated sales of Rs 41.5 billion. The Company recorded a consolidated net turnover of Rs32.7 billion and a gross profit of Rs. 13.3 billion.

During the year under review, the Company recorded consolidated profit before taxation of Rs12.8 billion. Profit after taxation for the year amounted to Rs. 10 billion.

Plants' Performance

Your Company's management follows an elaborate plan of preventative maintenance, which it has adopted right from the beginning. This proactive approach ensures efficient and stable operations with minimum disruptions. During the year under review, all our cement plants and the waste heat recovery plants operated satisfactorily.

Bestway is one of the most efficient and lowest cost producers in the industry. Increasing cement consumption should result in an upsurge in prices which will help the Company to maintain healthy margins. Additionally, the acquisition will allow Bestway to easily absorb any unforeseen cost pressures.

Like always, your management is cognisant of the challenges that lie ahead and will continue to make all out efforts to ensure further growth and superior returns in the ensuing years.

We are thankful to all our customers, dealers, suppliers, lenders and other stakeholders. We appreciate all our employees and admire their untiring efforts for the advancement of the Company.

For and on behalf of the Board



Zameer Mohammed Choudrey
Chief Executive Officer

Islamabad:
September 12, 2015


AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Bestway Cement Limited and its subsidiary company as at 30 June 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Bestway Cement Limited and its subsidiary company. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Bestway Cement Limited and its subsidiary company as at 30 June 2015 and the results of their operations for the year then ended.

Islamabad:
12 September, 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi



GREENER EVERYDAY

After the historical inauguration of two eco-friendly 13.5MW waste heat recovery power plants by **Pakistan's No.1 cement group, Bestway Cement & Pakcem** are proud to announce a much smaller carbon footprint.

BUILDING ON STRENGTH



Consolidated Balance Sheet

As at 30 June, 2015

	Note	2015 Rupees in thousands	2014
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up share capital	4	5,793,849	5,793,849
Share premium		3,225,770	3,225,770
Exchange translation reserve		1,111,398	1,069,489
Surplus on revaluation of available for sale investment		1,635,266	202,138
Unappropriated profit		22,544,691	18,283,450
Equity attributable to owners of the Company		34,310,974	28,574,696
Non-controlling interests		2,024,419	-
Total equity		36,335,393	28,574,696
NON CURRENT LIABILITIES			
Long term financing	5	14,498,584	-
Long term musharaka	6	8,800,000	-
Long term advance		1,996	5,988
Deferred liabilities	7	6,124,287	5,349,783
		29,424,867	5,355,771
CURRENT LIABILITIES			
Trade and other payables	8	6,131,988	4,899,142
Markup accrued		437,229	12,324
Short term borrowings	9	2,052,862	2,373,832
Current portion of long term financing	5	2,675,000	-
Current portion of long term musharaka	6	1,200,000	-
Provision for taxation - net		-	160,738
		12,497,079	7,446,036
		78,257,339	41,376,503

CONTINGENCIES AND COMMITMENTS

10

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE

Consolidated Balance Sheet

As at 30 June, 2015

	Note	2015 Rupees in thousands	2014
NON CURRENT ASSETS			
Property, plant and equipment	11	43,448,134	24,224,368
Intangible assets and goodwill	12	11,446,629	32,374
Investment property	13	345,905	345,785
Long term investment	14	10,983,221	8,444,561
Long term advances		14,333	8,006
Long term deposits	15	133,482	90,323
		<u>66,371,704</u>	<u>33,145,417</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	16	4,136,001	4,044,671
Stock in trade	17	2,718,225	1,932,612
Trade debts - considered good	18	862,701	571,981
Advances	19	443,745	400,784
Deposits and prepayments	20	65,731	21,518
Other receivables	21	135,856	2,523
Advance tax - net		308,890	-
Due from Government agencies	22	726,554	1,040,735
Cash and bank balances	23	2,487,932	216,262
		<u>11,885,635</u>	<u>8,231,086</u>
		<u>78,257,339</u>	<u>41,376,503</u>


DIRECTOR & CFO

Consolidated Profit and Loss Account

For the year ended 30 June, 2015

	Note	2015 Rupees in thousands	2014
Turnover - net	24	32,693,050	28,950,528
Cost of sales	25	19,434,878	17,570,204
Gross profit		13,258,172	11,380,324
Administrative expenses	26	441,092	302,155
Distribution cost	27	790,141	706,974
Other expenses	28	766,598	596,702
Finance cost	29	456,928	462,030
Other income	30	(116,669)	(138,371)
		2,338,090	1,929,490
Share of profit of associated company		1,947,751	1,662,211
Profit before taxation		12,867,833	11,113,045
Taxation	31	(2,799,452)	(2,562,419)
Profit for the year		10,068,381	8,550,626
Profit attributable to:			
Owners of the Company		9,988,764	8,550,626
Non-controlling interests		79,617	-
		10,068,381	8,550,626

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Consolidated Statement of Comprehensive Income

For the year ended 30 June, 2015

	2015	2014
	Rupees in thousands	
Profit for the year	10,068,381	8,550,626
Items that will never be reclassified to profit or loss		
Experience adjustment on defined benefit liability	(8,370)	(7,165)
Related tax effect	2,305	1,973
	(6,065)	(5,192)
Experience adjustment on defined benefit liability of associates	80,433	-
Related tax effect	(8,043)	-
	72,390	-
Items that are or may be reclassified to profit or loss		
Company's' share of associate's		
Foreign operations – foreign currency translation differences	41,909	26,402
Available-for-sale financial assets – net change in fair value	1,592,365	(195,928)
Cash flow hedges – effective portion of changes in fair value	-	1,219
Related tax effects	(159,237)	19,471
	1,475,037	(148,836)
Other comprehensive income, net of tax	1,541,362	(154,028)
Total comprehensive income for the year	11,609,743	8,396,598
Total comprehensive income attributable to:		
Owners of the Company	11,530,126	8,396,598
Non-controlling interests	79,617	-
	11,609,743	8,396,598

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Consolidated Cash Flow Statement

For the year ended 30 June, 2015

	Note	2015 Rupees in thousands	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,867,833	11,113,045
Adjustments for:			
Gain on disposal of operating fixed assets		(12,347)	(24,284)
Depreciation		1,325,784	1,061,031
Amortization		5,397	5,919
Rental income from investment property		(26,705)	(24,639)
Profit on deposit accounts		(66,553)	(51,794)
Gain on remeasurement of investment property to fair value		(120)	(31,791)
Finance cost		456,928	462,030
Share of profit of equity-accounted investees, net of tax		(1,947,751)	(1,662,211)
Provision for staff retirement benefits		53,292	38,752
		(212,075)	(226,987)
		12,655,758	10,886,058
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		822,895	(327,402)
Stock in trade		253,293	290,823
Trade debts		(164,133)	(283,309)
Advances		48,098	(186,741)
Deposits and prepayments		(15,075)	43,080
Other receivables		(28,798)	(499)
Due from Government agencies		314,181	(111,104)
Increase in current liabilities			
Trade and other payables		(1,918,039)	329,734
		(687,578)	(245,418)
Cash generated from operations		11,968,180	10,640,640
Finance cost paid		(249,363)	(518,533)
Staff retirement benefits paid		(25,739)	(13,962)
Income tax paid during the year		(1,976,577)	(694,882)
		(2,251,679)	(1,227,377)
Net cash generated from operating activities		9,716,501	9,413,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		(1,476,026)	(2,006,300)
Proceeds from sale of operating fixed assets		26,593	42,802
Rent received from investment property		27,054	30,945
Decrease in long term advance		11	4,003
Cash paid on acquisition of the Subsidiary Company		(25,806,342)	-
Dividend received from associate		1,123,798	983,322
Profit on deposit accounts received		64,528	51,230
Decrease/ (increase) to long term deposits		42,240	(57)
Net cash used in investing activities		(25,998,144)	(894,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		15,000,000	-
Repayment of long term financing		(437,500)	(5,868,750)
Long term shirkat-ul-melk - repayments		-	(200,000)
Liability against asset subject to finance lease - repayments		-	(59,061)
Proceeds from long term musharika		10,000,000	-
Repayment of long term musharika		-	(300,000)
Dividend paid		(5,172,357)	(3,618,991)
Net cash generated/ (used) in financing activities		19,390,143	(10,046,802)
Net increase/ (decrease) in cash and cash equivalents		3,108,500	(1,527,594)
Cash and cash equivalents at beginning of the year		(2,157,570)	(629,976)
Short term borrowing acquired as part of business combination		(515,860)	-
Cash and cash equivalents at end of the year	36	435,070	(2,157,570)

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Consolidated Statement of Changes in Equity

For the year ended 30 June, 2015

Equity attributable to owners of the Company								
	Capital Reserves				Revenue reserve			
	Issued, subscribed and paid up share capital	Share premium	Exchange translation reserve	Cash flow hedge reserve - net of tax	Surplus / (deficit) on revaluation of available for sale investment - net of tax	Unappropriated profit	Non-controlling interests	Total
	Rupees in thousand							
Balance at 1 July 2013	5,793,849	3,225,770	1,043,087	(1,097)	378,473	13,504,018	-	23,944,100
Profit for the year	-	-	-	-	-	8,550,626	-	8,550,626
Other comprehensive income	-	-	26,402	1,097	(176,335)	(5,192)	-	(154,028)
Total comprehensive income for the year	-	-	26,402	1,097	(176,335)	8,545,434	-	8,396,598
Transactions with owners, recorded directly into equity								
Dividend - Final 2013 @ Rs. 2 per share	-	-	-	-	-	(1,158,770)	-	(1,158,770)
Dividend - Interim @ Rs. 2 per share	-	-	-	-	-	(1,158,770)	-	(1,158,770)
Dividend - Interim @ Rs. 2.5 per share	-	-	-	-	-	(1,448,462)	-	(1,448,462)
Total transactions with owners, recorded directly into equity	-	-	-	-	-	(3,766,002)	-	(3,766,002)
Balance at 30 June 2014	5,793,849	3,225,770	1,069,489	-	202,138	18,283,450	-	28,574,696
Balance at 1 July 2014	5,793,849	3,225,770	1,069,489	-	202,138	18,283,450	-	28,574,696
Profit for the year	-	-	-	-	-	9,988,764	79,617	10,068,381
Other comprehensive income	-	-	41,909	-	1,433,128	66,325	-	1,541,362
Total comprehensive income for the year	-	-	41,909	-	1,433,128	10,055,089	79,617	11,609,743
Transactions with owners, recorded directly into equity								
Dividend - Final 2014 @ Rs. 2.5 per share	-	-	-	-	-	(1,448,462)	-	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	-	-	-	(1,448,462)	-	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	-	-	-	(1,448,462)	-	(1,448,462)
Dividend - Interim 2015 @ Rs. 2.5 per share	-	-	-	-	-	(1,448,462)	-	(1,448,462)
Total transactions with owners, recorded directly into equity	-	-	-	-	-	(5,793,848)	-	(5,793,848)
Changes in ownership interests								
Acquisition of subsidiary with NCI							1,944,802	1,944,802
Balance at 30 June 2015	5,793,849	3,225,770	1,111,398	-	1,635,266	22,544,691	2,024,419	36,335,393

The annexed notes from 1 to 39 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR & CFO

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

1. THE COMPANY AND ITS OPERATIONS

Bestway Cement Limited ("the Parent Company") is a public company incorporated in Pakistan on 22 December 1993 under the Companies Ordinance, 1984 and is listed on the Karachi Stock Exchange Limited since 09 April 2001. The Company's registered office is at Bestway Building, 19-A, College Road F-7 Markaz, Islamabad. The Group is primarily involved in manufacturing and sale of cement.

These consolidated financial statements comprise the Company and its subsidiary (collectively the 'Group' and individually 'Group companies')

Subsidiary company

On 22 April 2015, the Parent Company assumed management control of Pakcem Limited (formerly Lafarge Pakistan Cement Limited) ("the subsidiary company"). Pursuant to the Parent Company's successful bid for 75.86% of Lafarge Pakistan's shares for an enterprise value of USD 329 million in July 2014 and acquisition of another 12.07% shares of the target company through the public offer process. Accordingly, Pakcem Limited has become a subsidiary of the Company during the period.

Other significant decisions

The Company has agreed to acquire 300,002 shares representing 50% of the issued share capital in Ecocem Pakistan (Pvt.) Limited held by Lafarge Industrial Ecology International for a consideration of Rs. 22.4 million. Ecocem is in the business of sorting, processing and selling solid municipal waste. Share purchase agreement was entered before year end, however management expects to materialise transaction after year end.

The Company is considering acquisition of 14,091,087 ordinary shares of Rs. 10 each representing 12.23% in UBL Insurers Limited ("UIL") currently held by the Abu Dhabi Group. The price is to be negotiated between the Buyer and the Sellers. Currently, Bestway (Holdings) Limited and United Bank Limited, associated companies of "the Company" jointly hold 85.60% shares in the Target Company along with management control. The proposed transaction will be subject to necessary legal formalities.

2. BASIS OF PREPARATION

2.1 Consolidated financial statements

Pursuant to the acquisition of the Subsidiary Company Bestway Cement Limited has prepared consolidated financial statements of the Group for the year ended 30 June 2015.

