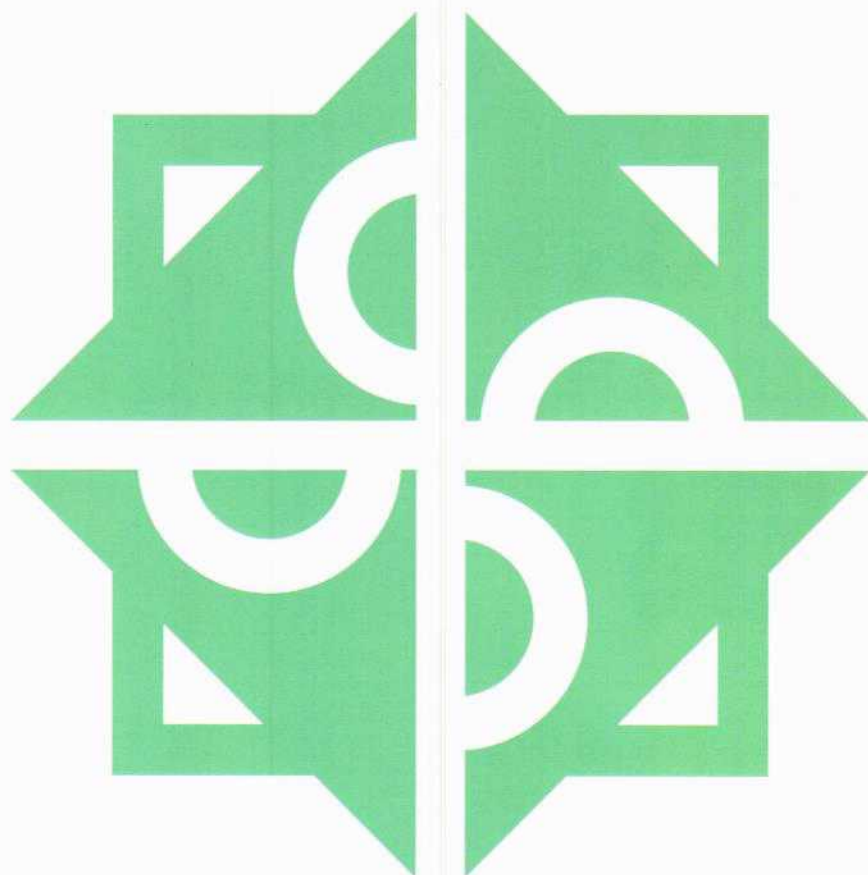


# MOVING FORWARD



**PAKCEM**  
LIMITED

Annual Report 2015



**PAKCEM**  
L I M I T E D

# CONTENTS

A man in a dark suit stands with his back to the camera on a rooftop, looking out at a city skyline. The scene is overlaid with a large green geometric shape that cuts diagonally across the image. The word 'CONTENTS' is written in large green capital letters on the white background of the geometric shape. The city skyline includes several tall buildings, some with glass facades reflecting the sky. The rooftop floor is made of large, dark tiles.

**01**

Company Information

**03**

Vision & Mission

**05**

Health & Safety and Environment

**07**

Product Portfolio

**09**

Chairman's Message

**11**

Group Chief Executive's Review

**13**

Notice of 23rd AGM

**15**

Directors' Report

**21**

Statement of Compliance with Code of Corporate Governance

**23**

Report of the Audit Committee

**25**

Review Report to the Members on Statement of Compliance with the CCG

**26**

Auditors' Report

**29**

Balance Sheet

**31**

Profit and Loss Account

**32**

Statement of Comprehensive Income

**33**

Statement of Cash Flows

**34**

Statement of Changes in Equity

**35**

Notes to the Financial Statements

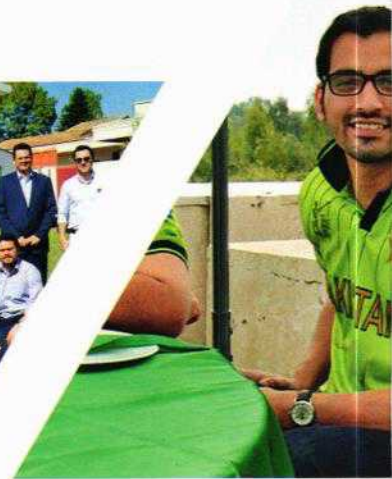
**69**

Pattern of Shareholding

**74**

Proxy Form

# COMPANY INFO





### Board of Directors

|                                 |                 |
|---------------------------------|-----------------|
| Sir Mohammed Anwar Pervez       | Chairman        |
| Mr. Zameer Mohammed Choudrey    | Chief Executive |
| Mr. Muhammad Irfan Anwar Sheikh |                 |
| Mr. Mohammad Younus Sheikh      |                 |
| Mr. Dawood Pervez               |                 |
| Mr. Arshad Mehmood Chaudhary    |                 |
| Mr. Saif Ali Rastgar            |                 |

### Audit Committee

|                            |          |
|----------------------------|----------|
| Mr. Saif Ali Rastgar       | Chairman |
| Mr. Mohammad Younus Sheikh |          |
| Mr. Dawood Pervez          |          |

### Human Resource & Remuneration Committee

|                                 |          |
|---------------------------------|----------|
| Mr. Dawood Pervez               | Chairman |
| Mr. Muhammad Irfan Anwar Sheikh |          |
| Mr. Mohammad Younus Sheikh      |          |

### Chief Financial Officer

Mr. Muhammad Irfan Anwar Sheikh

### Company Secretary

Ms. Sehar Husain

### Auditors

KPMG Taseer Hadi & Co.,  
Chartered Accountants

### Legal Advisors

HaiderMota BNR & Co. Advocate and Corporate Counsel, Islamabad.

### Bankers

Allied Bank Ltd.  
Citibank N.A.  
Habib Bank Ltd.  
MCB Bank Ltd.  
NIB Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
Faysal Bank Ltd.  
United Bank Ltd.  
Meezan Bank Ltd.

### Share Registrar

M/s THK Associated (Pvt.) Ltd.  
2nd Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road,  
Karachi-75530, Pakistan.  
UAN: +92(21) 111-000-322  
Fax: +92(21) 35655595

### Registered Office

Bestway Building, 19-A,  
College Road, F-7 Markaz,  
Islamabad, Pakistan.  
UAN: +92(51) 111 111 722  
Fax: +92(51) 2817300  
Web: [www.pakcem.com.pk](http://www.pakcem.com.pk)  
E-mail: [company.secretary@pakcem.com.pk](mailto:company.secretary@pakcem.com.pk)

### Plant Site

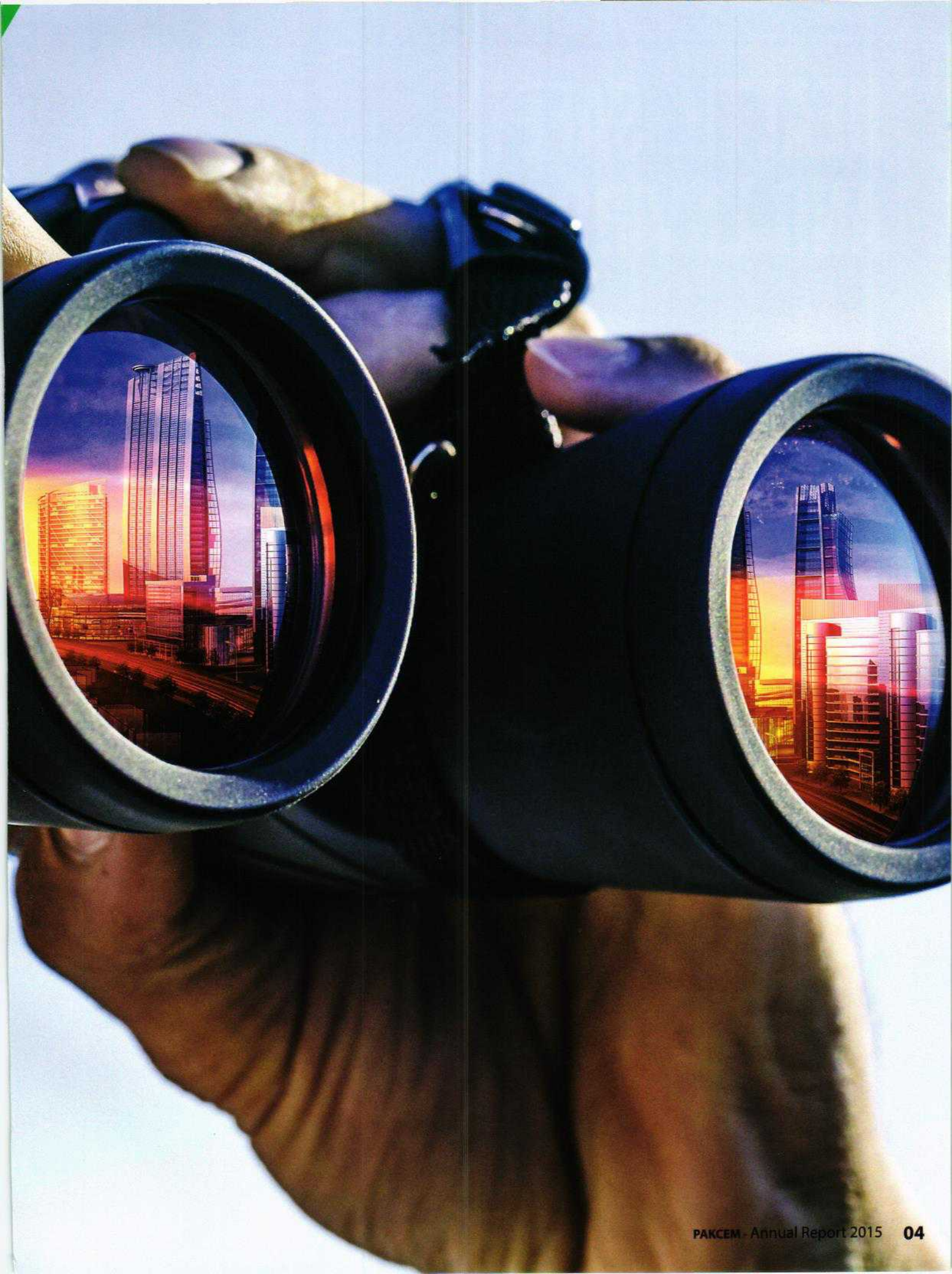
Choie Mallot Road, Tehsil Kalar Kahar,  
Distt. Chakwal, Pakistan.

# VISION

“The preferred construction solution provider with sustainable leadership in health & safety, people development and commitment to all stakeholders through Bestway values.”

# MISSION

“We are committed to providing outstanding value to our customers, a safe and stimulating work environment for our employees and superior returns for our shareholders.”



# HEALTH, SAFETY AND ENVIRONMENT



Health and Safety continued to be a key priority throughout the reporting period. We achieved a total of 0.71 million Loss Time Injury (LTI) free working hours for permanent employees and 0.48 million LTI free working hours for outsourced employees.

We are always cognizant of the environmental impact of our operations in the form of reduced carbon footprint and optimal energy utilisation. We also regularly monitor our waste streams to ensure compliance with all national regulations and environmental standards. Our efforts to reduce environmental footprint were rewarded by National Forum for Environment & Health when Pakcem Limited was honoured with the Environment Excellence Award for its positive contribution to sustainable development.



ACCIDENTS BRING TEARS  
SAFETY BRINGS CHEERS!

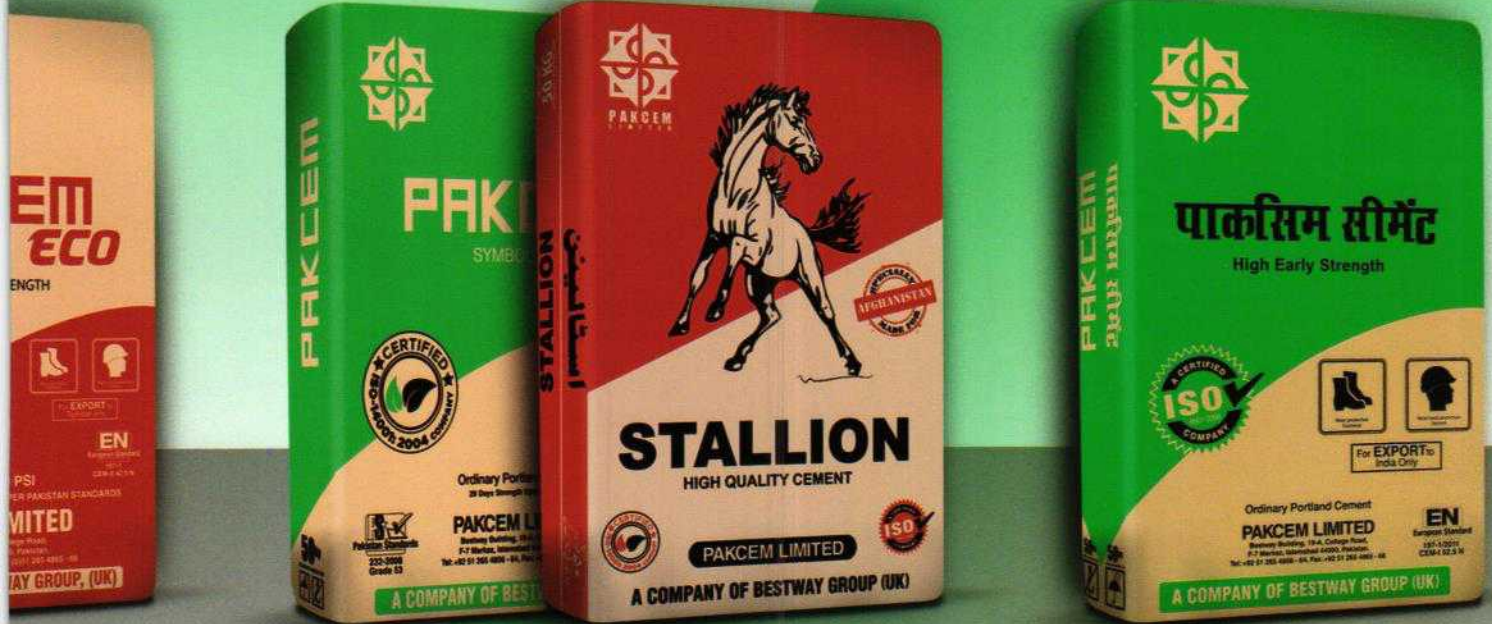
# PAKCEM LIMITED PRODUCT PORTFOLIO



**PAKISTAN**



**TAJIKISTAN**



**AFGHANISTAN**



**INDIA**

# CHAIRMAN'S MESSAGE

## Strong growth in an exciting period

### Business highlights

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

Our journey so far has not only reaped us great accomplishments but has also enabled us to win continuous confidence of all our stakeholders. Our seamless operations are driven by the success of our people who ensure that their individual efforts garner a performance which is unmatched in the whole industry.

The Company's progress has been significant. We have not only consolidated Bestway Cement's leadership position, but the management team led by the Chief Executive has improved turnover and profitability for Pakcem as well. 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, Pakcem has established itself as one of the leading cement manufacturer in Pakistan with a total production capacity of more than 2.4 million tonnes per annum. The acquisition of Lafarge Pakistan (now known as Pakcem Limited) for an enterprise value of US \$329 million, propelled Bestway Cement, our parent company, to become the market leader representing 18% of the market share.

During the period under review, turnover increased from Rs. 5.1 billion to Rs. 5.6 billion. This increase of 9.4% was mainly due to growth in domestic sales and better retention prices during the period.

Our profit before tax registered an increase of 7% from Rs. 752 million for the previous period to Rs. 803 million in June 2015.

Under the guidance of our Chief Executive, we are striving to become forerunners in the cement industry focused on minimising environmental externalities, and contributing to the country's power generation capacity.

Our green initiatives have allowed us to enhance the operational efficiencies of our businesses, which have in turn allowed us to maintain our market competitiveness. This year, the Company inaugurated a 12MW waste heat recovery power plant (WHR) at Pakcem operations, making Bestway Cement the only company that has WHR technology deployed on all of its plants. 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.

We continue to invest significantly through Bestway Foundation – the charitable trust of Bestway Group, in order to create shared values with our employees, communities, customers and shareholders. Our sustainability initiatives focus on three key areas: promoting health and safety, minimising our environmental impact and benefitting the local communities where we operate, whether it's through education, creation of jobs or development initiatives.

In 2015, Pakcem received Annual Environment Excellence Award by the National Forum for Environmental & 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 during the period, the Company continued to conduct its operations with integrity and responsibility. Transparency in Pakcem'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

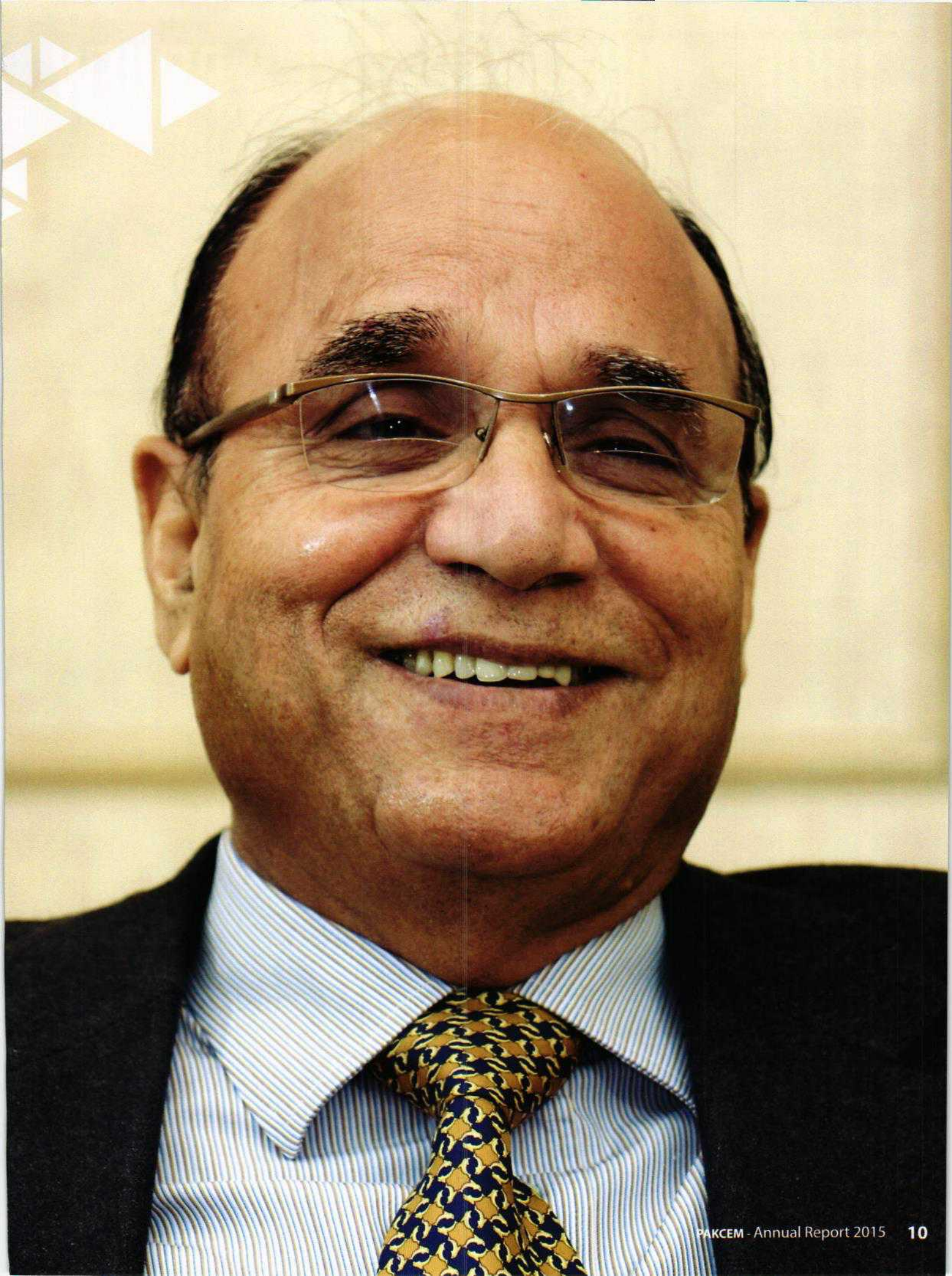
In 2015, our focus will be on continuing to drive margin improvement in our business, together with delivering value from our recent acquisition and achieving the synergies between Pakcem and other parts of our business.

Whilst, there are still many challenges and milestones ahead of us, 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 Pakcem'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



# GROUP CHIEF EXECUTIVE'S REVIEW

## Review of Business

2015 has been an exciting time for the Company. Despite many challenges, we had a remarkable period 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 high turnover and profitability during the period.

|                     | Six-month-period ended June 30, 2014 | Six-month-period ended June 30, 2015 |
|---------------------|--------------------------------------|--------------------------------------|
| Turnover            | Rs. 5.1 billion                      | Rs. 5.6 billion                      |
| Profit before tax   | Rs. 752 million                      | Rs. 803 million                      |
| Shareholders' funds | Rs. 13.1 billion                     | Rs. 13.7 billion                     |
| EPS                 | Rs. 0.34                             | Rs. 0.41                             |

We witnessed an increase of 9.4% in turnover, attributed largely to an increase in domestic demand and stable retention prices during the period. Pakcem managed to reduce its financial charges by 11.6% owing to a decrease in markup rates compared to the previous period.

The Company experienced healthy cash generation and increased profitability, which was reflected in our net current assets, that stood at Rs. 244 million as opposed to net current liability of Rs. 207 million from the corresponding period. In light of the robust performance of the business, the Board of Directors is pleased to propose a final dividend of Rs.0.25 (2.5%) for the period ending 30 June, 2015.

## Acquisition of Lafarge Pakistan

Following the acquisition of majority shares in Lafarge Pakistan Cement Limited (now known as Pakcem Limited), Bestway Cement Limited 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

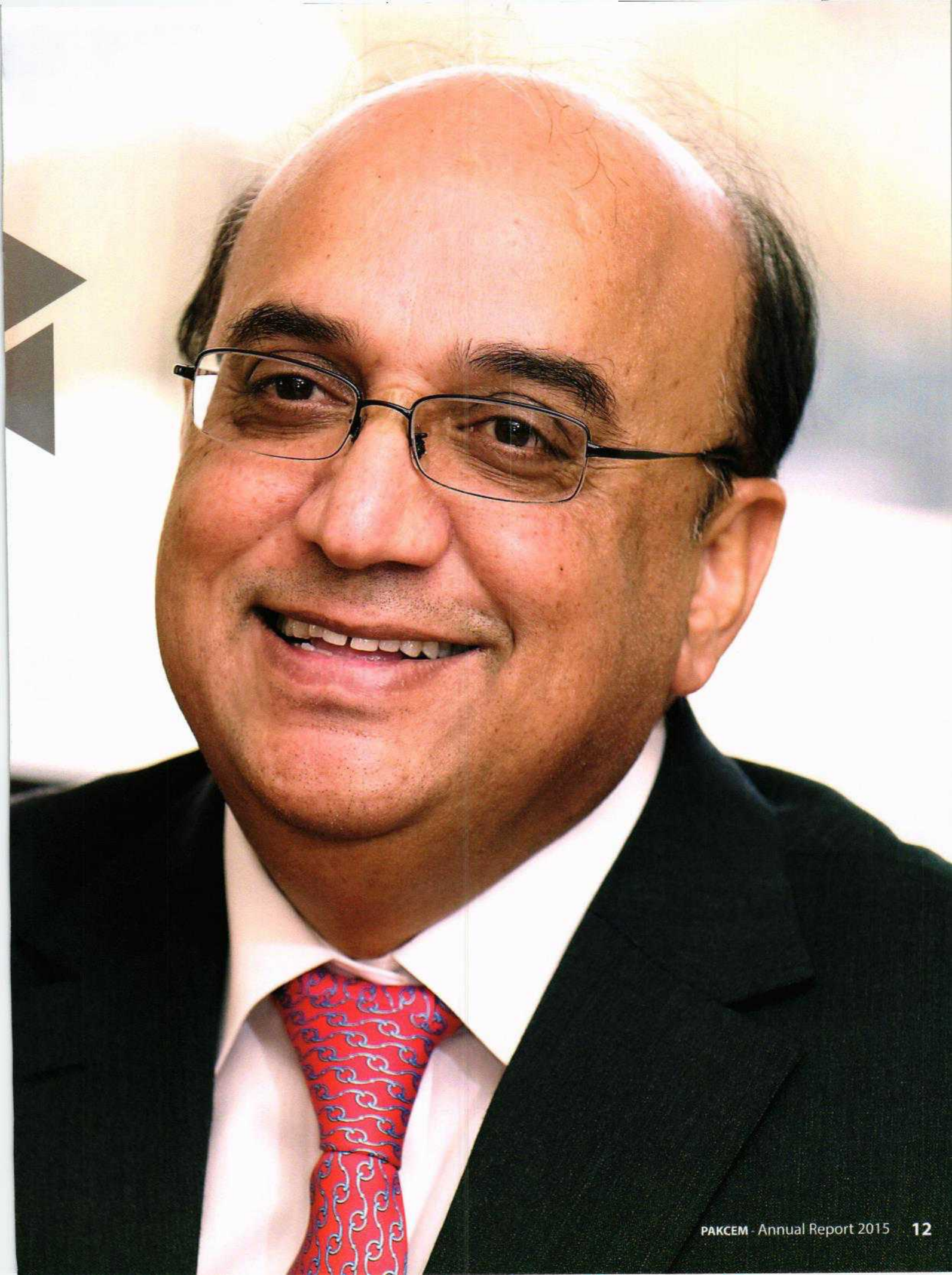
Our solid performance was driven by clear and aligned strategy that was underpinned by passionate commitment of our people, excellence in execution, and delivery. Throughout the period, we kept a consistent focus on critical areas of business, such as, increasing our market share, strengthening our product 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 Pakcem and look forward to their continuous support.

**Zameer M. Choudrey**  
Group Chief Executive Officer



# NOTICE OF 23RD ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the shareholders of PAKCEM LIMITED (formerly Lafarge Pakistan Cement Limited) ("the Company") will be held on Wednesday, October 14, 2015, at 1:00 p.m. at the Registered Office, Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of Extraordinary General Meeting held on June 25, 2015.
2. To receive and adopt the audited accounts of the Company for the period ended June 30, 2015 along with Directors' and Auditors' reports thereon.
3. To approve and declare cash dividend of Rs. 0.25 per share for the period ended June 30, 2015 as recommended by the Board of Directors.
4. To appoint Auditors for the year ending June 30, 2016 and to fix their remuneration. The retiring auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants, Islamabad, being eligible, offer themselves for re-appointment.
5. To transact any other business which may be placed before the meeting with the permission of the chair.