The consolidated financial statements include the financial statements of the parent company and its 88.2% owned subsidiary company Pakcem Limited (formerly known as Lafarge Pakistan Cement Limited).

2.2 Statement of compliance

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

The applicable framework for banks also includes the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan.

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following:

- investment property has been measured at fair value; and
- liability related to staff retirement benefits are measured at values determined through actuarial valuation.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

2.4 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. The consolidated financial statements are presented in Pakistani Rupees (PKR), which is the Company's functional and presentation currency. Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

2.5 Use of estimates and judgments

The preparation of consolidated financial statements is in conformity with the approved accounting standards that requires management to make judgments, estimates and assumptions that affect the application of policies and 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 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 estimates are 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is discussed in the ensuing paragraphs :

2.5.1 Property, plant and equipment

The Group reviews the useful lives and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment's with a corresponding effect on the depreciation charge and impairment loss.

2.5.2 Provision for inventory obsolescence and doubtful receivables

The Group reviews the carrying amount of stores, spare parts and loose tools and stock in trade on a regular basis. Provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spare parts and loose tools, further carrying amount of stock in trade is adjusted where the net realisable value is below the cost. Further, the carrying amounts of trade and other receivables, are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

2.5.3 Taxation

The Group takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

The Group also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.5.4 Provision of staff retirement gratuity

The Group adopts certain actuarial assumptions as disclosed in note 8.2 to these consolidated financial statements for determination of present value of defined benefit obligations. Any change in these assumptions in future years might affect the carrying values of the provisions.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

2.5.5 Provisions and contingencies

The Group reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.5.6 Impairment of assets

In making an estimate of future cash flows from the Group's assets including investment in associate, the management considers estimated future cash flows and its ultimate net disposal value.

2.5.7 Fair value of net assets of the Subsidiary

Fair value measured on provisional basis as explained in note 35, the fair value of net assets acquired for the Subsidiary Company has been determined on provisional basis.

2.5.8 Fair value of investment property

The Parent Company regularly reviews the fair value of investment property, the estimate of fair values are directly linked to market value conditions. Any change in estimate will effect the carrying value of investment property with corresponding impact on profit and loss account.

2.6 Standards, interpretations and amendments to approved accounting standards that are 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 the consolidated 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 consolidated 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 consolidated financial statements' and will deal with only separate consolidated 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. The amendments are not likely to have an impact on the consolidated financial statements.
- 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 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 the consolidated 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

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

(i.e. joint operations or joint ventures), associates and/or consolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the consolidated financial statements, except for certain additional disclosures.

- 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 Group is assessing the impact of this standard on the consolidated financial statements.
- Amendments to IAS 27 'Separate consolidated 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 consolidated financial statements. The adoption of the amended standard is not likely to have an impact on the consolidated 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, an entity 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 the consolidated 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 involve 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 the consolidated 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, however these are not likely to have an impact on the consolidated financial statements;

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

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiary

Subsidiary is that enterprise in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Jointly controlled entities are those entities over whose activities the company has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

3.2 Employees' Benefits

Gratuity - Defined benefit plan

The Parent Company maintains an unfunded gratuity scheme for all its eligible employees. Annual provision for gratuity is made on the basis of actuarial valuation carried out by using the Projected Unit Credit Method. Latest valuation was conducted as at 30 June 2015.

Certain actuarial assumptions have been adopted as disclosed in note 7.2 to the consolidated financial statements for valuation of present value of defined benefit obligations.

Compensated absences

The Parent Company recognises provision for compensated absences on an undiscounted basis and are expensed as the related services is provided. A liability is recognized for the amount expected to be paid under compensated absences if the Parent Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The compensated absences are payable to employees at the time of retirement / termination of service. The provision is determined on the basis of last drawn salary and accumulated leaves balance at the reporting date.

Defined contribution plan

The Subsidiary Company operates an approved contributory provident fund for all its employees. Equal monthly contributions are made to the fund by the Subsidiary Company and the employees, at the rate of 10% of the employee's basic salary. The Subsidiary Company's contribution to the provident fund is recognized in the statement of comprehensive income, as incurred.

3.3 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss account except to the extent that it relates to items recognized directly in comprehensive income or equity, in which case it is recognized in comprehensive income or equity.

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, and any adjustment to tax payable in respect of previous year in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying value of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity, but the Group intends to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised and settled simultaneously.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting not taxable profit or loss;

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

- Temporary differences related to investments in subsidiaries and associates to the extent the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged or credited to income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the differences reverse, based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.4 Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

3.5 Borrowing cost

Markup, interest and other charges on borrowings used for acquisition and construction of qualifying assets are capitalized up to the date when the qualifying assets are substantially ready for their intended use. Borrowing cost is included in the related property, plant and equipment acquired / constructed out of the proceeds of such borrowings. All other markup, interest and related charges are charged to the profit and loss account in the period in which they are incurred.

3.6 Property, plant and equipment

Tangible assets

Owned

These are measured at cost, which includes purchase price, import duties, directly attributable costs and related borrowing costs less accumulated depreciation and impairment loss, if any. Freehold land and capital work in progress are stated at cost less impairment loss, if any.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred whereas major improvements and modifications are capitalized.

Depreciation is charged to income applying the reducing balance method except leasehold land, buildings and plant and machinery. Buildings and plant and machinery are depreciated on straight line method. Leasehold land is amortized over the remaining period of the lease. Rates of depreciation / estimated useful lives are mentioned in note 11.1.

Depreciation is charged on prorata basis from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off. Days in excess of fifteen days are considered as full month for the purpose of calculation of depreciation.

Gains and losses on disposals of property, plant and equipment are taken to the profit and loss account.

3.7 Intangible assets

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably. These are stated at cost less accumulated amortization and impairment losses, if any.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

Amortization of intangible assets, having finite useful life, is charged by applying straight line method over their estimated useful lives, so as to write off the cost of assets at amortization rate as mentioned in note 12 to the consolidated financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is recognised in profit and loss account as incurred.

3.8 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, used in production or supply of goods or services or for administration purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit and loss account.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment property is stated at its fair value at the balance sheet date. Gain or losses, arising from the change in the fair value of investment property are recognized in profit or loss for the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification became its cost for subsequent accounting.

3.9 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss account.

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 recognised.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

3.10 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Pak Rupees at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Pak Rupees at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed off in its entirety or partially such that control, significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.11 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realisable value.

For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

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

3.12 Stock in trade

Stocks of raw materials, work in process and finished goods are valued at lower of weighted average cost and net realisable value. Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realisable value signifies estimated selling price less estimated cost of completion and estimated cost to sell.

3.13 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of transfer of risk and rewards varies depending on the individual's terms of the sale agreements. For some international shipments, transfer occurs on the loading of goods onto the relevant carrier at the port.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

Return on deposit is accounted for on a time proportion basis. Dividend income is recognized when the right to receive such income is established. Rental income on investment property is recognized when due.

3.14 Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, markup bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.6.

3.15 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets as loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to setoff the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

3.16 Dividend

Dividend distribution to the shareholders is recognised as liability in the period in which it is declared.

2015	2014		2015	2014
Number of Shares			Rupees in thousands	
514,163,552	514,163,552	Ordinary shares of Rs.10 each issued for cash	5,141,636	5,141,636
64,038,422	64,038,422	Ordinary shares of Rs. 10 each issued as fully paid bonus share	640,384	640,384
1,182,944	1,182,944	Ordinary shares of Rs. 10 each pursuant to scheme of amalgamation	11,829	11,829
<u>579,384,918</u>	<u>579,384,918</u>		<u>5,793,849</u>	<u>5,793,849</u>

Authorised share capital

700,000,000 (2014: 700,000,000) ordinary shares of Rs.10 each	<u>7,000,000</u>	<u>7,000,000</u>
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4.1 Bestway (Holdings) Limited, U.K. is the parent company controlling 319,885,740 i.e. 55.32% (2014: 319,885,740 i.e. 55.32%) ordinary shares of Rs. 10 each of the Company and 38,164,582 (2014: 41,470,129) ordinary shares of Rs. 10 each and 39,121,271 (2014: 39,121,271) ordinary shares of Rs. 10 each are held by nominee directors and associated companies respectively.

5. Long term financing - secured

Syndicate term finance facilities

	Note	2015	2014
		Rupees in thousands	
Obtained by the Parent Company	5.1 & 5.2	15,000,000	-
Obtained by the Subsidiary Company	5.3	2,173,584	-
Current portion of long term financing		(2,675,000)	-
		<u>14,498,584</u>	<u>-</u>

5.1 Syndicate term finance facilities

Allied Bank Limited	5,500,000	-
Habib Bank Limited	5,500,000	-
Soneri Bank Limited	1,500,000	-
Askari Bank Limited	1,000,000	-
MCB Bank Limited	1,500,000	-
	<u>15,000,000</u>	<u>-</u>

5.2 This represents term finance from a syndicate of banks with Allied Bank Limited as lead bank. This facility is repayable in 10 stepped up semi annual installments starting from October, 2015. Markup is payable on semi annual basis at the rate of KIBOR plus 0.50% per annum. This facility along with the facility disclosed in note 6 is secured against all present and future assets excluding land and buildings of the Company for an amount of Rs. 33.33 billion and mortgage charge created by way of deposit of title deeds.

5.3 This represents term finance from a syndicate of banks with MCB Bank Limited as lead bank. This facility is repayable in 5 equal semi annual installments. This facility carried markup ranging between 6 months KIBOR plus 225 and 115 basis points with an effective rate of six months KIBOR plus 40 basis points at the period end.. This facility is secured against asset of the Subsidiary Company up to an amount of Rs. 5,333 million.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

6. Long term musharka - secured

	Note	2015 Rupees in thousands	2014
Meezan Bank Limited		3,000,000	-
Faysal Bank Limited		3,000,000	-
Bank Alfalah Limited		3,000,000	-
Dubai Islamic Bank Limited		1,000,000	-
	6.1	10,000,000	-
Current portion of long term musharka		(1,200,000)	-
		8,800,000	-

6.1 This facility is repayable in 10 stepped up semi annual installments starting from October, 2015 and is from a syndicate of banks. Markup is payable on semi annual basis at the rate of KIBOR plus 0.50% per annum. This facility is secured against security as provided in Note 5.2 above.

7. Deferred liabilities

	Note	2015 Rupees in thousands	2014
Deferred taxation	7.1	5,869,067	5,130,486
Provision for gratuity	7.2	236,483	199,730
Provision for compensated absences	7.3	18,737	19,567
		6,124,287	5,349,783

7.1 Deferred tax liability is recognised on following major temporary differences:

Taxable temporary differences			
Accelerated depreciation		8,445,892	4,571,911
Accelerated amortization		7,096	7,348
Surplus of revaluation of available for sale investments		181,696	22,460
Share of profit of associated company		611,163	528,767
Other differences related to associate's OCI		8,043	-
Deductible temporary differences			
Tax losses		(3,003,730)	-
Tax credits		(380,250)	-
Other temporary differences		(843)	-
	7.1.1	5,869,067	5,130,486

7.1.1 Movement of deferred tax liability is as follows:

Opening balance		5,130,486	3,866,567
Deferred tax recognised through business combination		116,516	-
Credit/(charge) recognised in profit and loss account for the year		(370,214)	1,283,390
Adjustment of group relief	7.1.2	825,000	-
Charge recognised through other comprehensive income		167,280	(19,471)
Closing balance		5,869,068	5,130,486

7.1.2 Based on the Group's estimate of future export sales, adjustment of Rs. 1,927 million (2014: Rs. 1,039 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 578.11 million (2014: Rs. 363.53 million) with corresponding decrease in deferred tax liability by the same amount.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

7.1.3 This represents the purchase of carried forward tax losses under Group relief provisions of the Income Tax Ordinance, 2001 pursuant to the decision of Board of directors of the Parent Company and the Subsidiary Company in their meetings held on 29 June 2015. Subsequent to the period end on 08 September 2015, the Parent Company has been registered as Group under serial number GR000041 and now is entitled to obtain Group Designation letter from SECP to avail the benefit of Group Relief under the Income Tax Ordinance 2001. Further application has been filed with the tax authorities to change the tax year of the Subsidiary to 30 June 2015. The management of the Parent Company expects that the approvals will have been received prior to filing of tax return for the Tax year 2015 and accordingly the Parent Company will be able to adjust the tax loss purchased against tax liability of the Parent Company.

7.2 The amount recognised in the balance sheet is as follow:

	2015	2014
	Rupees in thousands	
Present value of defined benefit obligation	236,483	199,730
Net defined benefit liability	236,483	199,730
Balance at 1 July	199,730	164,451
Included in profit and loss account		
Current service cost	28,478	23,967
Interest cost	24,814	18,109
	53,292	42,076
Included in other comprehensive income		
Remeasurement losses		
Experience adjustments	8,370	7,165
Others		
Benefits paid	(24,909)	(13,962)
Balance at 30 June	236,483	199,730

Actuarial Assumptions

The following were the principal assumptions at the reporting date (expressed as weighted averages).