## SPECIAL BUSINESS

6. To consider and if thought fit to pass the following resolutions with or without modification as a special resolution:

**"RESOLVED THAT the "Intercompany Services Fee Agreement" to be executed between the Company and Bestway Cement Limited, as discussed be and is hereby approved and that agreement be engrossed in duplicate and the common seal of the Company be affixed thereto in accordance with the Company's Articles of Association.**

**FURTHER RESOLVED THAT the Chief Executive Officer and/or the Chief Financial Officer of the Company be and are hereby authorized to singly sign and execute this agreement on behalf of the Company and take all necessary actions in this regard."**

## OTHER BUSINESS

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

By Order of the Board

Islamabad:  
September 23, 2015

Sehar Husain  
Company Secretary

## Notes:

1. The share transfer books of the Company will remain closed from 08-10-2015 to 14-10-2015 (both days inclusive) to determine entitlement for attending Annual General Meeting and to receive dividend.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.
3. CDC shareholders entitled to attend and vote at this meeting, shall produce his/her original CNIC or passport to prove his/her identity. Representatives of corporate members should bring the usual documents required for such purpose. The members are requested to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Shareholders are requested to immediately notify to M/s THK Associates (Pvt.) Limited, the Share Registrar of the Company, of change in their address, if any.
5. 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 Registrar of the Company for availing the benefit of lower withholding rate.
6. Members who have not yet submitted a photocopy of their computerized National Identity Cards to the Company are requested to send the same at the earliest to the Share Registrar which is mandatory for dispatch of dividend warrants.

## 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:

The Company's holding company, Bestway Cement Limited (Bestway), has the professional, technical and other specialized capabilities to provide ongoing valuable services for the benefit of Pakcem Limited with the view of promoting cost optimization and sustainable growth of its business as a whole (the Services). Furthermore, Bestway Cement Limited's senior management and executive oversight provides value to and benefits the Company as an entity in the cement operations group. As a result of the acquisition of majority shareholding of the Company and management change of control, Bestway is endeavoring to devote the appropriate time, attention, and energies to the performance of the Services, and utilizing best efforts in the furtherance of the business of the Company. In consideration for the Services performed by Bestway Cement Limited, the Company shall pay an annual fee of Rs. 300 million. The Board of Directors of the Company believe that the Agreement will have a positive impact on the business and would help its future operations and growth of the company.

The justification for entering into the Agreement is the growing volume of work of senior management of the Bestway in managing the day to day operations of the Company without any fixed remuneration or reward. However, whilst cost of management efforts may be impractical to charge directly, a cost/benefit relationship can be reasonably identified. The Agreement therefore provides for a practical and consistent allocation method for costs incurred for the general benefit of the group as well as the Company specifically.

For this purpose the 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.

The above mentioned Agreement is available at registered office of the Company for inspection during the office hours (2:30 p.m. to 5:30 p.m.) from October 9, 2015 to October 13, 2015.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the Annual Report of the Company for the period ended June 30, 2015 together with the Financial Statements and 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 period 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. This consistent growth in construction activity primarily resulted from execution of various infrastructure projects and increased investment in small scale construction. Whilst 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 during the six-month-period grew by 7% from 14.1 million tonnes to 15.1 million tonnes. Exports on the other hand, registered a decline of 21% from 3.9 million tonnes to 3.1 million tonnes mainly due to sluggish demand and competitive prices over the corresponding period last year. Overall industry dispatches slightly increased by 0.6% from 18.1 million tonnes to 18.2 million tonnes during the period.

## ASSUMPTION OF MANAGEMENT CONTROL

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

The Board of Directors and management of Bestway expressed their excitement 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.

## THE BOARD OF DIRECTORS:

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

Mr. Saif Ali Rastgar – **Independent Director**

## CHANGE OF NAME

Subsequent to the acquisition of the Company by Bestway Cement Limited and decision of the Board of Directors and shareholders, the name of the Company was changed on 27 July 2015 from Lafarge Pakistan Cement Limited to Pakcem Limited with the permission of Securities & Exchange Commission of Pakistan.

\* Source APCMA

## CHANGE OF TRADING SYMBOL

Following the change of name, the Company's trading symbol was changed at all three stock exchanges from LPCL to Pakcem.

| Production & Sales Review | Six-month-period ended 30 June 2015<br>Tonnes | Six-month-period 30 June 2014<br>Tonnes | Increase<br>Tonnes | Percentage<br>Increase |
|---------------------------|-----------------------------------------------|-----------------------------------------|--------------------|------------------------|
| Clinker production        | 631,683                                       | 559,627                                 | 72,056             | 13%                    |
| Cement production         | 838,978                                       | 771,860                                 | 67,118             | 9%                     |
| Cement Sales              | 830,531                                       | 773,072                                 | 57,460             | 7%                     |
| Xtreme Bond Sales         | 6,258                                         | 2,779                                   | 3,479              | 125%                   |
| Total Sales               | 836,789                                       | 775,850                                 | 60,939             | 8%                     |

A good business performance was achieved despite being challenged with power shortage during the reporting period. The Company relentlessly persevered to sustain and meet local and export demands by supplementing electricity from national grid coupled with in-house power generation.

## OPERATING HIGHLIGHTS

The Company recorded an 11.5% increase in sales of Rs. 7.1 billion compared to Rs. 6.4 billion during the corresponding period. Net turnover amounted to Rs. 5.6 billion compared to Rs. 5.1 billion for the corresponding period. This increase of 9.4% was mainly due to growth in domestic sales and better retention prices during the period.

Gross Profit increased by 11% to Rs. 1.6 billion from Rs 1.4 billion from the corresponding period. Improved retention prices largely contributed to this increase in profit. During the period, Pakcem Limited managed to reduce its financial charges by 11.6% from Rs. 206 million to Rs. 182 million owing to decrease in markup rates compared to last year.

Profit before tax increased by 7% for the period at Rs. 803 million as compared to Rs. 752 million for the previous period. Profit after tax witnessed an increase of 24% for the year, amounting to Rs.593 million as compared to Rs. 478 million for the period. This increase is attributed to reduction in tax rates and deferred tax provision.

Earnings per share of the Company for the period stood at Rs. 0.41 as against Rs. 0.34 from the corresponding period.

## BALANCE SHEET

The Company discharged its repayment obligations on all types of loans on a timely basis. The Company's total borrowings at the end of the reporting period stood at Rs. 3.4 billion compared to Rs. 3.9 billion for the same period last year.

Net current assets at the close of the reporting period stood at Rs. 244 million as opposed to net current liability of Rs. 207 million from the corresponding period. This is mainly due to healthy cash generation and increased profitability.

## APPROPRIATION

The directors and management of Pakcem Limited are mindful of providing a superior return to the shareholders. In view of the improved performance by the Company during the period, the directors feel great pleasure in recommending a final dividend of Rs. 0.25 per share.

## ALTERNATE ENERGY

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 a waste heat recovery power plant at its Kallar Kahar operations with a generation capacity of 12 MW. The plant is expected to cost US \$15 million. 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. Additionally, it will significantly reduce the Company's dependence on external source of electricity thus helping in reducing our cost of production.

## **PLANT PERFORMANCE**

The 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 a key role in the successful implementation of this approach. During the period under review, our plant operated satisfactorily.

## **CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY**

Pakcem Limited recognises and values the communities it operates in. Whilst we keenly adhere to our best practices, we also make sure the community at large benefits from it. Health and Safety remained our key priority during the reporting period. Under our CSR ambit, we designed initiatives to extend Pakcem's health and safety culture to the local community with a vision of strengthening lives across Pakistan.

A 700-meter-long bypass road at Jalaibi Chowk, 5.5 km away from our plant site in Kallar Kahar has been launched at a substantial cost on the same principle. The junction has been a cause of major road hazards including, fatalities for vehicles going towards and on the trunk road (Choa Saidan Shah Road). The bypass road, which is expected to be complete by January 2016, will go a long way in safeguarding valuable human lives on the road whilst reducing traffic related hazards.

Our flagship Health & Safety in Schools Programme continued to work with government schools; building and increasing awareness among school children and faculty members on road safety, at home and at school. During the reporting period, our focus remained reaching out to underprivileged, impoverished community schools in geographical areas of our operation. Through the programme, our employees promoted the link between being safe and healthy, and shared best practices with over 2,000 school children in 17 schools across Chakwal and Kallar Kahar.

Our Employee Volunteering Programme 'Raise Your Hand' continued to positively contribute to local communities. We urged our employees to dedicate at least four hours of their working time to locally selected projects in the realm of environment, education, health & safety, skills training, coaching and mentoring. Their volunteering contributions included serving food at the Ramadan Dastarkhawan, Health & Safety in Schools Programme, career counseling sessions, sports and public speaking coaching.

Pakcem Limited provided fumigation services twice a week in the surrounding villages of the Plant including Mallot, Choji and Warala. Additionally, the Company continued to provide transport for pensioners in the nearby villages on a monthly basis throughout the reporting period.

During the month of Ramadan, Pakcem Limited arranged daily free dastarkhawan meals for the underprivileged at its head office and plant. The Company provided free iftar to nearly 6,000 needy people outside its office in Islamabad and over 800 were served at the plant through the entire month of Ramadan. Additionally, the Company contributed to the 'Sasta Dastarkhawan' scheme launched by the Government of Punjab. Under this scheme, cooked food is distributed amongst the poor and needy during the holy month. Ration packs including items of daily use were distributed to help the local communities around our plant during this time as well.

Through the Kallar Kahar Medical Unit – an initiative, the Company launched in 2014, we have been continuing to provide best health care treatment, catering to the needs of the local communities. To date, close to 3,000 patients have been provided medical care from surrounding villages in and around District Chakwal since the launch in December 2014. During the reporting period, the unit arranged 11 free medical camps where specialists treated nearly a thousand patients from the local communities.

## **LOCAL JOB CREATION**

The company considers job creation as one of the core elements of its contribution to local economic development. Other than direct employment, the Company promotes local job creation through working with local businesses which provide goods and services for our operations. Fifty percent of the Company's workforce is hired locally from surrounding villages in District Chakwal. The Company supports and conducts training and competence development programs for the locally hired workforce.

## **HEALTH, SAFETY AND ENVIRONMENT**

Health and Safety continued to be a key priority throughout the reporting period. We achieved a total of 0.7 million Loss Time Injury (LTI) free working hours for permanent employees and 0.5 million LTI free working hours for outsourced employees.

We are always cognizant of the environmental impact of our operations in the form of reduced carbon footprint and optimal energy utilisation. We also regularly monitor our waste streams to ensure compliance with all national regulations and environmental standards. Our efforts to reduce environmental footprint were rewarded by National Forum for Environment & Health when Pakcem Limited was honoured with the Environment Excellence Award for its positive contribution to sustainable development.

## **CONTRIBUTION TO THE NATIONAL EXCHEQUER**

The Company is among the top tax payers in the country. During the period under review, Pakcem Limited contributed a total of Rs. 1.6 billion to the exchequer, Rs. 1.3 billion on account of sales tax and excise duty and Rs. 202 million on account of income tax. In addition, the Company pays large amounts on account of various indirect taxes to the federal, provincial and local governments.

## **DIVERSITY AND INCLUSION**

We are convinced that as an effective organisation, strong investment in our people and diversity in our teams are integral to achieving our strategic objectives and ensuring that our business thrives over the long term. For the first time in the industry, Pakcem Limited inducted female engineers at the plant. The Company firmly believes in providing equal opportunities to all and makes efforts to induct talent based on merit and non-discrimination. 27 from a workforce of 297 employees are women, 10 of whom are based at the plant, which is unprecedented in the industry.

## **HOLDING COMPANY**

Bestway Cement Limited holds 88.20% ordinary shares of the Company at the reporting date. Bestway assumed management control of the Company on 22 April 2015 following substantial acquisition of voting shares in the Company.

## **FUTURE OUTLOOK**

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. International coal prices are also expected to remain close to their present level. On the downside, power deficiency in the country is not expected to be resolved in the foreseeable future. The government's focus on infrastructure development, particularly projects like China-Pakistan Economic Corridor, should accelerate demand for cement in the country. All these factors together are expected to contribute towards positive business outlook.

## **STATEMENT ON CORPORATE & FINANCIAL REPORTING FRAME WORK**

In compliance with the provisions of the Code, the Directors are pleased to report the following:

- The financial statements for the period ended June 30, 2015 prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and change in equity;
- The Company has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the period ended June 30, 2015 and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of stock exchanges;

- Key operating and financial data of last six years is given below;

(Rs. '000)

| Particulars                            | 2010       | 2011       | 2012       | 2013       | 2014 December | 2015 June  |
|----------------------------------------|------------|------------|------------|------------|---------------|------------|
| Issued, Subscribed and Paid-up Capital | 13,126,445 | 13,126,445 | 13,126,445 | 13,126,445 | 14,561,090    | 14,561,090 |
| Capital Reserve                        | 198,966    | 202,743    | 202,743    | 1,637,388  | 196,660       | 196,660    |
| Long Term Loan-secured                 | 1,761,663  | 5,361,851  | 5,006,056  | 3,737,008  | 1,730,847     | 1,298,584  |
| Current Liabilities                    | 8,927,252  | 3,560,745  | 4,332,812  | 3,427,200  | 4,382,922     | 3,354,685  |
| Property Plant & Equipment             | 16,291,971 | 15,792,184 | 15,313,382 | 14,824,043 | 14,515,594    | 14,237,689 |
| Long Term Advance                      | 61,977     | 54,265     | 41,318     | 30,989     | 20,659        | 10,330     |
| Long Term Deposits                     | 39,867     | 40,871     | 40,258     | 41,412     | 84,398        | 43,408     |
| Deferred Tax Assets                    | 749,347    | 803,011    | 1,199,316  | 1,906,850  | 1,384,016     | 467,349    |
| Current Assets                         | 2,358,841  | 2,525,674  | 2,930,523  | 3,390,715  | 3,218,189     | 3,598,401  |
| Net Sales                              | 6,880,767  | 7,804,378  | 9,624,089  | 10,302,148 | 10,336,120    | 5,588,437  |
| Gross Profit                           | 855,910    | 1,655,652  | 3,135,160  | 3,225,293  | 2,999,705     | 1,638,792  |
| Financial Charges                      | 980,678    | 1,064,480  | 1,052,757  | 666,640    | 458,855       | 181,963    |
| Profit/(Loss) after Taxation           | (948,495)  | (118,421)  | 1,488,210  | 1,802,802  | 540,067       | 593,198    |
| Earnings Per Share (Rs.)               | (0.72)     | (0.09)     | 1.13       | 1.37       | 0.37          | 0.41       |

- Audited financial statements for the period ended June 30, 2015 show a net profit of Rs. 593 million. The Board is pleased to propose a dividend of Rs. 0.25 per share;
- There are no outstanding statutory payments on account of taxes, levies or charges except those reflected in Note No.21 to the accounts;
- The Company maintained a provident fund scheme for its eligible employees. The value of investments by the fund was Rs. 185 million as on June 30, 2015;
- During the period ended June 30, 2015, three meetings of Board of Directors were held and attendance of Directors is stated below:

| Name of the Directors           | No. of Board Meetings Attended |
|---------------------------------|--------------------------------|
| Maj. Gen. (R) Rehmat Khan       | 3                              |
| Mr. Amr Ali Reda                | 3                              |
| Mr. Fabrizio Angelo Olivares    | 3                              |
| Mr. Shahid Anwar (Nominee NIT)  | 1                              |
| Mr. Shafqat Mahmood Malik       | 3                              |
| Mr. Hugues Boissel Dombrevail   | 3                              |
| Ms. Jeannine Saleh              | 2                              |
| Sir Mohammed Anwar Pervez       | 1                              |
| Mr. Zameer Mohammed Choudrey    | 1                              |
| Mr. Muhammad Irfan Anwar Sheikh | 1                              |
| Mr. Mohammad Younus Shiekh      | 1                              |
| Mr. Dawood Pervez               | -                              |
| Mr. Arshad Mehmood Chaudhary    | -                              |

The Directors who could not attend the board meetings due to their preoccupations were duly granted leave of absence.

During the period ended June 30, 2015, three meetings of Audit Committee were held and attendance of members was as follows:

| Name of the Member             | No. of Meetings Attended |
|--------------------------------|--------------------------|
| Mr. Shahid Anwar (Nominee NIT) | 1                        |
| Maj. Gen. (R) Rehmat Khan      | 3                        |
| Mr. Fabrizio Angelo Olivares   | 3                        |
| Mr. Hugues Boissel Dombreval   | 3                        |
| Ms. Jeannine Saleh             | 2                        |
| Mr. Dawood Pervez              | -                        |
| Mr. Mohammad Younus Sheikh     | -                        |
| Mr. Saif Ali Rastgar           | -                        |

During the period ended June 30, 2015, no meeting of Human Resources & Remuneration Committee was held.

- The pattern of shareholding as on June 30, 2015 and its disclosures as required in the Code of Corporate Governance is annexed with the report;
- No Directors, CEO, CFO, Company Secretary, Company Auditors, their spouses and minor children have undertaken any transaction in Company's shares during the period.

#### AUDITORS

The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, will retire and being eligible, offer themselves for the reappointment. The Board endorses the recommendation of the Audit Committee for their appointment as auditors of the Company for the year ending June 30, 2016.

M/s BDO Ebrahim and Co. Chartered Accountants, Islamabad were appointed as Cost Auditors for the period ended June 30, 2015.

#### ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the continued support of its shareholders, customers, suppliers, bankers, government agencies and most importantly, its workforce.

Islamabad:  
September 12, 2015

For and on behalf of the Board



Zameer Mohammed Choudrey  
Chief Executive Officer

# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the period ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

**PAKCEM LIMITED** (Formerly Lafarge Pakistan Cement Limited) ("the Company") has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors (hereinafter "the Board"). At present the Board includes:

| Category                | Names                           |
|-------------------------|---------------------------------|
| Independent Director    | 1. Mr. Saif Ali Rastgar         |
| Non-Executive Directors | 1. Sir Mohammed Anwar Pervez    |
|                         | 2. Mr. Zameer Mohammed Choudrey |
|                         | 3. Mr. M. Irfan A. Sheikh       |
|                         | 4. Mr. Mohammad Younus Shiekh   |
|                         | 5. Mr. Dawood Pervez            |
|                         | 6. Mr. Arshad Mehmood Chaudhary |

Mr. Shahid Anwar, the independent Director resigned on April 30, 2015 and casual vacancy was filled after the period end. The independent director meets the criteria of independence under clause i(b) of the Code

2. The directors have confirmed that none of them is serving as a director in 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 NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period casual vacancies occurred on the Board which were duly filled by the Board within the stipulated period of ninety days.
5. The Company has adopted Code of Business Conduct, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive Directors, have been taken by the Board.

8. During the period, the meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for the purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated, in time
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 companies 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 employment.
11. The Directors' Report for the period ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were fully endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members; each of whom is a non-executive director and the Chairman of the Committee is an independent director. Subsequent to the resignation of independent director the position of Chairman was vacant at the period end which was filled later on.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of references of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, each of whom is a non-executive director including the Chairman of the Committee.
18. The Board has set up an internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'Closed Period' prior to the announcement of interim/final results, and business decision, which may materially affect the market price of Company's shares, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with.

**For and on behalf of the Board**



**Zameer Mohammed Choudrey**  
Chief Executive Officer

**Islamabad:**  
**September 12, 2015**

# 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 the Board

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

- The Financial Statements, Director's 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 period 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 period 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 the function has all necessary access to Management and the right to seek information and explanations.
- During the period three 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 period ended 30 June, 2015 and shall retire on the conclusion of the 23rd 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.

September 12, 2015  
Islamabad.



---

Saif Ali Rastgar  
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 Pakcem Limited (formerly Lafarge Pakistan Cement Limited) ("the Company") for the six months period ended 30 June 2015 to comply with the requirements, Listing Regulation No. 35 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Company is listed.

The responsibility for the 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 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 justifications 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 six months period ended 30 June 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where this is the Statement of Compliance:

- i. As stated in paragraph 09, none of the Directors obtained certification under directors' training program during the period as required under clause XI of the Code.

Islamabad:  
September 12, 2015



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Bakhtiyar Kazmi

# AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account 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, except for the change as indicated in note 3.2 with which we concur;
  - ii) the expenditure incurred during the period was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the period 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 balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by 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 period then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

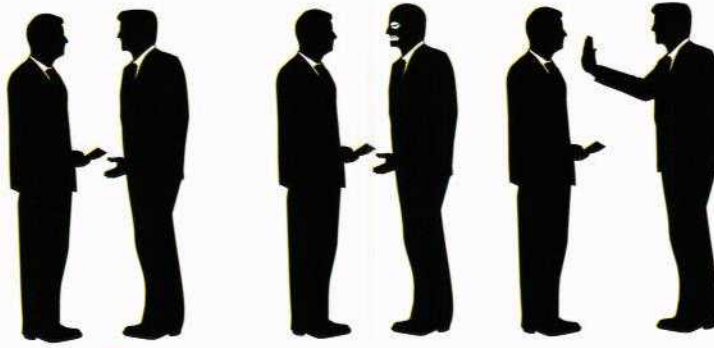
Financial statements of the Company as of and for the year ended 31 December 2014 were audited by another auditor whose report dated 10 March 2015 expressed an unqualified opinion on those financial statements.

Islamabad:  
September 12, 2015



**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Syed Bakhtiyar Kazmi**





# ZERO TOLERANCE FOR CORRUPTION

[www.jamapunji.pk](http://www.jamapunji.pk)



## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

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

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



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

[jamapunji.pk](http://jamapunji.pk)

[@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

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

# Balance Sheet

As at 30 June, 2015

|                                 |      | 30 June,<br>2015 | 31 December,<br>2014 |
|---------------------------------|------|------------------|----------------------|
|                                 | Note | Rupees           |                      |
| <b>ASSETS</b>                   |      |                  |                      |
| <b>NON - CURRENT ASSETS</b>     |      |                  |                      |
| Fixed assets                    |      |                  |                      |
| Tangible assets -               |      |                  |                      |
| Property, plant and equipment   | 5    | 14,237,689,273   | 14,515,594,436       |
| Intangible assets               | 6    | 19,094,655       | 20,718,901           |
|                                 |      | 14,256,783,928   | 14,536,313,337       |
| Long-term advance               | 7    | 10,329,500       | 20,659,000           |
| Long-term deposits              | 8    | 43,408,489       | 84,397,692           |
| Deferred taxation - net         | 9    | 467,348,501      | 1,384,015,511        |
|                                 |      | 14,777,870,418   | 16,025,385,540       |
| <b>CURRENT ASSETS</b>           |      |                  |                      |
| Stores and spares               | 10   | 893,522,724      | 1,059,560,374        |
| Stock-in-trade                  | 11   | 949,736,576      | 1,303,875,581        |
| Trade debts                     | 12   | 182,290,225      | 84,226,728           |
| Advances and deposits           | 13   | 92,023,961       | 54,589,194           |
| Short-term prepayments          | 14   | 11,684,871       | 63,316,049           |
| Interest accrued                |      | 46,949           | 331,009              |
| Other receivables               | 15   | 968,080,950      | 151,441,799          |
| Tax refunds due from Government | 16   | 447,750,399      | 363,552,184          |
| Cash and bank balances          | 17   | 53,264,436       | 137,295,695          |
|                                 |      | 3,598,401,091    | 3,218,188,613        |
| <b>TOTAL ASSETS</b>             |      | 18,376,271,509   | 19,243,574,153       |

  
CHIEF EXECUTIVE

# Balance Sheet

As at 30 June, 2015

|                                         |      | 30 June,<br>2015 | 31 December,<br>2014 |
|-----------------------------------------|------|------------------|----------------------|
|                                         | Note | Rupees           |                      |
| <b>EQUITY AND LIABILITIES</b>           |      |                  |                      |
| <b>SHARE CAPITAL AND RESERVES</b>       |      |                  |                      |
| <b>Share capital</b>                    |      |                  |                      |
| Issued, subscribed and paid-up capital  | 18   | 14,561,090,270   | 14,561,090,270       |
| Reserves                                | 19   | (838,087,247)    | (1,431,284,953)      |
|                                         |      | 13,723,003,023   | 13,129,805,317       |
| <b>NON - CURRENT LIABILITIES</b>        |      |                  |                      |
| Long-term financing                     | 20   | 1,298,583,915    | 1,730,846,911        |
| <b>CURRENT LIABILITIES</b>              |      |                  |                      |
| Trade and other payables                | 21   | 1,241,948,028    | 2,174,271,002        |
| Accrued mark-up                         | 22   | 20,682,547       | 36,168,639           |
| Short-term borrowings                   | 23   | 1,217,053,996    | 1,297,482,284        |
| Current maturity of long-term financing |      | 875,000,000      | 875,000,000          |
|                                         |      | 3,354,684,571    | 4,382,921,925        |
| <b>TOTAL EQUITY AND LIABILITIES</b>     |      | 18,376,271,509   | 19,243,574,153       |
| Contingencies and commitments           |      |                  |                      |
|                                         | 24   |                  |                      |

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

  
DIRECTOR & CFO

# Profit and Loss Account

For the six months period ended 30 June, 2015

|                                               | Note | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|-----------------------------------------------|------|---------------------------------------------|------------------------------------|
|                                               |      | Rupees                                      |                                    |
| <b>NET SALES</b>                              | 25   | 5,588,436,730                               | 10,336,119,590                     |
| Cost of sales                                 | 26   | (3,949,644,642)                             | (7,336,414,109)                    |
| <b>GROSS PROFIT</b>                           |      | 1,638,792,088                               | 2,999,705,481                      |
| Distribution costs                            | 27   | (145,432,236)                               | (343,424,757)                      |
| Administrative expenses                       | 28   | (479,330,560)                               | (993,135,401)                      |
| Other operating income                        | 29   | 31,017,931                                  | 162,332,418                        |
|                                               |      | (593,744,865)                               | (1,174,227,740)                    |
| <b>OPERATING PROFIT</b>                       |      | 1,045,047,223                               | 1,825,477,741                      |
| Finance costs                                 | 30   | (181,962,570)                               | (458,855,279)                      |
| Other charges                                 | 31   | (60,415,926)                                | (95,663,572)                       |
| <b>PROFIT BEFORE TAXATION</b>                 |      | 802,668,727                                 | 1,270,958,890                      |
| Taxation - net                                | 32   | (209,471,021)                               | (730,891,431)                      |
| <b>NET PROFIT FOR THE PERIOD / YEAR</b>       |      | 593,197,706                                 | 540,067,459                        |
| <b>EARNINGS PER SHARE - Basic and diluted</b> | 33   | 0.41                                        | 0.37                               |