	2015	2014
Discount rate	9.75%	13.25%
Future salary growth	8.75%	12.25%
Withdrawal rates	Moderate	Moderate

Assumption regarding future mortality has been based on published statistics and mortality tables. The mortality rates are based on State Life Insurance Corporation (SLIC) 2001-05 ultimate mortality rate (2014: State Life Insurance Corporation (SLIC) 2001-05 ultimate mortality rate), rated down by one year.

Sensitivity analysis

Reasonably possible changes at the reporting date at one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligations by the amount shown below;

	30 June 2015		30 June 2014	
	Increase	Decrease	Increase	Decrease
	Rupees in thousands			
Discount rate (1% movement)	(16,207)	18,869	(13,982)	16,955
Future salary growth (1% movement)	19,881	(17,339)	16,955	(14,221)
Future mortality (1 year change)	63	(63)	389	(279)
Withdrawal rate (10% movement)	380	(398)	653	(1,000)

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Expected maturity profile

Following are the expected distribution and timing of benefit payments at year end;

	2015	2014
	Rupees in thousands	
Year 1	67,977	42,845
Year 2	10,231	30,397
Year 3	15,242	9,608
Year 4	14,431	14,820
Year 5	21,359	14,888
Year 6 to Year 10	71,701	87,405
Year 11 and above	483,785	826,137

Expected gratuity expense for the next financial year is Rs. 50.65 million (2014: Rs. 50.33 million).

Risk associated with defined benefit plan

Longevity Risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Historical information

Present value of the defined benefit obligation

	2015	2014	2013	2012	2011
	Rupees in thousands				
Present value of defined benefit obligation	236,483	199,730	164,451	125,605	105,421
Net liability at end of the year	236,483	199,730	164,451	125,605	105,421

- 7.3 Actuarial valuation of compensated absences has not been carried out since the management believes that the effect of actuarial valuation would not be material.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

	Note	2015 Rupees in thousands	2014
8. Trade and other payables			
Payable to contractors and suppliers		1,157,335	1,417,099
Accrued liabilities	8.1	2,257,410	1,893,907
Advances from customers		167,393	90,788
Security deposits		80,661	47,874
Retention money		50,664	15,383
Workers' Profit Participation Fund		594,979	695,770
Workers Welfare Fund payable		312,966	105,595
Excise duty payable		187,655	37,189
Advance rent of investment property		7,835	7,486
Other payables	8.2	103,508	67,143
Donation payable to Bestway Foundation		166,401	97,218
Dividend payable		1,045,181	423,690
		6,131,988	4,899,142

8.1 This includes an amount of Rs. 32.84 million (2014: Rs. 27.46 million) payable to Sui Northern Gas Pipeline Limited (SNGPL) against gas consumption during the month of June 2015 by the Parent Company. The Parent Company has issued bank guarantees in the normal course of business to SNGPL for commercial and industrial use of gas for an amount of Rs. 1,252.41 million (2014: Rs. 1,252.41 million).

8.2 This includes an amount of Rs. 42 million (2014: Rs. 42 million) on account of provision, recorded on a prudent basis, which the management feels will ultimately be required to be paid to owners of the land acquired for hattar plant as ordered by the Honorable Peshawar High Court. However, the Parent Company has filed an appeal in the Honorable Supreme Court of Pakistan.

9. Short term borrowings - secured

Running finance from banking companies

Availed by the Parent Company

	Note	2015 Rupees in thousands	2014
Soneri Bank Limited	9.1	350	247,953
Allied Bank Limited	9.2	810,083	1,008,438
Habib Bank Limited	9.3	25,376	451,900
Askari Bank Limited		-	165,541
Meezan Bank Limited		-	500,000

Availed by the Subsidiary Company

Running finance facilities	9.4	1,217,053	-
		2,052,862	2,373,832

9.1 This represents the utilized amount of a running finance facility of Rs. 300 million for a period of one year (2014: Rs. 300 million). Markup is payable on quarterly basis at the rate of three month's KIBOR plus 0.40% (2014: three months' KIBOR plus 0.60%) per annum. The facility is secured by first pari passu hypothecation charge on all present and future current assets of the Parent Company for an amount of Rs. 634 million (2014: Rs. 400 million).

9.2 This represents the utilized amount of a running finance facility of Rs. 1,150 million for a period of one year (2014: Rs. 1,150 million). Markup is payable on quarterly basis at the rate of one month KIBOR plus 0.40% (2014: one month KIBOR plus 0.40%) per annum. The facility is secured by lien over saving accounts and first pari passu hypothecation charge on all present and future assets excluding land and buildings of the Parent Company for an amount of Rs. 1,333.33 million (2014: Rs. 1,333.33 million).

9.3 This represents the utilized amount of running finance facility of Rs. 970 million for a period of one year (2014: Rs. 970 million). Markup is payable on quarterly basis at the rate of three month's KIBOR plus 0.50% (2014: three months' KIBOR plus 0.60%) per annum. The facility is secured by first pari passu hypothecation charge over all present and future movables assets and current assets of the Company for an amount of Rs. 1,294 million (2014: Rs. 1,294 million).

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

- 9.4** This represents utilised portion of short-term running finance facilities from various commercial banks with an aggregate sanctioned limit of Rs. 2,500 million (2014: Rs. 2,500 million). Mark-up is payable on a quarterly basis in arrears, at the rate of 3 months KIBOR + 0.50% to 1.5% (2014: 3 months KIBOR + 0.50% to 1.25%) per annum. These facilities are secured against all present and future assets of the Company excluding land, building, cash and cash equivalents.

9.5 Unavailed facilities

The Group has running finance facilities and other short term borrowing facilities for an amount of Rs. 9,357 million (2014: Rs. 7,126 million) which the Group has not availed at the year end.

Facilities of letters of guarantee and letters of credit amounting to Rs. 1,646 million (2014: Rs. 309.08 million) and Rs. 5,920 million (2014: Rs. 5,626.03 million) respectively are available to the Company. Facilities of letters of guarantee are secured by first pari passu charge on present and future assets of the Group.

10. Contingencies and commitments

10.1 Contingencies and commitments of the Parent Company

	Note	2015 Rupees in thousands	2014
In respect of bank guarantees of the Parent Company	10.1.1	32,627	40,457
In respect of letters of credits of the Parent Company		546,103	1,024,567

10.1.1 All bank guarantees are secured by way of charge over operating fixed assets of the Parent Company.

10.1.2 Competition Commission of Pakistan (CCP) issued a show cause notice dated 28 October 2008 to 21 cement companies (including the Parent Company) under section 30 of the Competition Ordinance, 2007. On 27 August 2009, CCP imposed a penalty of Rs. 710 million on the Parent Company and MCL. The cement manufacturers (including the Parent Company) has challenged the CCP order in Honourable High Court and the Honourable High Court has passed an interim order restraining CCP from taking any adverse action against these 21 cement companies.

Against the above referred order of CCP dated 27 August 2009 an appeal was also filed as abundant caution in the Honourable Supreme Court of Pakistan under Section 42 of the Competition Ordinance, 2007. During the year, the case was fixed for hearing on time to time, however because of non availability of defendant, the hearings of the case were adjourned. These appeals are still pending and management is confident of a favorable outcome of the case.

10.1.3 Initially DCIR raised assessment against the Parent Company for the tax years 2010 to 2012 for alleged suppression of production worked backed by using "Standard Gypsum Consumption Formula". On appeal by the Parent Company, the CIR(A) vide orders dated 25 July 2013, set aside the assessment for denovo consideration with directions. the Parent Company has filed an appeal before the Honorable ATIR against the set-aside order of the CIR(A), which is pending for adjudication.

Onward the DCIR completed the re-assessment assuming production at 98 % of rated capacity, without confronting to the Parent Company and raised an aggregate demand of Rs. 8,541 million (BCL Rs. 6,982 million and MCL Rs. 1,559 million) for the tax years 2010 to 2012. On appeal by the Parent Company, the CIR(A) vide order dated 22 May 2014 endorsed the view of the DCIR but reduced assumed production of the plant to 86.66 % of rated capacity using weighted average capacity utilization of another cement manufacturer.

On appeal filed by the Parent Company the ATIR has annulled the orders of tax authority. The tax Department has filed reference before the Honourable Islamabad High Court against the appellate orders of the ATIR.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

- 10.1.4** The tax authority conducted audit of sales tax affairs of the Parent Company and consequent to audit proceedings, the tax authority framed order-in-original No. 01 of 2015 dated 31 August 2015 through which the tax demand of Rs. 230.91 million was raised. the Parent Company is in process of filing an appeal before the CIR(A) against the said order of the tax authority.
- 10.1.5** Based on an audit for the period from July 2009 to June 2010, DCIR vide Order-in-Original No. 23 of 2013 dated 30 April 2013 raised aggregate sales tax demand of Rs. 639.17 million against the Parent Company mainly on suppression of production. On appeal by the Parent Company, the CIR(A) vide order dated 25 July 2013, set aside the order in original and directed the DCIR for a fresh consideration of the matter. the Parent Company has filed an appeal before the Honorable ATIR against the order of the CIR(A), which is pending for adjudication. The management is confident of a favorable outcome of the case.
- 10.1.6** Sales Tax Department has raised tax demand of Rs. 52.75 million vide order dated 27 March 2010 mainly for misconstrued/ duplicate demand of Sales Tax and Federal Excise Duty on sale of clinker and rejection of input tax on certain eligible items. On first appeal, the CIR(A) confirmed the order while in second appeal by the Parent Company the Honorable Appellate Tribunal Inland Revenue vide order dated 24 February 2011 has set aside the assessment for denovo consideration, resultantly no demand exists at the moment. the Parent Company has also filed an appeal before Islamabad High Court against the set aside order praying for annulment of the assessment.
- In re-assessment proceedings the Department again maintained the assessment at a tax demand of Rs. 52.75 million vide order dated 14 September 2012. On appeal, the CIR(A), vide an order dated 21 November 2012, set aside the assessment for denovo consideration, hence no demand exists as of today.
- 10.1.7** There are certain other cases outstanding as on 30 June 2015 other than those disclosed in these consolidated financial statements. The management assess and claim favorable outcome in these cases and the lawyers have also asserted management claims in respect of favorable outcome.

10.2 Contingencies and commitments of the Subsidiary Company

- 10.2.1** The Subsidiary Company has issued post dated cheques, aggregating to Rs. 4.07 million (2014: Rs. 4.07 million) in favor of the Collector of Customs against the import duty payable on polypropylene sacks.
- 10.2.2** The Subsidiary Company has issued i) a bank guarantee of Rs. 146 million (2014: Rs. 146 million) in favor of Sui Northern Gas Pipelines Limited, in lieu of security deposits against supply of natural gas to its cement manufacturing plant in Chakwal ; ii) a bank guarantee of Rs. 104.84 million (2014: Rs. 104.84 million) to Controller Military Accounts, Defense Purchase, Rawalpindi, against cement dispatches ; and iii) a bank guarantee of Rs. 1.02 million (2014: Rs. 0.97 million) to Bureau of Indian Standards, against exports to India.
- 10.2.3** In 1998, a demand was raised by the Revenue Authority, District Chakwal, Punjab, in respect of a shortfall in stamp duty and penalty thereon, amounting to Rs. 44.93 million and Rs. 224.66 million, respectively, in respect of land mortgaged by the Subsidiary Company against long-term foreign currency financing. During the course of appellate procedures, the Chief Revenue Authority, Board of Revenue, Punjab, reiterated the demand.

The Subsidiary Company challenged the demand by filing a revision petition with the Honorable Lahore High Court, which was dismissed by the Honorable Lahore High Court in April 2008. the Subsidiary Company filed an appeal with the Honorable Supreme Court of Pakistan against the aforementioned decision of the Honorable Lahore High Court. The Honorable Supreme Court of Pakistan accepted the Subsidiary Company's plea and remanded the case back to the Honorable Lahore High Court, vide its order dated 19 June 2009.

The Honorable Lahore High Court, through its order dated 13 November, 2013, decided the matter against the Subsidiary Company and directed the Revenue Authority, District Chakwal, Punjab, to recover the defaulted amount of stamp duty, of Rs. 44.93 million, with a penalty equal to five times the amount of the default from the Subsidiary Company. Pursuant to the High Court's judgment, the Revenue Officer

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served a demand notice of the said amount to the Subsidiary Company, under Section 81 of the Land Revenue Act, 1967, on 24 December, 2013. the Subsidiary Company has filed an appeal in the Honorable Supreme Court of Pakistan against the decision of the Honorable High Court. The Honorable Supreme Court of Pakistan has granted leave to appeal which was filed.

The legal counsel of the Subsidiary Company is of the view that the maximum exposure to the Subsidiary Company is to the extent of the amount of the principal shortfall in stamp duty, of Rs. 44.93 million, and that the penalty of Rs. 224.66 million is expected to be waived off by the Honorable Supreme Court of Pakistan, based on earlier decisions in cases of a similar nature and substance. Accordingly, on the basis of the advice of its legal counsel, the Subsidiary Company has recorded a provision of Rs. 44.93 million in these consolidated financial statements, being the principal amount of the shortfall in stamp duty, with no provision for the above referred penalty, pending a final decision in this matter.