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

  
CHIEF EXECUTIVE

  
DIRECTOR & CFO

# Statement of Comprehensive Income

For the six months period ended 30 June, 2015

|                                                         | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|---------------------------------------------------------|---------------------------------------------|------------------------------------|
|                                                         | Rupees                                      |                                    |
| Net profit for the period / year                        | 593,197,706                                 | 540,067,459                        |
| Other comprehensive income for the period / year        | -                                           | -                                  |
| <b>Total comprehensive income for the period / year</b> | <b>593,197,706</b>                          | <b>540,067,459</b>                 |

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

  
CHIEF EXECUTIVE

  
DIRECTOR & CFO

# Statement of Cash Flows

For the six months period ended 30 June, 2015

|                                                                        | Note | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|------------------------------------------------------------------------|------|---------------------------------------------|------------------------------------|
|                                                                        |      | Rupees                                      |                                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |      |                                             |                                    |
| Profit before taxation                                                 |      | 802,668,727                                 | 1,270,958,890                      |
| <b>Adjustments for non-cash charges and other items:</b>               |      |                                             |                                    |
| Depreciation                                                           |      | 334,046,848                                 | 635,311,429                        |
| Amortization of intangibles                                            |      | 1,624,246                                   | 451,094                            |
| Provision for obsolete packing material                                |      | 1,207,764                                   | -                                  |
| Provision against doubtful debts                                       |      | 1,600,030                                   | -                                  |
| Provision for Workers' Profit Participation Fund                       |      | 43,154,233                                  | 68,331,123                         |
| Provision for Workers' Welfare Fund                                    |      | 17,261,693                                  | 27,332,449                         |
| Exchange gain - net                                                    |      | (27,185,155)                                | (155,670,841)                      |
| Finance costs                                                          |      | 181,962,570                                 | 458,855,279                        |
| Income from financial assets                                           |      | (2,152,550)                                 | (7,281,903)                        |
| Liabilities written back                                               |      | (4,687,754)                                 | -                                  |
| Loss on disposals/write offs of operating fixed assets                 |      | 16,712,577                                  | 1,653,765                          |
|                                                                        |      | 563,544,502                                 | 1,028,982,395                      |
| <b>Operating profit before working capital changes</b>                 |      | 1,366,213,229                               | 2,299,941,285                      |
| <b>Changes in working capital</b>                                      |      |                                             |                                    |
| <b>Decrease / (increase) in current assets</b>                         |      |                                             |                                    |
| Stores and spares                                                      |      | 166,037,650                                 | (223,644,811)                      |
| Stock-in-trade                                                         |      | 352,931,241                                 | 562,433,348                        |
| Trade debts                                                            |      | (99,663,527)                                | (27,037,127)                       |
| Advances                                                               |      | (37,434,767)                                | 16,528,672                         |
| Short-term prepayments                                                 |      | 51,631,178                                  | (3,220,526)                        |
| Other receivables                                                      |      | 8,360,849                                   | (31,286,869)                       |
|                                                                        |      | 441,862,624                                 | 293,772,687                        |
| <b>Decrease in current liabilities</b>                                 |      |                                             |                                    |
| Trade and other payables                                               |      | (960,467,579)                               | (390,629,133)                      |
| <b>Cash generated from operations</b>                                  |      | 847,608,274                                 | 2,203,084,839                      |
| Finance costs paid                                                     |      | (192,211,658)                               | (437,295,322)                      |
| Income tax paid                                                        |      | (202,002,226)                               | (263,565,103)                      |
| <b>Net cash generated from operating activities</b>                    |      | 453,394,390                                 | 1,502,224,414                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                            |      |                                             |                                    |
| Purchase of property, plant and equipment                              |      | (72,854,262)                                | (385,022,916)                      |
| Purchase of intangible assets                                          |      | -                                           | (18,317,422)                       |
| Proceeds from disposal of property, plant and equipment                |      | -                                           | 200,000                            |
| Interest received on financial assets                                  |      | 2,436,610                                   | 11,153,234                         |
| Long-term advance realized                                             |      | 10,329,500                                  | 10,329,500                         |
| Long-term deposits paid                                                |      | 40,989,203                                  | (42,985,685)                       |
| <b>Net cash used in investing activities</b>                           |      | (19,098,949)                                | (424,643,289)                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                            |      |                                             |                                    |
| Repayments of long-term financing                                      |      | (437,500,000)                               | (1,579,970,692)                    |
| Dividend paid                                                          |      | (398,412)                                   | (512,774,179)                      |
| Transaction costs on issue of shares                                   |      | -                                           | (6,083,035)                        |
| <b>Net cash used in financing activities</b>                           |      | (437,898,412)                               | (2,098,827,906)                    |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                       |      | (3,602,971)                                 | (1,021,246,781)                    |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD / YEAR</b> |      | (1,160,186,589)                             | (138,939,808)                      |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR</b>       | 38   | (1,163,789,560)                             | (1,160,186,589)                    |

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

  
CHIEF EXECUTIVE

  
DIRECTOR & CFO

# Statement of Changes in Equity

For the six months period ended 30 June, 2015

|                                                                                                                          | Share Capital                          | Reserves                    |               |                 | Total equity       |                |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-----------------------------|---------------|-----------------|--------------------|----------------|
|                                                                                                                          |                                        | Capital Reserve             |               | Revenue Reserve |                    |                |
|                                                                                                                          | Issued, subscribed and paid-up capital | Reserve for issue of shares | Share premium | Other           | Accumulated losses |                |
| Rupees                                                                                                                   |                                        |                             |               |                 |                    |                |
| Balance at January 01, 2014                                                                                              | 13,126,444,880                         | 1,434,645,390               | 190,476,700   | 12,266,330      | (1,731,179,699)    | 13,032,653,601 |
| Total comprehensive income for the year                                                                                  | -                                      | -                           | -             | -               | 540,067,459        | 540,067,459    |
| Transaction costs on issue of shares, charged to share premium account                                                   | -                                      | -                           | (6,083,035)   | -               | -                  | (6,083,035)    |
| Transactions with owners, recorded directly in equity Issue of 143,464,539 Ordinary shares @ Rs. 10 each during the year | 1,434,645,390                          | (1,434,645,390)             | -             | -               | -                  | -              |
| Final dividend @ Rs. 0.30/- per share for the year ended 31 December, 2013                                               | -                                      | -                           | -             | -               | (436,832,708)      | (436,832,708)  |
|                                                                                                                          | 1,434,645,390                          | (1,434,645,390)             | -             | -               | (436,832,708)      | (436,832,708)  |
| Balance at December 31, 2014                                                                                             | 14,561,090,270                         | -                           | 184,393,665   | 12,266,330      | (1,627,944,948)    | 13,129,805,317 |
| Balance at January 01, 2015                                                                                              | 14,561,090,270                         | -                           | 184,393,665   | 12,266,330      | (1,627,944,948)    | 13,129,805,317 |
| Total comprehensive income for the period                                                                                | -                                      | -                           | -             | -               | 593,197,706        | 593,197,706    |
| Balance at June 30, 2015                                                                                                 | 14,561,090,270                         | -                           | 184,393,665   | 12,266,330      | (1,034,747,242)    | 13,723,003,023 |

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

  
CHIEF EXECUTIVE

  
DIRECTOR & CFO

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Pakcem Limited ("the Company") (Formerly known as Lafarge Pakistan Cement Limited) was incorporated in Pakistan on May 23, 1993, as a private limited company, and was subsequently converted into a public limited company, on October 18, 1994 under the Companies Ordinance, 1984. The shares of the Company are quoted on all three stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of cement.

The Company is a subsidiary of "Bestway Cement Limited (Bestway Cement/the Parent Company)", a subsidiary of Bestway (Holdings) Limited, U.K (ultimate parent). The registered office of the Company is located at Bestway Building, 19-A, College Road, F-7 Markaz, Islamabad. The ultimate parent company is Bestway Cement Limited.

- 1.2 On April 22, 2015, Bestway Cement Limited ("Bestway Cement"), a subsidiary of Bestway Group ("Bestway") assumed management control of Lafarge Pakistan Cement Limited ("Lafarge Pakistan"). This follows the Bestway Cement's successful bid for 75.86% of Lafarge Pakistan's shares for an enterprise value of USD 329 million in July 2014. Bestway Cement also acquired another 12.07% shares of the target company through the public offer process taking its shareholding in Pakcem Limited to 87.93%.

The process of acquisition of shareholding of the Company by Bestway Cement was completed at the close of business on April 22, 2015. After the acquisition, the Company became subsidiary of Bestway Cement Limited. Further following the completion of acquisition subsequent to the period end on 27 July 2015, the name of the company has been changed from Lafarge Pakistan Cement Limited to Pakcem Limited.

## 2. STATEMENT OF COMPLIANCE

These 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 the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

## 3. BASIS OF PREPARATION

- 3.1 These financial statements have been prepared under the historical cost convention.
- 3.2 Previously, the Company presented profit for the year and other comprehensive income as a single statement. This has however changed during the period, and now two separate statements for profit for the period and total comprehensive income have been presented to make the presentation aligned with Bestway Cement. This change has no impact on the reported figures of profit and total comprehensive income.

### 3.3 CHANGE IN ACCOUNTING YEAR

The Board of Directors of the Company, in their meeting held on 22 April 2015, has resolved to change the accounting year end of the Company from December to June. Accordingly these financial statements present the financial position of the Company as of 30 June 2015 and results of operations for the six months period ended 30 June 2015 and hence the comparative figures for the year ended 31 December 2014 in profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are not comparable.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Significant accounting judgments and estimates

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the year in which these estimates are revised, if the revision only affects that year, or in the year of revision or any future year affected.

The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

## **4.1.1 Tangible fixed assets - Property, plant and equipment**

The Company reviews the appropriateness of the rate of depreciation, useful lives and residual values of property, plant and equipment on the reporting date. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of the respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

## **4.1.2 Obsolescence of stock-in-trade and stores and spares**

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Net realisable value is determined with reference to the estimated selling price less estimated costs to complete and estimated costs to make the sales. Further, the carrying amounts of stock-in-trade and stores and spares are assessed on a regular basis and if there is any doubt about the realizability of these assets, an appropriate amount of provision is made.

## **4.1.3 Provision against trade debts, advances and other receivables**

The Company reviews the recoverability of its trade debts, advances and other receivables to assess the amount of bad debts and provisions required there against, on a consistent basis.

## **4.1.4 Taxation**

In making the estimate for income tax payable by the Company, the management takes into account the applicable tax laws, and the decisions by appellate authorities, on pertinent issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits, to the extent that it is probable that future taxable profit will be available, against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

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.

## **4.1.5 Contingencies**

The assessment of contingencies inherently involves the exercise of significant judgment, as the outcome of the future events cannot be predicted with certainty. The Company reviews the status of all its legal cases on a consistent basis, and based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future events.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 4.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupees) which is the functional and presentation currency of the Company.

## 4.3 New accounting standards and IFRIC interpretations 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 Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there 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 Company's financial statements.
- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.
- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.
- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

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 the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

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

## 4.4 Tangible fixed assets - Property, plant and equipment

### 4.4.1 Operating fixed assets

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 5.1

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.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## Changes in accounting estimates

During the year, based on technical assessment, the management has reassessed estimate of useful life and depreciation method of certain items of property, plant and equipment and accordingly depreciation rates have been revised and depreciation method has been changed from straight line to reducing balance in respect of these assets. The change has been accounted for prospectively, in accordance with the requirements of IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

Following line items would have been effected, had there been no change in estimate of useful life and depreciation method:

Depreciation charge would have been lower by Rs. 9,139,032.

Property, plant and equipment would have been higher by Rs. 9,139,032.

## 4.5 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 6 to the 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.

## 4.6 Stores and spares

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realisable value except for items in transit which are stated at cost incurred upto the balance sheet date less impairment, if any.

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.

## 4.7 Stock-in-trade

Stock of raw material, except for those in transit, work-in-process and finished goods are valued at the lower of average cost and net realizable value. Stock of packing material is valued at moving average cost, less impairment, if any. Cost of work-in-process and finished goods comprises cost of direct materials, labor and appropriate manufacturing overhead.

Material in transit is stated at are valued at the lower cost and net realizable value, cost comprising invoice value plus other charges paid thereon, less impairment, if any.

Net realizable value is determined on the basis of the estimated selling price of the product in the ordinary course of business, less estimated costs that would necessarily be incurred for its sale.

A provision is made for slow moving and obsolete inventory, where necessary, and recognized in the statement of comprehensive income.

## 4.8 Trade debts and other receivables

Trade and other receivable are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

## 4.9 Advances

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each reporting date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined, and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

## 4.10 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

## 4.11 Mark-up 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.

## 4.12 Trade and other payables

Liabilities for trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

## 4.13 Staff retirement benefits Defined contribution plan

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

## 4.14 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 4.15 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.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 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.

The carrying amount of the deferred tax asset is reviewed at each reporting date, and reduced to the extent that it is no longer probable that taxable profits will be available, to allow all or part of the deferred tax assets to be utilized.

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.

## 4.16 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 individuals 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.

## 4.17 Borrowing costs

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.

## 4.18 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 period.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 4.19 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 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 instruments

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.

## 4.20 Impairment

### 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.

### 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

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

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.

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.

## 4.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight-line basis over the period of the lease.

## 4.22 Dividend

A dividend is recognized as a liability in the year in which it is approved.

## 5. TANGIBLE FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

|                          |      | 30 June,<br>2015      | 31 December,<br>2014  |
|--------------------------|------|-----------------------|-----------------------|
|                          | Note | Rupees                |                       |
| Operating fixed assets   | 5.1  | 14,191,400,836        | 14,305,968,978        |
| Capital work-in-progress | 5.2  | 46,288,437            | 209,625,458           |
|                          |      | <u>14,237,689,273</u> | <u>14,515,594,436</u> |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 5.1 Operating fixed assets

### 2015

|                                          | COST             |                       |              | Depreciation rates | ACCUMULATED DEPRECIATION |                     |               | WRITTEN DOWN VALUE |
|------------------------------------------|------------------|-----------------------|--------------|--------------------|--------------------------|---------------------|---------------|--------------------|
|                                          | As at 01 January | Additions/ Transfers* | Transfers    |                    | As at 01 January         | Charge for the year | Transfers     |                    |
|                                          |                  |                       |              |                    |                          |                     |               | Rupees             |
| Freehold land                            | 82,104,837       | -                     | -            | -                  | -                        | -                   | -             | 82,104,837         |
| Building on freehold land                | 4,568,394,322    | 6,858,138             | (5,712,361)  | (5,005,363)**      | 4,769,275,967            | 10% - 33.3%         | 1,096,999,956 | 3,595,544,732      |
|                                          |                  | 204,741,231*          |              |                    |                          |                     |               |                    |
| Plant and machinery                      | 13,302,010,415   | 8,896,599             | 12,871,539   | (13,997,862)**     | 13,309,780,671           | 3.33% - 33.3%       | 223,074,013   | 9,413,148,324      |
| Office equipment                         | 13,294,054       | 491,157*              | 79,036,536   | -                  | 92,821,747               | 15% - 33%           | 253,625       | 6,826,361          |
| Furniture and fittings                   | 25,826,756       | -                     | -            | (4,676,275)**      | 21,150,481               | 15%                 | 1,142,359     | 3,894,323          |
| Computers and low voltage equipment      | 408,721,300      | 4,822,964             | (68,445,326) | (501,858)**        | 344,597,080              | 3.33% - 50%         | 3,533,930     | 201,425,026        |
| Laboratory equipment                     | 716,209,514      | 4,107,156             | 1,252,856    | (334,988)**        | 726,580,995              | 10%                 | 16,931,615    | 452,704,791        |
|                                          |                  | 5,346,457*            |              |                    |                          |                     |               |                    |
| Workshop equipment                       | 352,378,709      | 927,581               | -            | -                  | 353,306,290              | 10%                 | 8,858,337     | 238,556,269        |
| Major spare parts and stand-by equipment | 235,582,444      | -                     | (19,003,244) | -                  | 216,579,200              | 3.33% - 4%          | 4,020,949     | 179,075,142        |
| Vehicles                                 | 44,870,807       | -                     | -            | -                  | 44,870,807               | 20%                 | 1,472,843     | 18,121,031         |
|                                          | 19,749,393,158   | 26,103,595            | -            | (24,516,366)**     | 19,961,068,075           |                     | 5,443,424,180 | 14,191,400,836     |
|                                          |                  | 210,087,688*          |              |                    |                          |                     | (7,803,789)** |                    |

### 2014

|                                          | COST             |                       |           | Depreciation rates | ACCUMULATED DEPRECIATION |                     |             | WRITTEN DOWN VALUE |
|------------------------------------------|------------------|-----------------------|-----------|--------------------|--------------------------|---------------------|-------------|--------------------|
|                                          | As at 01 January | Additions/ Transfers* | Transfers |                    | As at 01 January         | Charge for the year | Transfers   |                    |
|                                          |                  |                       |           |                    |                          |                     |             | Rupees             |
| Freehold land                            | 82,104,837       | -                     | -         | -                  | -                        | -                   | -           | 82,104,837         |
| Building on freehold land                | 4,555,751,118    | -                     | -         | (2,136,575)**      | 4,568,394,322            | 3.33% - 4%          | 152,955,904 | 3,471,394,366      |
| Plant and machinery                      | 13,038,557,586   | 15,579,779*           | -         | (800,000)**        | 13,302,010,415           | 3.33%               | 419,318,306 | 9,621,712,334      |
| Office equipment                         | 13,265,801       | 11,828,637            | -         | -                  | 13,294,054               | 10% - 20%           | 326,181     | 1,697,147          |
| Furniture and fittings                   | 25,340,347       | 251,624,192*          | -         | (22,491)**         | 25,826,756               | 10% - 20%           | 3,379,405   | 7,342,439          |
| Computers and low voltage equipment      | 402,572,677      | 50,744                | -         | (4,012)**          | 408,721,300              | 20%                 | 16,326,928  | 198,109,217        |
| Laboratory equipment                     | 714,683,331      | 490,421               | -         | (224)**            | 716,209,514              | 3.33%               | 22,037,612  | 470,809,203        |
| Workshop equipment                       | 352,086,565      | 6,148,847             | -         | -                  | 352,378,709              | 3.33%               | 11,140,313  | 246,487,025        |
| Major spare parts and stand-by equipment | 235,582,444      | 1,526,183*            | -         | -                  | 235,582,444              | 3.33%               | 8,725,315   | 198,539,509        |
| Vehicles                                 | 45,142,307       | 292,144               | -         | -                  | 44,870,807               | 20% - 25%           | 1,393,609   | 7,772,901          |
|                                          |                  |                       |           | (271,500)          |                          |                     |             |                    |
|                                          | 19,465,087,013   | 20,336,976            | -         | (2,434,802)**      | 19,749,393,158           |                     | 635,603,573 | 14,305,968,978     |
|                                          |                  | 267,203,971*          |           | (800,000)**        |                          |                     |             |                    |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                         | Note                                                                         | 30 June,<br>2015   | 31 December,<br>2014 |
|-------------------------|------------------------------------------------------------------------------|--------------------|----------------------|
|                         |                                                                              | Rupees             |                      |
| 5.1.1                   | The depreciation charge for the period / year has been allocated as follows: |                    |                      |
| Cost of sales           | 26                                                                           | 331,430,256        | 631,158,964          |
| Distribution costs      | 27                                                                           | 775,709            | 644,246              |
| Administrative expenses | 28                                                                           | 1,840,882          | 3,800,363            |
|                         |                                                                              | <u>334,046,847</u> | <u>635,603,57</u>    |

5.1.2 The details of operating fixed assets disposed off during the year, is as follows:

|        | Original<br>cost | Accumulated<br>depreciation | Written<br>down<br>value | Sale<br>proceeds | Mode of<br>disposal | Particulars<br>of buyers |
|--------|------------------|-----------------------------|--------------------------|------------------|---------------------|--------------------------|
| Rupees |                  |                             |                          |                  |                     |                          |
| 2015   | -                | -                           | -                        | -                | -                   | -                        |
| 2014   | 800,000          | 293,821                     | 506,179                  | 200,000          | Negotiation         | Tasneem<br>Izhar UI Haq  |

## 5.2 Capital work-in-progress

|                                       | Note  | 30 June,<br>2015  | 31 December,<br>2014 |
|---------------------------------------|-------|-------------------|----------------------|
|                                       |       | Rupees            |                      |
| Plant and machinery                   |       | 15,792,410        | 98,903,977           |
| Civil and development works           |       | 30,246,625        | 102,878,317          |
|                                       |       | <u>46,039,035</u> | <u>201,782,294</u>   |
| Advances to suppliers and contractors |       | 249,402           | 7,843,164            |
|                                       | 5.2.1 | <u>46,288,437</u> | <u>209,625,458</u>   |

5.2.1 Movement in capital work-in-progress is as follows:

|                                                              |                   |                    |
|--------------------------------------------------------------|-------------------|--------------------|
| Balance at the beginning of the period / year                | 209,625,458       | 168,157,762        |
| Additions during the period / year                           | 46,750,667        | 364,978,084        |
| Transfers to operating fixed assets during the period / year | (210,087,688)     | (267,203,971)      |
| Transfers to ECOCEM Pakistan (Private) Limited               | -                 | (56,306,417)       |
|                                                              | <u>46,288,437</u> | <u>209,625,458</u> |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 6. INTANGIBLE ASSETS

| INTANGIBLE ASSETS                  |      | 30 June,<br>2015 | 31 December,<br>2014 |
|------------------------------------|------|------------------|----------------------|
|                                    | Note | Rupees           |                      |
| Licensed computer software         |      |                  |                      |
| Cost                               |      |                  |                      |
| Opening balance                    |      | 29,850,675       | 11,533,253           |
| Additions during the period / year |      | -                | 18,317,422           |
|                                    |      | 29,850,675       | 29,850,675           |
| Accumulated amortization           |      |                  |                      |
| Opening balance                    |      | 9,131,774        | 8,680,680            |
| Amortization for the period / year | 28   | 1,624,246        | 451,094              |
|                                    |      | 10,756,020       | 9,131,774            |
| Written down value                 |      | 19,094,655       | 20,718,901           |
| Amortization rate                  |      | 6.66% - 29.3%    | 6.66% - 29.3%        |

## 7. LONG-TERM ADVANCE

|                                                    |     |              |              |
|----------------------------------------------------|-----|--------------|--------------|
| <b>Considered good - unsecured</b>                 |     |              |              |
| Sui Northern Gas Pipelines Limited                 | 7.1 | 20,659,000   | 30,988,500   |
| <b>Current maturity shown under current assets</b> |     |              |              |
| Sui Northern Gas Pipelines Limited                 | 13  | (10,329,500) | (10,329,500) |
|                                                    |     | 10,329,500   | 20,659,000   |

7.1 This represents the outstanding balance of an advance given by the Company to Sui Northern Gas Pipelines Limited (SNGPL), for the construction of a gas pipeline for the Company's cement manufacturing plant in Chakwal. The advance is recoverable over 10 years, commencing 28 March, 2007 in equal annual installments of Rs. 10.33 million each, carrying mark-up at the rate of 1.5% (2014: 1.5%) per annum.

## 8. LONG-TERM DEPOSITS

|                                                    |      | 30 June,<br>2015 | 31 December,<br>2014 |
|----------------------------------------------------|------|------------------|----------------------|
|                                                    | Note | Rupees           |                      |
| <b>LONG-TERM DEPOSITS</b>                          |      |                  |                      |
| <b>Security deposits - considered good</b>         |      |                  |                      |
| Islamabad Electric Supply Company Limited          | 8.1  | 37,789,030       | 37,789,030           |
| Saba Generation Company (Private) Limited          | 13.1 | 41,990,400       | 41,990,400           |
| Others                                             |      | 5,619,459        | 4,618,262            |
|                                                    |      | 85,398,889       | 84,397,692           |
| <b>Current maturity shown under current assets</b> |      |                  |                      |
| Saba Generation Company (Private) Limited          |      | (41,990,400)     | -                    |
|                                                    |      | 43,408,489       | 84,397,692           |