10.2.4 In August 2009, the Competition Commission of Pakistan (CCP) issued an order against 21 cement manufacturers, including the Subsidiary Company, whereby it alleged that the Subsidiary Company was involved in forming a cartel with other cement manufacturers to control the local cement market, and imposed a fine of Rs. 405 million on the Subsidiary Company. the Subsidiary Company filed appeals before the Honorable Lahore High Court and the Honorable Supreme Court of Pakistan, against the decision of the CCP. The Honorable Lahore High Court has passed an interim order restraining the CCP from taking any adverse action against the 21 cement manufacturers. Pending the outcome of the appeals, no provision has been made against the above referred fine in these consolidated financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Subsidiary Company.

10.2.5 In 2002, State Life Insurance Corporation of Pakistan (an initial shareholder of the Subsidiary Company) filed two suits with the Honorable Sindh High Court against Mr. Khawaja Mohammad Jaweed (the then Chairman of the Chakwal Group - the previous parent of the Subsidiary Company), for recovery of an aggregate amount of Rs. 461 million plus interest/markup, (at the rates ranging from 16% to 20%), on account of agreements of sale and repurchase of shares, executed at various times in August 1995, between State Life Insurance Corporation of Pakistan and the then Chairman of the Chakwal Group. During the year 2014, the Subsidiary Company received a letter from Chakwal Group stating that the Subsidiary Company is also a party to the case and can be held liable to pay the damages by the Honorable Sindh High Court. The legal advisor of the Subsidiary Company is of the opinion that the Subsidiary Company can be extricated from the case, provided that it can be shown to the Court that the then Chairman of the Chakwal Group was not authorised to act in this regard on behalf of the Subsidiary Company. No provision has been made against the aforementioned case in these consolidated financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Subsidiary Company.

10.2.6 The Deputy Commissioner Inland Revenue (DCIR), vide a demand notice dated 25 October, 2011, raised an aggregate sales tax demand of Rs. 690 million against the Subsidiary Company, in pursuance of an audit conducted for the period from January 2007 to December 2007. the Subsidiary Company filed an appeal against the said order before the Commissioner Inland Revenue (Appeals) CIR(A). The CIR(A) endorsed the view of the DCIR, but reduced the demand of sales tax, Federal Excise Duty and default surcharge to Rs. 489 million. the Subsidiary Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the CIR(A). The ATIR, vide its order dated 30 March, 2012, set aside the orders of the CIR(A) and directed the DCIR for a fresh consideration of the matter. the Subsidiary Company then filed an appeal before the Honorable Islamabad High Court against the order of the ATIR. In the meanwhile, in the re-assessment, as directed by the ATIR, the DCIR vide its order dated 31 October, 2012 repeated its earlier action and raised a demand of Rs. 489 million. the Subsidiary Company has filed an appeal before the CIR(A) against the aforementioned order of the DCIR. The CIR(A) vide its order dated 20 December, 2012 remanded back the order of the DCIR.

The Subsidiary Company has filed an appeal before the ATIR, against the order of the CIR(A), which is pending a decision. Further, as directed by the CIR(A), the matter is also pending for adjudication with the DCIR. Pending the outcome of the appeals, no provision has been made in these consolidated financial statements for the demand raised by the taxation authorities, as management and its legal counsel are confident that the matter will ultimately be decided in the favour of the Subsidiary Company.

Notes to The Consolidated Financial Statements

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- 10.2.7** The DCIR, vide a demand notice dated 6 January, 2014, raised an aggregate sales tax demand of Rs. 297.9 million by alleging that the Subsidiary Company has made a shortfall in payment of sales tax, owing to an unlawful adjustment of input tax credit and suppression of the output tax, for the period from July 2010 to June 2011. the Subsidiary Company filed an appeal before the CIR(A) against the order of the DCIR. In 2014, the CIR(A) directed the taxation officer to re-examine the matter and pending the outcome of the matter, no provision has been made in these consolidated financial statements for the demand raised by the taxation authorities, as management is confident that the matter will ultimately be decided in favour of the Subsidiary Company.

The Sind Revenue Board (SRB) authorities after having audit of consolidated financial statements of the Subsidiary Company for the year 2012 & 2013 has demanded sales tax on the royalty and technical assistance fee on account of franchise services received by the Subsidiary Company from then ultimate parent company. Being aggrieved to the notice, company filed petition in Honorable Sind High Court against unwarranted demand and inquiry initiated by the SRB. The Honorable Sind High Court granted an interim order in favor of the Subsidiary Company. Pending the outcome of plaint, no provision has been made in these consolidated financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Subsidiary Company.

- 10.2.8** The assessing officer vide Order in Original No. 27/70 dated 01 July 2015, in the matter of alleged excess input tax claim has raised demand of Rs. 1.43 million. The DCIR has also raised the tax demand of Rs. 12.02 million with respect to input tax on purchases alleged to have been made from black listed / suspended / blocked / inactive suppliers. The demand of Rs. 1.86 million raised on account of sales tax not withheld on taxable purchased. Company filed an appeal with CIA(A). A stay in demand has been granted by IHC. The legal counsel understands that in view of FBR's General Order on this matter and judicial pronouncements in parallel cases, the Subsidiary Company has a fairly strong case before the appellate authorities.

- 10.2.9** The assessing officer vide Order in original No. 26/70 dated 30 June 2015 whereby demand of Rs. 18.07 million has been raised against the Subsidiary Company on account of Federal Excise duty [FED] allegedly not paid on fee for technical services and royalty paid to the previously Holding company during July 12 to June 13. the Subsidiary Company is of the view that the taxation officer has incorrectly worked out the demand and has filed a rectification application as well as appeal to CIR(A). A stay in demand has been granted by IHC. The legal counsel is of the opinion that the Subsidiary Company has a fairly strong case before the appellate authorities and favorable outcome is expected.

The DCIR issued a show cause notice to the Subsidiary Company, on account of alleged non payment of FED on Industrial Franchise Fee amounting to Rs. 26.089 million, for the period from January 2011 to December 2011. the Subsidiary Company filed a reply to the show cause; however, the DCIR, vide its order dated 23 September, 2013, asserted that the Subsidiary Company has made a partial payment of FED amounting to Rs. 16.418 million and raised a demand for the balance amount of Rs. 9.671 million. the Subsidiary Company filed an appeal against the order of the DCIR before the CIR(A). The CIR(A), vide its order dated 16 December, 2013, has vacated the demand of Rs. 9.671 million, with an observation, that the DCIR may take action against the Subsidiary Company on account of the late payment of FED. the Subsidiary Company has filed an appeal against the above mentioned observation of the CIR(A), before the ATIR. Further the tax department, also being aggrieved by the order of the CIR(A), has filed an appeal before the ATIR. Currently, both the appeals are pending decision with the ATIR. Pending the outcome of the appeals, no provision has been made in these consolidated financial statements for any amounts, as management is confident that the matter will ultimately be decided in the favour of the Subsidiary Company.

- 10.2.10** Certain other cases against the Subsidiary Company are pending in different courts of law. However, the management is of the view that the outcome of these cases is expected to be favourable and a liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made in these consolidated financial statements in this regard.

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10.2.11 Commitments of the Subsidiary Company

	2015	2014
	Rupees in thousands	
Outstanding letters of credit	242,840	-
Commitments against capital work-in-progress	15,151	-
Rentals for use of land	131,862	-
Commitments against Minimum advance rent to Saba Generation Company (Private) Limited	228,902	-
Commitments against operating lease facilities acquired from Meezan Bank Limited		
- Vehicles	19,467	-
- Laptops	806	-
The amount of future payments under operating leases and the period in which these leases and payments will become due are as follows:		
	58,499	-
	141,749	-
	200,248	-

Not later than one year

Later than one year and not later than five years

Subsequent to the financial period, on 20 August 2015, the Subsidiary Company entered into a contract of Rs. 788 million with Shanghai Triumph Energy Conservation Engineering Co. Ltd for supply of equipment for waste heat to energy power generation plant having capacity of 12MW. The contract is effective from 4 September 2015.

10.1.8 Income tax related contingencies are disclosed in note 32 to these consolidated financial statements.

11. Property, plant and equipment

	Note	2015	2014
		Rupees in thousands	
Operating fixed assets	11.1	43,334,193	23,731,904
Capital work in progress	11.2	113,941	492,464
		43,448,134	24,224,368

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

11.1 Operating fixed assets

Tangible assets

Cost	Owned							Leased		Total
	Free hold land	Lease hold land	Buildings on free hold land	Plant and machinery	Quarry equipment	Laboratory and other equipment	Furniture and fixtures	Vehicles	Office equipment	Plant and machinery
Rupees in thousands										
Balance at 01 July 2013	1,178,447	39,517	6,189,587	20,142,199	1,031,090	129,550	94,698	208,578	105,749	227,054
Additions during the year	7,528	-	3,570	323,809	564,962	5,089	7,991	33,933	12,856	-
Transfers	-	-	4,048	1,137,638	-	-	-	-	-	(227,054)
Transfer from investment property	-	-	33,889	-	-	-	-	-	-	-
Adjustments	-	-	-	(249,406)	-	-	-	-	-	-
Disposals	-	-	-	(7,255)	(28,001)	-	-	(15,624)	-	-
Balance at 30 June 2014	1,185,975	39,517	6,231,094	21,346,985	1,568,051	134,639	102,689	224,887	118,605	-
Balance at 01 July 2014	1,185,975	39,517	6,231,094	21,346,984	1,568,051	134,639	102,689	224,887	118,605	-
Acquisition through business combination	333,295	-	3,382,067	14,263,030	-	707,236	4,024	18,942	1,660	-
Additions during the year	21,771	-	7,020	2,006	38,069	13,891	7,355	62,277	16,754	-
Transfers	-	-	456,207	1,583,559	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(57,843)	-	-
Balance at 30 June 2015	1,541,041	39,517	10,076,388	37,195,579	1,806,120	855,766	114,068	248,263	137,019	-
Depreciation										
Balance at 01 July 2013	-	19,681	1,413,757	3,868,837	627,345	61,214	43,088	110,624	52,401	37,841
Charge for the year	-	1,351	207,950	714,007	84,774	9,900	5,565	21,070	8,846	7,568
Transfer	-	-	-	45,409	-	-	-	-	-	(45,409)
Adjustments	-	-	-	(42,919)	-	-	-	-	-	-
Disposals	-	-	-	(1,884)	(22,205)	-	-	(8,273)	-	-
Balance at 30 June 2014	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-
Balance at 01 July 2014	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-
Charge for the year	-	1,251	235,119	897,828	134,551	17,904	6,004	23,259	9,868	-
Transfer	-	-	-	(23,157)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	(43,597)	-	-
Balance at 30 June 2015	-	22,283	1,856,826	5,458,121	824,465	89,018	54,657	103,083	71,115	-
Carrying value - 2015	1,541,041	17,234	8,219,562	31,737,458	781,655	766,748	59,411	145,180	65,904	-
Carrying value - 2014	1,185,975	18,485	4,609,387	16,763,535	878,137	63,525	54,036	101,466	57,358	-

Life in years / rates of depreciation per annum

30yrs

30yrs

10yrs

10-15yrs

15yrs

30yrs - 10yrs

30yrs

30yrs

30yrs

30yrs

30yrs

30yrs

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

11.1.2 Disposal of property, plant and equipment

Description	Cost	Book value	Sale proceeds	Gain	Mode of disposal	Sold to
Rupees in thousands						
Vehicles						
Toyota Corolla YY-128	1,738	1,321	1,691	370	Insurance claim	IGI Insurance Claim
Honda Civic KJ-701	1,197	206	1,050	844	Negotiation	Mr. Tahir Shafi Ghuri MAP
Toyota Hiace JY-802	1,993	318	1,260	942	Negotiation	Mr. Akhtar Ali Khan
Hyundai Shahzore JK-129	813	110	591	481	Negotiation	Mr. Ikhtlaq Ahmed
Hyundai Shahzore HY-296	724	74	628	554	Negotiation	Mr. Ikhtlaq Ahmed
Suzuki Cultus NE-177	662	165	165	-	Negotiation	Employee
Suzuki Cultus NB-791	638	151	245	94	Negotiation	Employee
Suzuki Alto NK-465	602	172	316	144	Negotiation	Employee
Suzuki Alto NK-384	540	132	229	97	Negotiation	Employee
Suzuki Alto JX-783	514	76	406	330	Negotiation	Employee
Suzuki Alto KC-752	514	78	401	323	Negotiation	Employee
Suzuki Alto KC-215	540	130	168	38	Negotiation	Employee
Toyota Corolla CV-460	1,887	1,824	1,837	13	Negotiation	MAP Rice Mills
Honda City HT-359	837	83	708	625	Negotiation	Mr. Sajid Hussain
Honda City KZ-267	913	152	746	594	Negotiation	Mr. Masood-ur-Rehman
Suzuki Bolan NG-376	477	106	400	294	Insurance claim	IGI Insurance Claim
Toyota Corolla BE-728	1,748	1,411	1,650	239	Insurance claim	IGI Insurance Claim
Toyota Corolla PY-867	1,474	470	852	382	Negotiation	Mr. Zahir M. Abbasi
Toyota Land Cruiser JA 325	5,916	794	2,250	1,456	Negotiation	Mr. Nadir Zafar
Hitachi/O&K Excavators (3)	6,500	4,627	7,762	3,135	Negotiation	Haji Rasool Shah & Sons
Komatsu Excavator	27,616	1,846	3,238	1,392	Negotiation	Haji Rasool Shah & Sons
2015	57,843	14,246	26,593	12,347		
2014	50,880	18,518	42,802	24,284		

11.1.3 Depreciation charge for the year has been allocated as follow:

	Note	2015 Rupees in thousands	2014 Rupees in thousands
Cost of sales	25	1,309,185	1,047,644
Administrative expenses	26	10,445	8,151
Distribution cost	27	6,154	5,236
		1,325,784	1,061,031

11.2 Capital work in progress

Opening balance		492,464	360,533
Acquisition through business combination		223,403	-
Additions during the year	11.2.1	1,437,840	1,046,563
		2,153,707	1,407,096
Transferred to operating fixed assets:			
Plant and machinery		(1,583,559)	(910,584)
Buildings on freehold land		(456,207)	(4,048)
		(2,039,766)	(914,632)
	11.2.2	113,941	492,464

11.2.1 This includes borrowing cost capitalised amounting to Rs 130.96 million calculated at a rate of 9.66% per annum (2014: Rs. 38.71 million at 10.33% per annum).