8.1 This represents the amount deposited for the supply of electricity to the Company's cement manufacturing plant in Chakwal.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                        | Note                                                                                                                                                                                                         | 30 June,<br>2015 | 31 December,<br>2014 |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| <b>9. DEFERRED TAXATION - NET</b>                      |                                                                                                                                                                                                              |                  |                      |
| <b>Debit balances arising in respect of:</b>           |                                                                                                                                                                                                              |                  |                      |
| Brought forward tax losses                             |                                                                                                                                                                                                              | 3,828,729,674    | 4,781,476,645        |
| Impact of tax losses acquired by to the Parent Company | 9.1                                                                                                                                                                                                          | (825,000,000)    | -                    |
| Provision for obsolete inventory,                      |                                                                                                                                                                                                              | 842,338          | 1,352,620            |
| Stores and spares and doubtful debts                   |                                                                                                                                                                                                              | 380,249,833      | 103,238,805          |
| Tax credits                                            | 9.2                                                                                                                                                                                                          | 3,384,821,845    | 4,886,068,070        |
|                                                        |                                                                                                                                                                                                              |                  |                      |
| <b>Credit balance arising on account of:</b>           |                                                                                                                                                                                                              |                  |                      |
| Accelerated tax depreciation and amortization          |                                                                                                                                                                                                              | (2,917,473,344)  | (3,502,052,559)      |
|                                                        |                                                                                                                                                                                                              | 467,348,501      | 1,384,015,511        |
| <b>9.1</b>                                             | The Tax losses amounting to Rs. 2,750 million were purchased by the Parent Company with the approval of Board of Directors.                                                                                  |                  |                      |
| <b>9.2</b>                                             | The income tax credits for which no deferred tax asset has been recognized in these financial statements, in view of the policy of the Company (refer note 4.16 ), amounts to Rs. Nil (2014: 237.21 million) |                  |                      |
| <b>10. STORES AND SPARES</b>                           |                                                                                                                                                                                                              |                  |                      |
| <b>In hand</b>                                         |                                                                                                                                                                                                              |                  |                      |
| Spare parts                                            |                                                                                                                                                                                                              | 602,171,128      | 674,579,268          |
| Fuel                                                   |                                                                                                                                                                                                              | 283,084,425      | 315,599,768          |
|                                                        |                                                                                                                                                                                                              | 885,255,553      | 990,179,036          |
| <b>In transit</b>                                      |                                                                                                                                                                                                              |                  |                      |
| Spare parts and fuel                                   |                                                                                                                                                                                                              | 12,658,262       | 73,772,429           |
|                                                        |                                                                                                                                                                                                              | 897,913,815      | 1,063,951,465        |
| Provision for obsolete spare parts                     |                                                                                                                                                                                                              | (4,391,091)      | (4,391,091)          |
|                                                        |                                                                                                                                                                                                              | 893,522,724      | 1,059,560,374        |
| <b>11. STOCK-IN-TRADE</b>                              |                                                                                                                                                                                                              |                  |                      |
| Raw materials                                          |                                                                                                                                                                                                              | 54,095,142       | 34,293,719           |
| Packing material                                       |                                                                                                                                                                                                              | 118,758,454      | 146,561,803          |
| Work-in-process                                        |                                                                                                                                                                                                              | 647,865,867      | 1,033,710,165        |
| Finished goods                                         |                                                                                                                                                                                                              |                  |                      |
| In hand                                                |                                                                                                                                                                                                              | 156,687,140      | 115,483,045          |
| In transit                                             |                                                                                                                                                                                                              | 2,376,365        | 2,669,938            |
|                                                        |                                                                                                                                                                                                              | 159,063,505      | 118,152,983          |
| Provision for obsolete stock                           | 11.1                                                                                                                                                                                                         | (30,046,392)     | (28,843,089)         |
|                                                        |                                                                                                                                                                                                              | 949,736,576      | 1,303,875,581        |
| <b>11.1 Provision for obsolete stock</b>               |                                                                                                                                                                                                              |                  |                      |
| Balance at the beginning of the period / year          |                                                                                                                                                                                                              | 28,843,089       | 28,947,045           |
| Provision for the period / year                        |                                                                                                                                                                                                              | 1,207,764        | -                    |
| Obsolete stock consumed during the period / year       |                                                                                                                                                                                                              | (4,461)          | (103,956)            |
|                                                        |                                                                                                                                                                                                              | 30,046,392       | 28,843,089           |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                  |      | 30 June,<br>2015 | 31 December,<br>2014 |
|----------------------------------|------|------------------|----------------------|
|                                  | Note | Rupees           |                      |
| <b>12. TRADE DEBTS</b>           |      |                  |                      |
| Unsecured - considered good      |      | 182,290,225      | 84,226,728           |
| Considered doubtful              |      | 1,600,030        | -                    |
| Provision against doubtful debts | 12.1 | (1,600,030)      | -                    |
|                                  |      | -                | -                    |
|                                  |      | 182,290,225      | 84,226,728           |

## 12.1 Provision against doubtful debts

|                                               |             |              |
|-----------------------------------------------|-------------|--------------|
| Balance at the beginning of the period / year | -           | 20,386,446   |
| Written off during the period / year          | -           | (20,386,446) |
| Provision recognised during the period / year | (1,600,030) | -            |
|                                               | (1,600,030) | -            |

## 13. ADVANCES AND DEPOSITS

### Advances

#### Considered good - unsecured

|                           |            |            |
|---------------------------|------------|------------|
| Suppliers and contractors | 35,827,638 | 38,496,246 |
| Employees                 | 3,876,423  | 5,763,448  |
|                           | 39,704,061 | 44,259,694 |

#### Current portion of long-term advance

|                                    |   |            |            |
|------------------------------------|---|------------|------------|
| Sui Northern Gas Pipelines Limited | 7 | 10,329,500 | 10,329,500 |
|------------------------------------|---|------------|------------|

### Deposits

#### Security deposits - considered good

|                                           |      |            |            |
|-------------------------------------------|------|------------|------------|
| Saba Generation Company (Private) Limited | 13.1 | 41,990,400 | -          |
|                                           |      | 92,023,961 | 54,589,194 |

**13.1** This represents the amount deposited by the Company for the supply of up to 9 megawatts (2014 - Upto 10 megawatts) of electricity to the Company's cement manufacturing plant in Chakwal. Saba Generation Company (Private) Limited has installed its equipment on a rental basis at the Company's plant for generation of electricity.

|                                   |      | 30 June,<br>2015 | 31 December,<br>2014 |
|-----------------------------------|------|------------------|----------------------|
|                                   | Note | Rupees           |                      |
| <b>14. SHORT-TERM PREPAYMENTS</b> |      |                  |                      |
| Insurance                         |      | 3,406,549        | 36,984,797           |
| Rent                              |      | 7,314,157        | 24,506,928           |
| Financial charges                 |      | 795,165          | 1,740,004            |
| Others                            |      | 169,000          | 84,320               |
|                                   |      | 11,684,871       | 63,316,049           |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                | Note | 30 June,<br>2015   | 31 December,<br>2014 |
|------------------------------------------------|------|--------------------|----------------------|
| <b>15. OTHER RECEIVABLES</b>                   |      |                    |                      |
| <b>Considered good</b>                         |      |                    |                      |
| Due from related parties                       |      |                    |                      |
| Bestway Cement Limited                         | 15.1 | 830,311,924        | -                    |
| Lafarge Building Material Holding, Egypt S.A.E |      | -                  | 11,183,078           |
| Lafarge International Limited                  |      | -                  | 49,912               |
| Lafarge SA, France                             |      | -                  | 4,515,852            |
| Industrial Performance Middle East and Africa  |      | -                  | 3,634,450            |
| Lafarge Cement WAPCO Nigeria PLC               |      | -                  | 529,835              |
| Lafarge Aggregate and Concrete Iraq            |      | -                  | 3,542,102            |
| HIMA Cement Limited                            |      | -                  | 2,755,671            |
| Others                                         |      | -                  | 1,031,884            |
|                                                | 15.2 | -                  | 27,242,784           |
| ECOCHEM Pakistan (Private) Limited             | 15.3 | 77,188,234         | 64,717,857           |
| Export rebate                                  |      | 10,107,400         | 10,535,722           |
| Director General - Mines and Minerals          |      | -                  | 38,843,783           |
| Sales tax refundable                           |      | 33,393,078         | -                    |
| Others                                         |      | 17,080,314         | 10,101,653           |
|                                                |      | <u>968,080,950</u> | <u>151,441,799</u>   |

**15.1** This includes receivable of Rs. 825 million from the Parent Company against sale of tax losses for availing benefit under Group Relief provisions of Income Tax Ordinance, 2001.

**15.2** These represented receivables from related parties on account of expenditure incurred by the Company on their behalf. As morefully explained in note 21.2, these balances have been adjusted during the period.

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

|                                                                                      | Note | 30 June,<br>2015   | 31 December,<br>2014 |
|--------------------------------------------------------------------------------------|------|--------------------|----------------------|
| <b>16. TAX REFUNDS DUE FROM GOVERNMENT</b>                                           |      |                    |                      |
| Advance tax at the beginning of the year                                             |      | 363,552,184        | 283,226,085          |
| Income tax paid during the year                                                      |      | 202,002,227        | 263,565,103          |
| Provision for current taxation for the year                                          | 32   | (117,804,011)      | (208,056,630)        |
| Provision in respect of Workers' Welfare Fund transferred to corporate tax provision | 21.4 | -                  | 24,817,626           |
|                                                                                      |      | <u>447,750,399</u> | <u>363,552,184</u>   |

## 17. CASH AND BANK BALANCES

|                     |      |                   |                    |
|---------------------|------|-------------------|--------------------|
| In hand             |      | 2,360,058         | 2,681,967          |
| <b>At banks in:</b> |      |                   |                    |
| Current accounts    |      | 27,646,610        | 86,233,310         |
| Deposit accounts    | 17.1 | 23,257,768        | 48,380,418         |
|                     |      | <u>50,904,378</u> | <u>134,613,728</u> |
|                     |      | <u>53,264,436</u> | <u>137,295,695</u> |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

17.1 These carry mark-up at rates ranging from 4.5% to 7% (2014: 7% to 8%) per annum and include a balance of Rs. 23,238,587 with an associate.

## 18. SHARE CAPITAL

|                                                                    | Note | 30 June,<br>2015 | 31 December,<br>2014 |
|--------------------------------------------------------------------|------|------------------|----------------------|
|                                                                    |      | Rupees           |                      |
| <b>Authorised</b>                                                  |      |                  |                      |
| 2,250,000,000 (2014: 2,250,000,000) Ordinary shares of Rs. 10 each |      | 22,500,000,000   | 22,500,000,000       |

### Issued, subscribed and paid-up capital

|                                             | 30 June,<br>2015 | 31 December,<br>2014 |                                                     | 30 June,<br>2015 | 31 December,<br>2014 |
|---------------------------------------------|------------------|----------------------|-----------------------------------------------------|------------------|----------------------|
|                                             | Rupees           |                      |                                                     | Rupees           |                      |
| In issue at 1 Jan                           | 1,456,109,027    | 1,312,644,488        | Ordinary shares of Rs. 10/- each fully paid in cash | 13,126,444,880   | 13,126,444,880       |
| Issued for cash                             | -                | 143,464,539          |                                                     | -                | 1,434,645,390        |
| In issue at 30 June 2015 / 31 December 2014 | 1,456,109,027    | 1,456,109,027        |                                                     | 14,561,090,270   | 14,561,090,270       |

18.1 Bestway Cement Limited holds 1,284,343,491 i.e. 88.2% ordinary shares of Rs. 10 each (2014: Nil) of the Company at the period end.

## 19. RESERVES

|                         | Note | 30 June,<br>2015 | 31 December,<br>2014 |
|-------------------------|------|------------------|----------------------|
|                         |      | Rupees           |                      |
| <b>Capital reserves</b> |      |                  |                      |
| Share premium           | 19.1 | 184,393,665      | 184,393,665          |
| Other                   | 19.2 | 12,266,330       | 12,266,330           |
|                         |      | 196,659,995      | 196,659,995          |
| <b>Revenue reserve</b>  |      |                  |                      |
| Accumulated losses      |      | (1,034,747,242)  | (1,627,944,948)      |
|                         |      | (838,087,247)    | (1,431,284,953)      |

19.1 This represents premium on Ordinary shares issued during the year ended 30 June, 1995 and 1996. This balance is net of transaction cost of Rs. 6,083,635 on issue of shares during the year 2014.

19.2 This represents the value of equity-settled share-based payment benefits provided to employees, including key management personnel, as a part of their remuneration, by Lafarge SA, France, under the employee share ownership plan (LEA 2011).

## 20. LONG-TERM FINANCING

|                                                 | Note | 30 June,<br>2015 | 31 December,<br>2014 |
|-------------------------------------------------|------|------------------|----------------------|
|                                                 |      | Rupees           |                      |
| <b>Secured</b>                                  |      |                  |                      |
| From banking companies                          | 20.1 | 2,173,583,915    | 2,605,846,911        |
| Current portion shown under current liabilities |      | (875,000,000)    | (875,000,000)        |
|                                                 |      | 1,298,583,915    | 1,730,846,911        |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

- 20.1** This represents the outstanding balance of a term finance facility of Rs. 4,000 million (2014: Rs. 4,000 million), obtained by the Company from a consortium of banks.

The balance amount, as at 30 June 2015, is repayable in 5 equal bi-annual installments of Rs. 437.5 million each. 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.

The loan is presented net of transaction costs amounting to Rs. 13.92 million (2014: Rs. 19.15 million).

The loan is secured against (i) a first mortgage charge of Rs. 5,333 million, ranking pari passu among syndicate members, on the properties of the Company; and (ii) a first charge by way of hypothecation, on the Company's assets, of Rs. 5,333 million. Allied Bank Limited is the security trustee and MCB Bank Limited is the Agent on behalf of all the lenders. The terms of the lending agreement state that the Company shall not alter the rights attached to its shares. However, pursuant to acquisition by Bestway, the Company has obtained no objection certificate from lenders on 25 March 2015 for this covenant.

|                                                                          | Note        | 30 June,<br>2015     | 31 December,<br>2014 |
|--------------------------------------------------------------------------|-------------|----------------------|----------------------|
|                                                                          |             | Rupees               |                      |
| <b>21. TRADE AND OTHER PAYABLES</b>                                      |             |                      |                      |
| Trade creditors                                                          |             | 388,539,304          | 452,859,792          |
| <b>Other Payables</b>                                                    |             |                      |                      |
| Accrued liabilities                                                      |             | 400,037,830          | 927,284,162          |
| Advances from customers                                                  |             | 56,308,774           | 89,511,004           |
| Royalty and technical assistance fees                                    | 21.1 & 21.2 | -                    | 307,543,792          |
| Payable to employees provident fund                                      |             | -                    | 370,466              |
| Security deposits                                                        |             | 27,421,034           | 26,796,866           |
| Retention money                                                          |             | 18,126,099           | 19,687,074           |
| Federal Excise Duty payable                                              |             | 71,347,520           | 55,211,455           |
| Withholding tax payable                                                  |             | 1,826,949            | 1,173,281            |
| Sales tax payable (net)                                                  |             | -                    | 44,677,227           |
| Workers' Profit Participation Fund payable                               | 21.3        | 43,154,234           | 68,331,123           |
| Workers' Welfare Fund payable                                            | 21.4        | 95,237,396           | 77,975,703           |
| Payable to related parties (Lafarge SA's<br>Subsidiaries and Associates) | 21.2        | -                    | 44,797,325           |
| Payable to parent (Bestway Cement)                                       | 21.5        | 57,534,247           | -                    |
| Unclaimed dividend                                                       |             | 2,937,324            | 3,335,736            |
| Others                                                                   |             | 34,545,787           | 9,784,466            |
| Provision for shortfall in stamp duty                                    |             | 44,931,530           | 44,931,530           |
|                                                                          |             | <u>1,241,948,028</u> | <u>2,174,271,002</u> |

- 21.1** This represents amount payable to Lafarge S.A under Master Brand Agreement, Intellectual property licensing agreement and services agreement.