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

	Note	2015 Rupees in thousands	2014
11.2.2 Break up of capital work in progress is as follows:			
Plant and machinery and other equipment		44,133	477,223
Civil development works		30,247	-
Advances for capital work in progress		39,561	15,241
		<u>113,941</u>	<u>492,464</u>
12. Intangible assets and goodwill			
Computer softwares	12.1	46,613	32,374
Goodwill	12.2	11,400,015	-
		<u>11,446,629</u>	<u>32,374</u>
12.1 Computer softwares			
Cost			
Opening balance		53,411	53,411
Acquisitions through business combination		19,636	-
Closing balance		<u>73,047</u>	<u>53,411</u>
Amortization			
Opening balance		21,037	15,118
Charge for the year	26	5,397	5,919
Closing balance		<u>26,434</u>	<u>21,037</u>
Carrying value		<u>46,613</u>	<u>32,374</u>
Amortisation rate		15%	15%
12.2 Goodwill			
Opening balance		-	-
Acquisition through business combination	35.4	11,400,015	-
Closing balance		<u>11,400,015</u>	<u>-</u>

As mentioned in Note 35, since the fair values of some identifiable assets and liabilities at the acquisition date have been determined on a provisional basis, accordingly, the allocation of goodwill is not complete. However an analysis was carried out of impairment in the Parent Company's investment in the Subsidiary Company.

The recoverability was based on its value in use, determined by discounting the future cash flows to be generated by the subsidiary company.

The key assumptions used in the estimation of value in use were as follows.

	In percent
Discount rate	17%
Terminal value growth rate	5%
Budgeted growth rate (average of next five years)	4%

The discount rate was a pre-tax measure based on the weighted average cost of equity estimated cost of equity in the relevant market and in the same currency as the cash flows. Five years of free equity cash flows were included in the discounted cash flow model, and thereafter on the basis of terminal value growth rate.

Budgeted growth was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced in the recent years and the estimated sales volume and price growth for the next five years.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

Following the impairment testing management concludes that recoverable amount of investment exceeds its carrying value. However in the future years any adverse movement in the key assumptions may lead to reduction in recoverable amount.

		2015	2014
	Note	Rupees in thousands	
13. Investment property			
Opening balance		345,785	347,883
Surplus on remeasurement of investment property to fair value	13.1	120	31,791
Transfer to property, plant and equipment		-	(33,889)
Closing balance		345,905	345,785

13.1 The investment property is a portion of head office building held for letting. On 30 June 2015, an independent exercise was carried out to calculate the fair value of investment property. To assess the land and building prices, market research was carried out in the area around the plot where the investment property is situated. Fair value of investment property is based on independent valuer's judgment about average prices prevalent on the said date and has been prepared on openly available / provided information after making relevant inquiries from the market. Valuation was carried out by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category on the investment property being valued.

		2015	2014
	Note	Rupees in thousands	
14. Long term investment			
Investment in associated company - United Bank Limited			
Cost of 93,649,694 shares (2014: 93,649,694 shares) of Rs. 10 each	14.1	1,862,803	1,862,803
Post acquisition profits brought forward - net of dividend income		5,287,672	4,608,783
		7,150,475	6,471,586
Profit for the year		1,947,751	1,662,211
Dividend received during the year		(1,123,797)	(983,322)
		823,954	678,889
Company's share of associate's exchange reserve		1,111,397	1,069,489
Company's share of associate's surplus on revaluation of available for sale investment		1,816,962	224,597
Company's share of associate's experience adjustment		80,433	-
		10,983,221	8,444,561

14.1 This represents 7.65% (2014: 7.65%) share in the equity of United Bank Limited acquired at an average price of Rs. 19.89 per share. Market value of investment in UBL as at 30 June 2015 was Rs. 16,006,606 thousand (2014: Rs. 15,785,592 thousand).

Summarised financial information of the associated company as follows;

	2015	2014
	Rupees in thousands	
Assets	1,374,206	1,103,687
Liabilities	1,226,197	991,103
Income	91,950	80,734
Profit after tax	23,355	21,810

14.2 The reporting date of United Bank Limited is 31 December. For the purpose of applying equity method assets, liabilities and profit and loss are based on the un-audited consolidated condensed interim financial information for the period ended 30 June 2015.

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

15. Long term deposits

This includes security deposits amounting to Rs. 108.08 million (2014: Rs. 70.29 million) given for the electricity connections of the plants.

16. Stores, spare parts and loose tools

	Note	2015 Rupees in thousands	2014
Stores, spare parts and loose tools		3,820,595	3,174,169
Stores and spare parts in transit		319,797	870,502
Less: Provision for obsolete spare parts		(4,391)	-
		<u>4,136,001</u>	<u>4,044,671</u>

17. Stock in trade

Raw and packing material		401,499	231,037
Work in process		1,942,205	1,303,695
Finished stock	17.1	404,567	397,880
Less: Provision for obsolete spare parts		(30,046)	-
		<u>2,718,225</u>	<u>1,932,612</u>

17.1 This includes a stock amounting to Rs. 22.2 million (2014: Rs. 4.9 million) which has been dispatched to customer but risk and rewards are not yet transferred.

18. Trade debts - considered good

	Note	2015 Rupees in thousands	2014
Considered good	18.1.1	862,701	571,981
Considered doubtful		1,600	-
		<u>864,301</u>	<u>571,981</u>
Less: Provision against doubtful trade debts		(1,600)	-
		<u>862,701</u>	<u>571,981</u>

18.1 This includes Rs. 174.71 million (2014: Rs. 159.01 million) receivable from customers against export sales.

19. Advances

	Note	2015 Rupees in thousands	2014
Advances to executives and employees- considered good		7,082	2,666
Advances to suppliers and contractors - considered good		422,330	394,115
Current portion of long term advance		14,333	4,003
		<u>443,745</u>	<u>400,784</u>

20. Deposits and prepayments

Security deposits		46,616	4,875
Prepayments		19,115	16,643
		<u>65,731</u>	<u>21,518</u>

21. Other receivables

ECOCHEM Pakistan (Private) Limited	21.1	77,188	-
Export rebate		10,107	-
Accrued interest		3,197	703
Others		45,364	1,820
		<u>135,856</u>	<u>2,523</u>

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

- 21.1** This includes an amount of PKR 56,306,417 receivable on account of sale of shredding equipment to ECOCEM Pakistan (Private) Limited (ECOCEM), under the Refuse Derived Fuel Off-take Agreement and the Resource and Service Agreement, signed between the Subsidiary Company and ECOCEM, on 29 April, 2014. As per the terms of the agreements, ECOCEM will provide shredded Refuse Derived Fuel to the Subsidiary Company and the Subsidiary Company shall provide its resources and various services, including land space, electricity, and security to ECOCEM.

22. Due from Government agencies

	Note	2015 Rupees in thousands	2014
Customs duty	22.1	28,373	28,373
Capital value tax	22.1	11,729	11,729
Excise duty	22.2	615,146	615,146
Sales tax - net		71,306	385,487
		<u>726,554</u>	<u>1,040,735</u>

- 22.1** This represents customs duties paid in excess of 5% of the value assessed by the custom authorities for import of off high way dump trucks and the amount paid as Capital Value Tax (CVT) on this import. The collector of customs assessed 30% duty and CVT @ 7.5% of the assessed value on import of off high way dump trucks and did not allow exemption available to the Parent Company under SRO No. 575(1) 2006 dated 06 June 2006. The Parent Company deposited these amounts under protest as guarantee for clearance and filed an appeal before Honourable Sindh High Court. The Honourable High Court granted the leave of appeal and held that exemption for import of off high way dump trucks is available to the Parent Company under SRO No. 575(1) 2006 dated 06 June 2006, therefore the excess amounts paid should be refunded to the Parent Company. Collector of customs filed an appeal in Honourable Supreme Court against the order of Honourable High Court, however no stay was granted against the refund accrued to the Parent Company.

The Parent Company has obtained legal opinion on the basis of which it decided to account for these as refund in the books of account of the Parent Company.

- 22.2** The Honourable Supreme Court of Pakistan in its judgment dated 14 April 2007 in a comparable case for levy of excise duty, dismissed the appeal filed by the Federal Board of Revenue (FBR) and upheld the decisions made by the Honourable High Courts of Peshawar, Sindh and Punjab. [The dispute related to levy of excise duty on the retail price inclusive of excise duty or retail price excluding excise duty]. The FBR's point of view was that excise duty be calculated on a declared retail price inclusive of excise duty whereas the concerned respondents contended that the excise duty would not be included in retail price for calculation of excise duty payable to the Government. The full bench of Supreme Court upheld the judgments made by High Courts and dismissed the appeal of FBR. The FBR moved a review petition before Supreme Court of Pakistan which is pending.

The Parent Company has filed a claim for Rs. 615.15 million (2014: 615.15 million) relating to duty paid during the period June 1998 to April 1999 which pursuant to the above decision was otherwise not leviable and payable under the law. Commissioner Appeals rejected the claim of the Parent Company pertaining to BCL of Rs. 211.15 million, and the Parent Company has filed an appeal with Appellate Tribunal against unlawful rejection of refund claims. A number of hearings were conducted during the year but the case is yet to be discussed. Further on Mustehkam Cement Limited refund claim (before merger) of Rs. 404 million tax authorities held the proceedings in abeyance due to awaiting result of litigation on the Parent Company refund claim. The management believes that the Parent Company's claim is valid and the amount is fully recoverable.

23. Cash and bank balances

	Note	2015 Rupees in thousands	2014
Cash in hand		2,360	-
Current accounts	23.1	191,294	146,326
Deposit accounts	23.2 & 23.3	2,294,278	69,936
		<u>2,487,932</u>	<u>216,262</u>

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

23.1 This includes Rs.53.37 million (2014: Rs. 62.22 million) held in current accounts maintained with the associated company.

23.2 Deposit accounts carry interest rates ranging from 1% to 8.6 % (2014: 1% to 10%) per annum. This includes deposit for a period of 15 days of Rs. 2.2 billion with Allied Bank Limited carrying markup at 7% per annum. This also include balance of of Rs. 23.29 million maintained with the associated company.

23.3 This includes an amount of US\$ 0.384 million (2014: US \$ 0.42 million) in US Dollar deposit account.

24. Turnover - net

	Note	2015 Rupees in thousands	2014
Gross turnover			
- Local		36,963,180	32,169,414
- Export		4,552,779	5,021,006
		41,515,959	37,190,420
Government levies			
Sales tax		(5,899,407)	(5,106,100)
Excise duties		(1,731,110)	(1,417,846)
		(7,630,517)	30,666,474
Rebates and discounts		(1,192,392)	(1,715,946)
		32,693,050	28,950,528

25. Cost of sales

Raw and packing materials consumed	25.1	3,272,366	2,680,760
Fuel and power		12,062,477	11,718,999
Stores, spare parts and loose tools consumed		1,052,908	803,265
Repairs and maintenance		183,054	91,240
Salaries, wages and benefits	25.2	753,509	584,279
Support services		288,091	250,354
Rent, rate and taxes		21,228	-
Insurance		33,495	29,767
Equipment rental		27,186	17,434
Utilities		12,041	9,454
Travelling, conveyance and subsistence		72,431	59,227
Communication		4,773	3,930
Printing and stationery		6,027	5,756
Entertainment		11,909	4,268
Depreciation	11.1.3	1,309,185	1,047,644
Amortization	12.1	4,856	5,919
Legal and professional charges		1,383	-
Fees and subscription		8,107	-
Consumables		5,306	-
Other manufacturing expenses		41,365	18,426
		19,171,697	17,330,722
Opening work in process		1,303,695	1,470,344
Acquisitions through business combination		769,046	-
Closing work in process		(1,942,205)	(1,303,695)
Cost of goods manufactured		19,302,233	17,497,371
Opening finished stock		397,880	470,713
Acquisitions through business combination		139,332	-
Closing finished stock		(404,567)	(397,880)
		19,434,878	17,570,204

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

	2015	2014
	Rupees in thousands	
25.1 Raw and packing materials consumed		
Opening balance	231,037	282,378
Acquisitions through business combination	130,527	-
Purchases made during the year	3,282,255	2,629,419
Closing balance	(371,453)	(231,037)
	<u>3,272,366</u>	<u>2,680,760</u>

25.2 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 46.33 million (2014: Rs. 30.87 million).

26. Administrative expenses

		2015	2014
		Rupees in thousands	
	Note		
Salaries, wages and benefits	26.1	193,277	141,614
Rent, rates and taxes		12,536	1,756
Repairs and maintenance		9,711	6,223
Insurance		1,688	1,690
Utilities		4,825	3,468
Travelling, conveyance and subsistence		27,767	15,617
Communication		4,957	2,346
Printing and stationery		4,670	3,669
Entertainment		9,055	1,166
Advertisements		4,073	862
Donations	26.2	88,656	86,069
Legal and professional charges		31,857	12,925
Fees and subscription		25,160	12,209
Management charges		-	550
Auditors' remuneration	26.3	11,111	2,753
Depreciation	11.1.3	10,445	8,151
Amortisation		541	-
Other		763	1,087
		<u>441,092</u>	<u>302,155</u>

26.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 12.58 million (2014: Rs. 5.94 million).

26.2 A provision at 1% (2014: 1%) of the accounting profit after tax for an amount of Rs. 86.69 million has been made for donation to Bestway Foundation, Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad, (2014: Rs.85.51 million). The Chief Executive and the following directors are among the trustees of the Foundation:

- Sir Mohammed Anwar Pervez - M. Irfan A. Sheikh,
- Zameer Mohammed Choudrey - Arshad Mehmood Chaudhary

Above directors or their spouses do not have a beneficial interest in Bestway Foundation.

26.3 Auditors' remuneration

	2015	2014
	Rupees in thousands	
Annual audit fee	2,637	1,500
Audit fee for audit of consolidated financial statements	600	-
Fee of half year review	500	500
Statutory certifications	1,110	75
Taxation services	150	603
Acquisition related transaction advisory services	5,608	-
Out of pocket expenses	506	75
	<u>11,111</u>	<u>2,753</u>

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

	Note	2015 Rupees in thousands	2014
27. Distribution cost			
Salaries, wages and benefits	27.1	81,500	45,780
Support services		1,111	1,153
Rent, rates and taxes		16,478	10,900
Repairs and maintenance		3,988	1,280
Utilities		1,995	850
Travelling, conveyance and subsistence		7,157	6,520
Communication		1,433	1,097
Printing and stationery		1,858	1,627
Entertainment		1,892	1,301
Advertising and promotion		1,546	6,052
Depreciation	11.1.3	6,154	5,236
Legal and professional charges		948	-
Fees and subscription		39,279	32,086
Freight and handling - Local		75,759	83,128
- Export		546,450	500,937
Other		2,593	9,027
		<u>790,141</u>	<u>706,974</u>

27.1 Salaries, wages and benefits include staff retirement benefits amounting to Rs. 5.43 million (2014: Rs. 3.14 million).

	2015 Rupees in thousands	2014
28. Other expenses		
Workers' Welfare Fund	190,249	101,244
Workers' (Profit) Participation Fund	576,349	495,458
	<u>766,598</u>	<u>596,702</u>

	2015	2014
29. Finance cost		
Markup on long term financing	229,973	398,544
Markup on long term musharaka	164,909	21,984
Markup on liability against assets subject to finance lease	-	4,230
Markup on short term borrowings	12,136	22,245
Bank charges and commissions	43,551	15,027
Interest on Workers' (Profit) Participation Fund	6,359	-
	<u>456,928</u>	<u>462,030</u>

	2015	2014
30. Other income		
Income from financial assets		
Profit on deposit accounts	66,553	51,794
Mark up on long term advance	44	-
Exchange gain - net	1,163	1,682
	<u>67,760</u>	<u>53,476</u>
Income from non financial assets		
Gain on disposal of operating fixed assets	12,347	24,284
Rental income from investment property	26,705	24,639
Gain on remeasurement of investment property to fair value	120	31,791
Management fee from related party	1,200	1,200
Liabilities written back	4,479	-
Other	4,058	2,981
	<u>48,909</u>	<u>84,895</u>
	<u>116,669</u>	<u>138,371</u>

Notes to The Consolidated Financial Statements

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31. Taxation

	Note	2015 Rupees in thousands	2014
Current		3,169,666	1,279,029
Deferred		(370,214)	1,283,390
		<u>2,799,452</u>	<u>2,562,419</u>

31.1 Numerical reconciliation between tax expense and accounting profit multiplied by the applicable tax rate is as follows:

	Note	2015 Rupees in thousands	2014
Accounting profit		12,867,833	11,113,045
Tax on accounting profit at applicable rate of 33% (2014: 34%)		4,246,385	3,778,435
Tax effect of low rates on certain income		(447,983)	(570,978)
Minimum tax		-	(407,990)
Tax effect of permanent difference		(294,445)	(63,418)
Tax effect of income taxable under final tax regime		(348,932)	(391,923)
Tax rate to 30% for deferred taxation and change in proportion of local and export sales		(440,832)	218,293
Tax effect of super tax		266,114	-
Recognition of previously unrecognised tax credits		(171,012)	-
		<u>2,809,294</u>	<u>2,562,419</u>

31.2 Income tax contingencies of the Parent Company

- The assessment for the Assessment Year 2000-2001 through 2002-2003 was finalized by the tax authorities mainly by curtailing business expenditure claimed by the Parent Company and charging surcharge on minimum tax. The appeals for Assessment Year 2000-2001 were decided against the Parent Company by the Appellant Tribunal Inland Revenue [ATIR] against which the Parent Company filed reference with the Islamabad High Court which is pending adjudication. The appeal filed with the Commissioner Inland Revenue (Appeals) [the CIR(A)] for the Assessment Year 2001-2002 was decided against the Parent Company and for the Assessment Year 2002-2003 certain issues were decided in favour of the Parent Company. Against these orders the Parent Company is in appeal with the ATIR which are pending adjudication.
- The assessment of the Parent Company for the Tax Years 2003 through 2014 stood finalized under the self assessment scheme envisaged under the Income Tax Ordinance, 2001 [the Ordinance].
- The tax authority's leveled tax of Rs. 99.08 million under section 161 of the Ordinance along with default surcharge of Rs.124.93 million for Tax year 2005 by rejecting the legal ground of time limitation raised by the Parent Company. On Company's appeal the CIR(A) passed an order by setting aside the assessment order which was agitated by the Parent Company before the ATIR which is pending for adjudication. The ATIR stayed the re-assessment proceedings till disposal of appeal by the ATIR.
- The tax authorities initiated audit proceedings for the Tax Years 2006 through 2008. The audit proceedings for the Tax Years 2006 and 2007 have been concluded, while the audit proceedings for the Tax Year 2008 are still pending.

The tax authorities amended the assessment of the Parent Company upon conclusion of audit proceeding of tax year 2006 thereby, disallowing the finance cost attributable to funds utilized for acquiring the share of Mustehkam Cement Limited, deduction claimed on account of donations paid to Bestway Foundation, and exemption claimed by Company on interest derived from US dollars accounts. The Parent Company being aggrieved with the amended assessment order filed a rectification application before the tax authorities and also preferred an appeal with the CIR(A), who has annulled the order of the tax authorities against which that the tax department has filed an appeal before the ATIR, which has annulled the amended assessment order.

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The tax authority amended assessment of the Parent Company for the tax year 2007 charging tax of Rs. 29.26 million by making various disallowances and levying tax on property income and dividend income under the presumptive mode of taxation [PTR]. CIR (A) annulled the order of the tax authorities on all the issues except for upholding the taxation of property income and dividend income under PTR and disallowance of deduction claimed on account of donations paid during the year. The Parent Company as well as the tax authorities have filed cross appeals before the ATIR which are pending for adjudication.

- Income tax assessments of the Parent Company for the Tax Years 2010 to 2012 were amended on alleged concealment of sales by working back production taking gypsum consumed as five per cent of cement produced and raising tax demand of Rs. 16,974 million (BCL Rs. 14,879 million and MCL Rs. 2,095 million). On appeal by the Parent Company the CIR (A) cancelled the assessments for the tax year 2010 and 2011 and set aside the assessment for the tax year 2012 for denovo consideration. Being not satisfied with the order of the CIR(A), the Parent Company has filed second appeal before the ATIR for tax year 2012 in both BCL and MCL cases.

The DCIR has again taken up the same issues through notice dated 12 November 2013 for all the years under consideration. On detailed reply by the Parent Company the DCIR changed the dimension of the case to under utilization of installed capacity and confronted the Parent Company to assess the sales by assuming 98% capacity utilization. The amended assessment in BCL for the Tax Year 2010 and 2011 has been made at a demand of Rs. 2,476 million against which, the Parent Company has filed appeals before the CIR(A), which is subjudice till to-date. However, no order has been passed for tax year 2012 in BCL case and for tax year 2010 to 2012 in MCL cases.

The following tax contingencies stand transferred to the Parent Company from Mustehkam Cement Limited under the Scheme of amalgamation:

- The tax authority has leveid tax of Rs. 9.59 million under section 161 of the Ordinance along with default surcharge of Rs. 14.76 million for tax year 2007 by rejecting the legal ground of time limitation raised by the Parent Company. On the Parent Company's appeal the CIR(A) passed an order setting aside the assessment order which has been agitated by the Parent Company before the ATIR which is pending for adjudication.
- For the Assessment Year 1998-99, the Taxation Officer charged additional tax amounting to Rs. 10.39 million in terms of section 87 of the repealed Income Tax Ordinance, 1979 for non-payment of advance tax. At that time, no appeal was filed with the CIR(A) against the impugned order on instructions of the Government of Pakistan [GoP] as MCL was a State owned Enterprise then, and GoP insisted to resolve the disputes with the Federal Board of Revenue through inter-ministerial consultations. After Company's privatization, it pursued it's case before the appellate authorities and accordingly filed an appeal with the CIR (A) with the request for condonation of delay in time for filing of appeal within the prescribed time. This request for condonation of delay was not accepted. MCL filed appeal with the ATIR where the request for condonation in filling of appeal was also not entertained. Accordingly, MCL filed a reference with the High Court, which we understand is subjudice till to-date.

That management of the Parent Company is confident of the favourable outcome of the appeals filed by it and accordingly no provision has been recognized in these financial statements in respect of tax demand raised by the tax authorities through amendments/rectifications of assessments.

31.3 Income tax contingencies of the Subsidiary Company

- The Taxation Officer, vide orders dated 23 April, 2010 and 05 May, 2010, raised an aggregate demand of Rs. 54.16 million against the Subsidiary Company, on account of Federal Excise Duty on royalty and fee for technical services, paid for the years 2006 to 2008. On appeal, the CIR (A), vide an order dated 20 September, 2010, set aside the demand in favor of the Subsidiary Company. The Tax Department filed an appeal before the ATIR against the decision of the CIR (A). The ATIR, vide its order dated 06 August, 2012, decided the matter against the Subsidiary Company. The Subsidiary Company has filed an appeal before the Honorable Islamabad High Court against the decision of the ATIR. However, as the amount demanded by the tax authorities has already been paid by the Subsidiary Company, no provision for a potential liability is required in these consolidated financial statements.
- The DCIR, vide an order dated 14 March, 2011, raised a demand of Income Tax of Rs. 268.56 million by subjecting reversal of interest and penal charges on foreign currency loans to tax, for the tax year 2005. The Subsidiary Company filed an appeal with the CIR(A) against the order of the DCIR, which was decided against

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the Subsidiary Company. the Subsidiary Company filed an appeal before the ATIR against the aforementioned order of CIR(A). The ATIR decided the appeal in the favour of the Subsidiary Company. However, the tax department being aggrieved by the order of the ATIR, has filed a reference application with the Honorable Islamabad High Court. Pending the outcome of the appeal, no provision has been made in these consolidated financial statements for the demand raised by the taxation authorities as management is confident that the matter will ultimately be decided in the favour of the Subsidiary Company.

- The DCIR, vide a demand notice, dated 28 June, 2013, reduced the tax refund of the Subsidiary Company from Rs. 122.656 million to Rs. 71.483 million for the tax year 2010. The reduction in refund is owing to the alleged suppression of sales, amounting to Rs. 331.904 million, charging of minimum tax, and re-apportionment of expenses between local and export sales. the Subsidiary Company filed a rectification application with the DCIR and also filed an appeal with the CIR (A), against the order of the DCIR. The CIR (A), vide its order dated 30 January, 2014 has remanded the case back to the DCIR for reconsideration. No provision and/or adjustment has been made in these consolidated financial statements as management is confident that the matter will ultimately be decided in the favour of the Subsidiary Company.
- The tax authorities amended the assessment of the Subsidiary Company for the tax year 2008, and reduced its tax losses, by Rs. 2,582.87 million, on account of a waiver of custom duties, amounting to Rs. 815.18 million, alleged suppression of sales amounting to Rs. 1,189.35 million and computation of profits attributable to exports. However, no tax demand was raised by the taxation authorities. the Subsidiary Company filed an appeal before the CIR(A) against the amended order. In 2014, the CIR(A) set aside the matters of additions to income, on account of waiver of custom duties and taxes, amounting to Rs. 815.18 million and suppression of sales amounting to Rs. 1,189.5 million; the matter of computation of profits attributable to exports was decided against the Subsidiary Company. the Subsidiary Company has filed an appeal against the decision of the CIR(A) before the ATIR. The taxation officer, also being aggrieved by the decision of the CIR(A) has initiated the re-assessment proceedings which are in progress.
- The tax authorities amended the assessment of the Subsidiary Company for the tax year 2010, alleging suppression of sales by Rs. 331.9 million, on the basis of consumption of gypsum and further reduced the tax loss, by not agreeing to the mode of computation of export profits of the Subsidiary Company. the Subsidiary Company filed a rectification application with the Taxation Officer as well as an appeal before the CIR(A), against the amended assessment order. In 2014, the CIR(A) decided the appeal in favour of the Subsidiary Company by setting aside the entire assessment for fresh consideration. The re-assessment proceedings are in progress.
- The Taxation Officer, vide an order dated 31 January, 2012, raised a demand of Federal Excise Duty on royalty and fees for technical services paid by the Subsidiary Company, for the years 2009 and 2010. Under the said order, an aggregate demand of Rs. 33.63 million was raised, on account of Federal Excise Duty and default surcharge and penalty thereon. the Subsidiary Company filed an appeal against the said order before the CIR(A). However, the CIR(A) endorsed the view of the taxation officer and decided the appeal against the Subsidiary Company. the Subsidiary Company has filed an appeal against the said order of the CIR(A) before the ATIR. As the amount demanded by the taxation authorities along with the default surcharge and penalty, has already been adjusted by the taxation authorities against the income tax refund of the Subsidiary Company, for the tax year 2011, no provision for a potential liability is required in this regard in these consolidated financial statements.

- 31.4** The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Parent Company has during the year distributed sufficient interim dividends for the year ended 30 June 2015, which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 30 June 2015.

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32. Remuneration of the chief executive, directors and executives

The aggregate amounts charged in the consolidated financial statements for the year with respect to remuneration, including benefits and perquisites, were as follows:

	Note	2015 Rupees in thousands	2014
Chief Executive			
Managerial remuneration and allowances		24,000	24,000
Bonus		-	-
Provision for gratuity		-	-
Compensated absences		-	-
		<u>24,000</u>	<u>24,000</u>
Number of person		1	1
Directors, including Chairman			
Managerial remuneration and allowances		54,989	60,010
Bonus		3,064	6,002
Provision for gratuity		1,968	2,394
Compensated absences		1,626	4,086
		<u>61,647</u>	<u>72,492</u>
Number of persons		5	5
Executives			
Managerial remuneration and allowances		280,388	167,202
Bonus		45,622	29,245
Provision for gratuity		24,101	9,748
Provident fund		3,598	-
Compensated absences		13,451	9,154
		<u>367,160</u>	<u>215,349</u>
Number of persons		286	106

32.1 The directors and eligible executives excluding chairman and chief executive are also provided with vehicle and medical insurance facility as per their entitled limits.

32.2 Executives include 157 employees of the Subsidiary Company consolidated during the year.

33. Transactions and balances with related parties

The Parent Company is a subsidiary of Bestway (Holdings) Limited, UK ("the Ultimate Parent Company") therefore all subsidiaries and associated undertakings of the Ultimate Parent Company are related parties of the Parent Company. Other related parties comprise of directors, key management personnel, entities with common directorships and entities over which the directors are able to exercise influence. Balances with related parties are shown in the notes 4, 8.2, 14, 17, 21 and 23.1 and transactions with related parties are disclosed in notes 11.1.2, 26.2 and 32 to the consolidated financial statements. Transactions with related parties other than those disclosed elsewhere in these consolidated financial statements are as follows:

	2015 Rupees in thousands	2014
Transactions and balances with parent company		
Management charges	-	550
Dividend paid during the year	2,334,226	656,068
Dividend payable balance at year end - unsecured	965,749	421,003

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	Note	2015 Rupees in thousands	2014
Transactions with associated undertakings under common directorship			
Management fee		1,200	1,200
Service / bank charges		7,119	6,097
Donations		87,407	85,507
Dividend received		1,123,797	983,322
Sale of cement		5,704	5,796
Utility expense paid		54	59
Transactions and balances with key management personnel			
Remuneration, allowances and benefits	33.1	727,042	534,416
Advances given during the year		-	1,082
Repayments		1,379	2,069
Balance of advances at the year end - unsecured		-	1,379
33.1 Remuneration, allowances and benefits			
Dividend paid		342,267	222,574
Managerial remuneration and allowances		294,944	251,212
Bonus		48,685	35,247
Provision for gratuity		26,069	12,143
Provision for compensated absences		15,077	13,240
		<u>727,042</u>	<u>534,416</u>

34. Financial instruments

The Group has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Group through its audit committee of the Group oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

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34.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2015	2014
	Rupees in thousands	
Long term deposits	133,482	90,323
Long term advances	28,666	12,009
Trade debts	862,701	571,981
Advances	7,082	2,666
Deposits	46,616	4,875
Other receivables	135,856	2,524
Bank balances	2,487,932	216,262
	<u>3,702,335</u>	<u>900,640</u>

The maximum exposure to the credit risk for trade debts at reporting date by geographical region is:

Domestic	687,997	412,971
Middle east and African countries	84,561	-
Asia - other than domestic	90,143	159,010
	<u>862,701</u>	<u>571,981</u>

The maximum exposure to the credit risk for trade debts at reporting date by counter party is:

End user customers	18,310	14,393
Dealers	844,391	557,588
	<u>862,701</u>	<u>571,981</u>

The maximum exposure to credit risk for trade debts at the reporting date are with dealers and represents debtors within the country. Included in these an amount of Rs.53.90 million (2014: Rs. 79.05 million) secured against the letter of credits.

The Group's most significant domestic customer is a dealer from whom Rs. 37.49 million (2014: Rs. 35.90 million) is outstanding at the year end.

The Group has placed funds in financial institutions with high credit ratings. the Group assesses the credit quality of the counter parties as satisfactory. the Group does not hold any collateral as security against any of its financial assets except as mentioned above.

Impairment losses

The aging of trade debts at the reporting date is:

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
	Rupees in thousands			
Past due 1-30 days	855,369	-	558,863	-
Past due 31-60 days	98	-	601	-
Past due 61-90 days	-	-	6,566	-
Over 90 days	8,834	1,600	5,951	-
	<u>864,301</u>	<u>1,600</u>	<u>571,981</u>	<u>-</u>

There is no movement in the allowance for impairment in respect of trade debts during the year.

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Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts. The allowance accounts in respect of trade debts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. The amount considered irrecoverable is written off against the financial asset directly.

34.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. the Group'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 Group's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	After five years
	Rupees in thousands						
2015							
Financial liabilities							
Long term financing	17,173,584	21,129,964	2,045,841	1,992,194	5,289,189	11,802,740	-
Long term musharaka	10,000,000	12,469,177	1,019,145	993,996	2,889,826	7,566,210	-
Markup accrued	437,229	437,229	437,229	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-
Short term borrowings	2,052,862	2,052,862	2,052,862	-	-	-	-
	<u>29,663,675</u>	<u>36,089,232</u>	<u>5,555,077</u>	<u>2,986,190</u>	<u>8,179,015</u>	<u>19,368,950</u>	<u>-</u>
2014							
Financial liabilities							
Markup accrued	12,324	12,324	12,324	-	-	-	-
Trade and other payables	3,962,314	3,962,314	3,962,314	-	-	-	-
Short term borrowings	2,373,832	2,373,832	2,373,832	-	-	-	-
	<u>6,348,470</u>	<u>6,348,470</u>	<u>6,348,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

34.2.1 The contractual cash flow relating to long and short term borrowings, murabaha and musharaka have been determined on the basis of expected markup rates.

34.3 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 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. the Group is exposed to currency risk and interest rates only.

34.3.1 Currency risk

	2015	2014
	US Dollars in thousand	
Exposure to currency risk		
Trade debts	1,716	1,605
Bank balances	391	417
Trade creditors	(79)	(5,665)
Net exposure	<u>2,028</u>	<u>(3,643)</u>
	Euro in thousand	
Trade and other payables	(68)	-
Cash in hand	2	-
	<u>(66)</u>	<u>-</u>

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The following significant exchange rates applied during the year

	2015	2014	2015	2014
	Average rates		Reporting date spot rates	
Rupees / Dollars	101.65	99.05	101.79	98.75
Rupees / Euro	112.88	-	113.36	-

Sensitivity analysis

A five percent strengthening of the PKR against US Dollar and Euro at 30 June would have increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular markup rates, remain constant. This analysis is performed on the same basis for 2014.

	Profit or loss Rupees in thousand
30 June 2015	
Effect in US Dollar and Euro - gain	(9,947)
	<u>(9,947)</u>
30 June 2014	
Effect in US Dollar - gain	17,987
	<u>17,987</u>

A five percent weakening of the PKR against US Dollar at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

34.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market markup rates. Majority of the markup rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the markup rate profile of the Group's markup bearing financial instruments is:

	Carrying Amount	
	2015	2014
	Rupees in thousands	
Fixed rate instruments		
Financial assets	2,294,278	81,945
Variable rate instruments		
Financial liabilities	29,226,446	2,373,832

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in markup rates throughout the year would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

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	Profit or Loss	
	100 basis points decrease	100 basis points increase
	Rupees in thousands	
Cash flow sensitivity (net)		
Variable rate instruments	58,395	(58,395)
30 June 2015	58,395	(58,395)
Variable rate instruments	45,079	(45,079)
30 June 2014	45,079	(45,079)

Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities reflected in consolidated financial statements approximate their respective fair values.

34.4 Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Assets carried at amortized cost	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	Rupees in thousands			
Long term advances	8,006	8,006	12,009	12,009
Long term deposits	133,482	133,482	90,323	90,323
Trade debts	862,701	862,701	571,981	571,981
Advances	7,082	7,082	2,666	2,666
Deposits	46,616	46,616	4,875	4,875
Other receivables	135,856	135,856	2,523	2,523
Bank balances	2,487,932	2,487,932	216,262	216,262
	3,681,675	3,681,675	900,639	900,639
Liabilities carried at amortized cost				
Long term financing	15,000,000	15,000,000	-	-
Long term musharaka - secured	10,000,000	10,000,000	-	-
Trade and other payables	4,861,160	4,861,160	3,962,314	3,962,314
Markup accrued	416,546	416,546	12,324	12,324
Short term borrowings	835,809	835,809	2,373,832	2,373,832
	31,113,515	31,113,515	6,348,470	6,348,470

34.5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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34.6 Capital management

The Board'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 Board of Directors of the Parent Company monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

35. Acquisition of subsidiary

On 22 April 2015, the Parent Company assumed management control of Pakcem Limited (formerly Lafarge Pakistan Cement Limited) ("the subsidiary company"), pursuant to the Company's successful bid for Lafarge Pakistan's shares.

Taking control of Pakcem Limited will enable the Group to increase its market share in industry. Further, the Group also expects to reduce costs through economies of scale.

In 70 days to 30 June 2015, Pakcem contributed revenue of Rs. 2,183,502 thousand and profit of Rs. 674,936 thousand to the Group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue would have been Rs.41,326,374 thousand, and consolidated profit for the year would have been Rs. 9,222,335 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2014.

35.1 Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	(Rupees in thousands)
Cash	25,941,898

Acquisition related costs

The Group incurred acquisition-related costs of Rs. 46,851 thousand on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

35.2 Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition;

	(Rupees in thousands)
Property, plant and equipment	18,933,657
Intangible asset	19,636
Long term advance	10,330
Long term deposits	85,399
Stores, spare parts and loose tools	937,382
Stock in trade	1,038,906
Trade debts - considered good	126,587
Advances	91,059
Deposits and prepayments	29,138
Interest accrued	468
Other receivables	102,042
Advance tax - net	460,336
Cash and bank balances	135,556
Deferred taxation - net	(116,516)
Long term financing	(2,609,076)
Trade and other payables	(2,153,968)
Markup accrued	(88,391)
Short term borrowings - secured	(515,860)
	16,486,685

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35.3 Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows;

Property, plant and equipment

Plant, machinery and buildings

Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Other components of property, plant and equipment and net assets

All items of net assets other than plant, machinery and factory buildings are measured at book value of the assets acquired.

Fair values measured on a provisional basis

Certain items of property, plant and equipment and other net assets has been measured provisionally. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

35.4 Goodwill

Goodwill arising from the acquisition has been recognised as follows;

	(Rupees in thousands)
Consideration transferred	25,941,898
Fair value of identifiable net assets	16,486,685
Less: Net assets attributable to non controlling interest	(1,944,802)
Fair value of identifiable net assets	(14,541,883)
	<u>11,400,015</u>

The goodwill is attributable mainly to synergies expected to be achieved from integrating the company into the Group's existing cement sale business. None of the goodwill recognised is expected to be deductible for tax purposes.

36. Cash and cash equivalents

	2015	2014
	Rupees in thousands	
Bank balances	2,487,932	216,262
Short term running finances	(2,052,862)	(2,373,832)
	<u>435,070</u>	<u>(2,157,570)</u>

37. Plant capacity and production of clinker

		Metric Tonnes	Metric Tonnes
Available capacity	- Hattar	1,170,000	1,170,000
	- Farooqia	1,109,700	1,109,700
	- Chakwal	3,420,000	3,420,000
	- Pakcem Plant	475,358	-
Actual production	- Hattar	982,588	952,146
	- Farooqia	802,324	758,942
	- Chakwal	2,258,722	2,157,937
	- Pakcem Plant	251,101	-

Notes to The Consolidated Financial Statements

For the year ended 30 June, 2015

During the year the actual production from Hattar remained limited due to planned shut down for the maintenance work at cement mill to maintain its efficiency level.

Available capacity and actual production of the Pakcem plant is based on date after the acquisition date.

38. Provident fund trust

The details of the Provident Fund are as follows:

	2015	2014
Size of the trust (Rupees in thousand)	242,334	-
Cost of investments made (Rupees in thousand)	120,815	-
Percentage of investments made (%)	51%	-
Fair value of investments made (Rupees in thousand)	185,289	-

38.1 Break-up of fair value of investments

2015	(Rupees in thousands)	Percentage of full
With scheduled bank Savings account	25,415	14%
Quoted Investments		
National Investment Trust	29,527	16%
UBL's United Composite Islamic Fund	5,532	3%
UBL's Separately Managed Account	35,139	19%
	70,198	38%
Other Investments		
Defense Saving Certificates	20,580	11%
Certificates of Islamic Investment of Meezan Bank Limited	41,053	22%
Term Deposit Receipts of Bank Islami Pakistan Limited	11,067	6%
MCB Islamic Bank	16,976	9%
	89,676	48%
	185,289	100%

Provident Fund Trust is maintained by the Subsidiary Company, consolidated during the year. Comparative figures being zero are not presented.

All the investments of the Provident Fund Trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984, and the rules formulated for this purpose. These figures are un-audited.

39. General

39.1 Number of persons employed

	2015	2014
Employees at year end (number)	2,378	1,705
Average employees during the year (number)	2,357	1,916

39.2 Post Balance Sheet Events

39.2.1 The Board of Directors in their meeting held on 12 September 2015 has proposed a final dividend of Rs. 2.5 per share.

39.2.2 The Board of Directors of the Subsidiary Company in their meeting held on 12 September 2015 has proposed a final dividend of Rs. 0.25 per share.

39.2.3 These consolidated financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 12 September, 2015.


CHIEF EXECUTIVE


DIRECTOR & CFO

Pattern of Shareholding

As at June 30, 2015

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
3953	1	100	80,362
438	101	500	98,864
97	501	1000	70,824
92	1001	5000	230,961
14	5001	10000	98,806
5	10001	15000	64,364
4	15001	20000	76,083
4	20001	25000	92,433
1	25001	30000	29,550
3	30001	35000	95,227
3	35001	40000	116,708
1	40001	45000	40,959
1	45001	50000	46,500
1	50001	55000	50,505
6	65001	70000	402,632
6	75001	80000	463,493
2	80001	85000	166,211
2	90001	95000	185,500
1	95001	100000	100,000
1	110001	115000	111,010
2	125001	130000	255,586
3	150001	155000	463,491
1	170001	175000	171,760
1	185001	190000	185,425
5	215001	220000	1,096,169
1	230001	235000	234,256
4	240001	245000	969,449
2	275001	280000	556,358
1	285001	290000	289,159
2	300001	305000	607,794
1	310001	315000	310,353
1	445001	450000	447,020
2	505001	510000	1,012,420
1	515001	520000	515,114
1	545001	550000	546,894
1	605001	610000	606,062
1	620001	625000	623,664
1	670001	675000	673,486
5	675001	680000	3,394,400
1	800001	805000	803,037
1	840001	845000	841,857
2	955001	960000	1,917,290
2	1085001	1090000	2,178,724
1	1355001	1360000	1,357,760
1	1570001	1575000	1,573,445
1	1805001	1810000	1,808,309
1	1905001	1910000	1,905,652
1	2695001	2700000	2,698,994
1	3390001	3395000	3,392,685
1	4320001	4325000	4,323,753
2	6165001	6170000	12,339,942
1	6185001	6190000	6,188,213
1	7875001	7880000	7,878,441
1	9625001	9630000	9,626,632
1	9900001	9905000	9,903,204
1	12010001	12015000	12,014,147
1	15190001	15195000	15,191,463
1	17150001	17155000	17,153,461
2	18695001	18700000	37,390,634
2	18745001	18750000	37,496,432
1	28185001	28190000	28,188,568
1	31135001	31140000	31,139,368
1	135770001	135775000	135,770,976
1	180720001	180725000	180,722,079
4,701			579,384,918

Pattern of Shareholding

As at June 30, 2015

CATEGORIES OF SHAREHOLDERS	SHARES HELD	%
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
DAWOOD PERVEZ	28,188,568	
MOHAMMAD IRFAN ANWAR SHEIKH	151,183	
ARSHAD MEHMOOD CHAUDHARY	7,878,441	
ZAMEER MUHAMMAD CHOUDREY	12,358,184	
MOHAMMAD YOUNUS SHEIKH	11,711,513	
MOHAMMED ANWAR PERVEZ	21,640,779	
RAKSHANDA CHOUDREY	185,425	
	<hr/> 82,114,093	14.17
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
BESTWAY (HOLDINGS) LIMITED	180,722,079	
MAP RICE MILLS (PVT.) LIMITED	606,062	
BESTWAY (HOLDING) LIMITED	3,392,685	
BESTWAY CASH & CARRY LIMITED	135,770,976	
BESTWAY NORTHERN LIMITED	15,191,463	
TRUSTEE OF BESTWAY FOUNDATION	6,169,971	
BESTWAY FOUNDATION	17,153,461	
	<hr/> 359,006,697	61.96
MODARABAS AND MUTUAL FUNDS.		
KASB PREMIER FUND LIMITED	198	
	<hr/> 198	0.00
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.		
HABIB BANK LTD-CLOTH MKT COM. CENTER	1,452	
NATIONAL BANK OF PAKISTAN	252	
ISLAMIC INVESTMENT BANK LTD.	1,650	
HABIB BANK LIMITED	537	
UNITED BANK LIMITED	1,167	
UNITED BANK LIMITED	44	
UNITED BANK LIMITED	248	
ALLIED BANK OF PAKISTAN LIMITED	44	
UNITED BANK LIMITED	22	
ALLIED BANK OF PAKISTAN LIMITED	1,359	
MCB BANK LIMITED	46	
MCB BANK LIMITED	75	
BANK OF BAHAWAL PUR LIMITED	11	
COMMERCE BANK LIMITED	294	
ALLIED BANK OF PAKISTAN, HEAD OFFICE	660	
NATIONAL BANK OF PAKISTAN	217,709	
	<hr/> 225,570	0.04
INSURANCE COMPANIES		
STATE LIFE INSURANCE CORPORATION	5,320	
THE EASTERN FEDERAL UNION INSURANCE	1,023	
AMERICAN EXPRESS CO. INC. LAHORE	61	
MUSLIM INSURANCE CO. LTD.	264	
	<hr/> 6,668	0.00

Pattern of Shareholding

As at December 31, 2014

CATEGORIES OF SHAREHOLDERS	SHARES HELD	%
NIT AND ICP		
NATIONAL BANK OF PAKISTAN	363	
INVESTMENT CORPORATION OF PAKISTAN	564	
	<u>927</u>	0.00
OTHERS		
IGI FINEX SECURITIES LIMITED	1	
ADHI SECURITIES (PVT) LIMITED	900	
FIRST CAPITAL EQUITIES LIMITED	161	
PRUDENTIAL SECURITIES LIMITED	500	
IBRAHIM AGENCIES (PVT) LIMITED	1,716	
Y.S. SECURITIES & SERVICES (PVT) LIMITED	44	
YOUSUF YAQOOB KOLIA AND COMPANY (PVT) LIMITED	46,500	
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEE	40,959	
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BE	1,437	
INSTITUTE OF BUSINESS & TECHNOLOGY	20,000	
ASKARI SECURITIES LIMITED	1,320	
SARFRAZ MAHMOOD (PVT) LIMITED	71	
NH CAPITAL FUND LIMITED	3	
MAPLE LEAF CAPITAL LIMITED	1	
HI-TECH COMPUTERS ASSOCIATES PVT LIMITED	53	
PAK PEARL RICE MILLS (PVT) LIMITED	546,894	
A1 SUPPORT SERVICES (PVT) LIMITED	310,353	
RAHIMTOOLA MANAGEMENT (PVT) LIMITED	1,500	
FAIR DEAL SECURITIES (PVT) LIMITED	500	
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	64	
DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LIMITED	150	
INVEST CAPITAL MARKETS LIMITED	547	
FAIR DEAL SECURITIES (PVT) LIMITED	50	
FIKREE'S (SMC-PVT) LIMITED	136	
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT)	447,020	
NAEEM'S SECURITIES LIMITED	2,292	
KAZI & KAZI LIMITED	79	
ADAMJEE SONS LIMITED	9	
M/S. MAMOON JI ALI BHOY	209	
M/S. TECHNICAL SERVICES ASSOCIATION	154	
HABIB BANK LTD. A/C AHMED MOTORS LIMITED	44	
THE AHMEDIYYA ANJUMAN ISHEUT-I-ISLAM	246	
AHMED MOTORS LIMITED	158	
M.F. CORPORATION LIMITED	440	
M/S. SHERIAR F. IRANI INVESTMENT	96	
GHARIB WAL CEMENT LIMITED	3,740	
PUNJAB COOPERATIVE BOARD FOR LIQUIDATION	374	
NH SECURITIES (PVT) LIMITED	44	
M/S. MIR AFZAL KHAN & BROS.	180	
	<u>1,428,945</u>	0.25
Individual		
Local - Individuals	136,601,820	
	<u>136,601,820</u>	23.58
Grand-Totals:	<u>579,384,918</u>	100.00

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Proxy Form

The Company Secretary
Bestway Cement Limited
Bestway Building, 19-A, College Road,
F-7 Markaz, Islamabad.

Folio No. / CDC A/C No.	
Shares held	

I/We _____ of _____
being member(s) of Bestway Cement Limited holding _____
ordinary shares hereby appoint _____ of _____
or failing him/her _____ of _____ Who is/are members(s) of Bestway
Cement Limited as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf
at the Annual General Meeting of the Company to be held on _____ and at
any adjournment thereof.

Signed this _____ day of _____ 2015.

1. Witness:

Signature _____

Name _____

Address _____

**AFFIX
REVENUE
STAMP**

2. Witness:

Signature _____

Name _____

Address _____

Signature _____
(Signature appended above should
agree with the specimen signatures
registered with the Company.)

Important:

1. This form of proxy, duly completed and signed, must be received at the Registered Office of the Company, 19-A, College Road, F-7 Markaz, Islamabad not less than 48 hours before the time of holding meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy is deposited by the member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders the following requirements have to be met:

- (i) The form of proxy shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the form of proxy.
- (iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith the form of proxy to the Company.

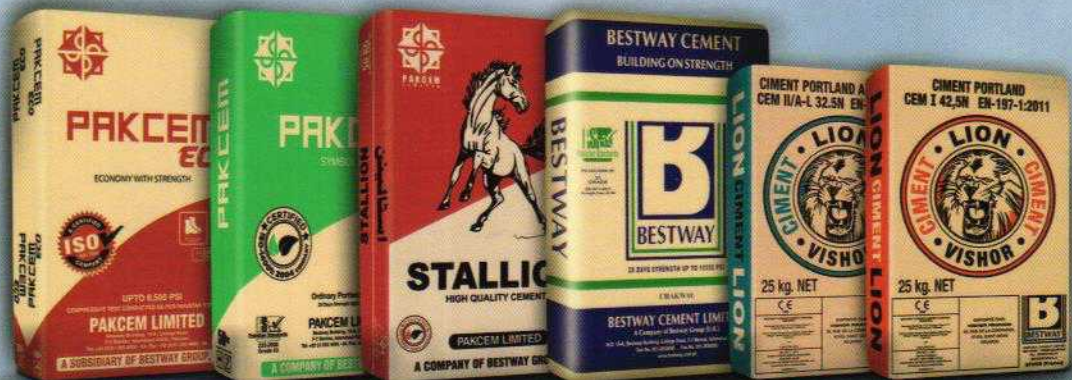
AFFIX
CORRECT
POSTAGE

The Company Secretary
Bestway Cement Limited
Bestway Building, 19-A, College Road,
F-7 Markaz, Islamabad.

DOMESTIC



EXPORT



BESTWAY CEMENT LIMITED

A Company of Bestway Group (UK)

Bestway Building, 19-A, College Road,

F-7 Markaz, Islamabad 44000, Pakistan.

Tel: +92 51 265 4856 - 64, Fax: +92 51 265 4865 - 66