- 21.2** Pursuant to completion of acquisition process of the Company by Bestway Cement, the balances with Lafarge S.A. and its affiliates as of 21 April 2015 were agreed between the Company, Lafarge S.A and Bestway Cement and have been transferred to an Escrow Account maintained with Citi Bank. The escrow account is being maintained pursuant to the escrow agreement dated 21 April 2015 between the Company, Lafarge S.A, Bestway Cement and CitiBank N.A. The transferred funds will be utilised exclusively for the payment to Lafarge S.A from time to time and the Company will be entitled only to the balance left in the escrow account after completion of payments to Lafarge S.A. Although the title of the escrow account is in the name of the Company, however since the net amount payable to Lafarge S.A has been agreed and transferred to the escrow account, further the Company is entitled only to leftover funds, if any, the Company's liability against balances stands settled. Accordingly, the amount in escrow bank account and balances aggregating to Rs. 194.8 million related to Lafarge S.A and its affiliates have not been recognised in these financial statements.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 30 June,<br>2015     | 31 December,<br>2014 |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                        | Note                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Rupees               |                      |
| <b>21.3 Workers' Profit Participation Fund payable</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| Balance at the beginning of the period / year          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 68,331,123           | 133,184,705          |
| Allocation for the period / year                       | 31                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 43,154,233           | 65,133,913           |
| Interest on funds utilized by the Company              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 6,359,061            | 3,197,210            |
| Payments to the Fund during the period / year          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | (74,690,183)         | (133,184,705)        |
|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>43,154,234</u>    | <u>68,331,123</u>    |
| <b>21.4 Workers' Welfare Fund payable</b>              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| Balance at the beginning of the period / year          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 77,975,703           | 25,825,628           |
| Allocation for the period / year                       | 31                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 17,261,693           | 27,332,449           |
| Transfer from corporate tax provision                  | 16                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | -                    | 24,817,626           |
|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>95,237,396</u>    | <u>77,975,703</u>    |
| <b>21.5</b>                                            | This represents amount payable to the Parent Company under management fee agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                      |                      |
|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 30 June,<br>2015     | 31 December,<br>2014 |
|                                                        | Note                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Rupees               |                      |
| <b>22. ACCRUED MARK-UP</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| On long-term financing - secured                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 6,526,541            | 12,438,904           |
| On short-term borrowings - secured                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 14,156,006           | 23,729,735           |
|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>20,682,547</u>    | <u>36,168,639</u>    |
| <b>23. SHORT-TERM BORROWINGS</b>                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| <b>Secured</b>                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| From banking companies                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| Running finance                                        | 23.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <u>1,217,053,996</u> | <u>1,297,482,284</u> |
| <b>23.1</b>                                            | 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.                                                                                                                                                                                                  |                      |                      |
| <b>23.2</b>                                            | These facilities are secured against all present and future assets of the Company excluding land, building, cash and cash equivalents.                                                                                                                                                                                                                                                                                                                                                                                                           |                      |                      |
| <b>23.3</b>                                            | Unavailed credit facilities from various banks, amounted to Rs. 1,282.95 million (2014: Rs. 1,202.52 million) at the period end may be utilized interchangeably as running finance, money market loan and export refinance facility.                                                                                                                                                                                                                                                                                                             |                      |                      |
| <b>24. CONTINGENCIES AND COMMITMENTS</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| <b>24.1. Contingencies:</b>                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| a)                                                     | The 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.                                                                                                                                                                                                                                                                                                                                                 |                      |                      |
| b)                                                     | The 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. |                      |                      |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

- c) 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 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 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 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 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 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 Company. Pursuant to the High Court's judgment, the Revenue Officer served a demand notice of the said amount to the Company, under Section 81 of the Land Revenue Act, 1967, on 24 December, 2013. The 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 Company is of the view that the maximum exposure to the 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 Company has recorded a provision of Rs. 44.93 million in these 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.

- d) In August 2009, the Competition Commission of Pakistan (CCP) issued an order against 21 cement manufacturers, including the Company, whereby it alleged that the 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 Company. The 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 financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Company.
- e) In 2002, State Life Insurance Corporation of Pakistan (an initial shareholder of the 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 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 Company received a letter from Chakwal Group stating that the 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 Company is of the opinion that the 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 Company. No provision has been made against the aforementioned case in these financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Company.
- f) 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 Company, in pursuance of an audit conducted for the period from January 2007 to December 2007. The 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 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 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

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

31 October, 2012 repeated its earlier action and raised a demand of Rs. 489 million. The 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 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 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 Company.

- g) The Taxation Officer, vide orders dated 23 April, 2010 and 05 May, 2010, raised an aggregate demand of Rs. 54.16 million against the 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 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 Company. The 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 Company, no provision for a potential liability is required in these financial statements.
- h) 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 Company filed an appeal with the CIR(A) against the order of the DCIR, which was decided against the Company. The Company filed an appeal before the ATIR against the aforementioned order of CIR(A). The ATIR decided the appeal in the favour of the 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 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 Company.
- i) 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 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 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 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 Company.

The Sind Revenue Board (SRB) authorities after having audit of Financial statements of the 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 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 Company. Pending the outcome of plaint, no provision has been made in these financial statements, as the management and its legal counsel are confident that the matter will ultimately be decided in favor of the Company.

- j) The DCIR, vide a demand notice, dated 28 June, 2013, reduced the tax refund of the 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 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 financial statements as management is confident that the matter will ultimately be decided in the favour of the Company.
- k) The tax authorities amended the assessment of the 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 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

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

Rs. 1,189.5 million; the matter of computation of profits attributable to exports was decided against the Company. The 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.

- l) The tax authorities amended the assessment of the 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 Company. The 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 Company by setting aside the entire assessment for fresh consideration. The re-assessment proceedings are in progress.
- m) 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 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 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 Company. The 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 Company, for the tax year 2011, no provision for a potential liability is required in this regard in these financial statements.
- n) 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 Company has a fairly strong case before the appellate authorities.
- o) 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 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 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 Company has a fairly strong case before the appellate authorities and favorable outcome is expected.

The DCIR issued a show cause notice to the 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 Company filed a reply to the show cause; however, the DCIR, vide its order dated 23 September, 2013, asserted that the 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 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 Company on account of the late payment of FED. The 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 financial statements for any amounts, as management is confident that the matter will ultimately be decided in the favour of the Company.

- p) Certain other cases against the 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 financial statements in this regard.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                                                                                                                                                                                                                                                                                                  | Note | 30 June,<br>2015                                     | 31 December,<br>2014                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------------------------------------------------------|---------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                  |      | Rupees                                               |                                             |
| <b>24.2 Commitments:</b>                                                                                                                                                                                                                                                                                                         |      |                                                      |                                             |
| a) Outstanding letters of credit                                                                                                                                                                                                                                                                                                 |      | 242,840,171                                          | 10,927,472                                  |
| b) Commitments against capital work-in-progress                                                                                                                                                                                                                                                                                  |      | 15,150,682                                           | 88,540,136                                  |
| c) Rentals under right of use in respect of land                                                                                                                                                                                                                                                                                 |      | 131,862,431                                          | 132,693,028                                 |
| d) Commitments against Morabaha facility for import of coal with Meezan Bank Limited                                                                                                                                                                                                                                             |      | -                                                    | 78,166,932                                  |
| e) Commitments against Minimum advance rent to Saba Generation Company (Private) Limited                                                                                                                                                                                                                                         |      | 228,902,562                                          | -                                           |
| f) Commitments against operating lease facilities acquired from Meezan Bank Limited                                                                                                                                                                                                                                              |      |                                                      |                                             |
| - Vehicles                                                                                                                                                                                                                                                                                                                       |      | 19,466,707                                           | 54,605,008                                  |
| - Laptops                                                                                                                                                                                                                                                                                                                        |      | 805,608                                              | 3,770,520                                   |
| g) The amount of future payments under operating leases and the period in which these leases and payments will become due are as follows:                                                                                                                                                                                        |      |                                                      |                                             |
| Not later than one year                                                                                                                                                                                                                                                                                                          |      | 58,499,366                                           | 53,741,988                                  |
| Later than one year and not later than five years                                                                                                                                                                                                                                                                                |      | 141,748,693                                          | 137,623,075                                 |
|                                                                                                                                                                                                                                                                                                                                  |      | 200,248,059                                          | 191,365,063                                 |
| h) Subsequent to the financial period, on 20 August 2015, the 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. |      |                                                      |                                             |
| <b>25. NET SALES</b>                                                                                                                                                                                                                                                                                                             |      | <b>Six months<br/>period ended<br/>30 June, 2015</b> | <b>Year ended<br/>31 December,<br/>2014</b> |
|                                                                                                                                                                                                                                                                                                                                  |      | Rupees                                               |                                             |
| <b>Gross Sales</b>                                                                                                                                                                                                                                                                                                               |      |                                                      |                                             |
| Local                                                                                                                                                                                                                                                                                                                            |      | 6,545,190,529                                        | 11,468,794,191                              |
| Export                                                                                                                                                                                                                                                                                                                           |      | 592,220,060                                          | 1,562,344,512                               |
|                                                                                                                                                                                                                                                                                                                                  |      | 7,137,410,589                                        | 13,031,138,703                              |
| <b>Less:</b>                                                                                                                                                                                                                                                                                                                     |      |                                                      |                                             |
| Government taxes and levies                                                                                                                                                                                                                                                                                                      |      | (1,388,267,265)                                      | (2,422,770,131)                             |
| Discounts and commissions to dealers                                                                                                                                                                                                                                                                                             |      | (160,706,594)                                        | (272,248,982)                               |
|                                                                                                                                                                                                                                                                                                                                  |      | (1,548,973,859)                                      | (2,695,019,113)                             |
|                                                                                                                                                                                                                                                                                                                                  |      | 5,588,436,730                                        | 10,336,119,590                              |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                    |       | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|------------------------------------|-------|---------------------------------------------|------------------------------------|
|                                    |       | Rupees                                      |                                    |
| <b>26. COST OF SALES</b>           |       |                                             |                                    |
| Raw materials consumed             | 26.1  | 330,589,935                                 | 587,663,129                        |
| Packing material consumed          |       | 346,619,456                                 | 618,567,964                        |
| Stores and spares consumed         |       | 198,863,736                                 | 193,073,423                        |
| Fuel and power                     |       | 1,923,498,700                               | 3,953,998,537                      |
| Depreciation                       | 5.1.1 | 331,430,256                                 | 631,158,964                        |
| Salaries, wages and other benefits | 26.2  | 180,163,133                                 | 358,881,105                        |
| Rent, rates and taxes              |       | 34,771,900                                  | 36,312,538                         |
| Travelling and conveyance          |       | 46,724,778                                  | 92,261,227                         |
| In-plant transportation charges    |       | 30,149,998                                  | 80,627,351                         |
| Insurance                          |       | 29,852,938                                  | 59,097,746                         |
| Communication                      |       | 1,839,820                                   | 4,360,062                          |
| Utilities                          |       | 5,356,604                                   | 10,240,071                         |
| Consumables                        |       | 19,915,193                                  | 31,116,976                         |
| Office canteen                     |       | 14,645,168                                  | 38,533,899                         |
| Repairs and maintenance            |       | 52,284,840                                  | 97,984,584                         |
| Legal and professional charges     |       | 8,950,851                                   | 23,438,739                         |
| Fees and subscriptions             |       | 8,780,465                                   | 484,726                            |
| Other factory overheads            |       | 40,273,095                                  | 51,082,001                         |
|                                    |       | <b>3,604,710,866</b>                        | <b>6,868,883,042</b>               |
| <b>Work-in-process</b>             |       |                                             |                                    |
| Opening stock                      |       | 1,033,710,165                               | 1,486,367,557                      |
| Closing stock                      |       | (647,865,867)                               | (1,033,710,165)                    |
|                                    |       | <b>385,844,298</b>                          | <b>452,657,392</b>                 |
| Cost of goods manufactured         |       | <b>3,990,555,164</b>                        | <b>7,321,540,434</b>               |
| <b>Finished goods</b>              |       |                                             |                                    |
| Opening stock                      |       | 118,152,983                                 | 133,026,658                        |
| Closing stock                      | 11    | (159,063,505)                               | (118,152,983)                      |
|                                    |       | <b>(40,910,522)</b>                         | <b>14,873,675</b>                  |
|                                    |       | <b>3,949,644,642</b>                        | <b>7,336,414,109</b>               |
| <b>26.1 Raw materials consumed</b> |       |                                             |                                    |
| Opening stock                      |       | 34,293,719                                  | 58,079,619                         |
| Purchases during the year          |       | 350,391,358                                 | 563,877,229                        |
| Closing stock                      | 11    | (54,095,142)                                | (34,293,719)                       |
|                                    |       | <b>330,589,935</b>                          | <b>587,663,129</b>                 |

**26.2** Included herein is a sum of Rs. 4,820,190 (2014: Rs. 13,129,790) on account of contributions to the employees' provident fund.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                            |       | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|--------------------------------------------|-------|---------------------------------------------|------------------------------------|
|                                            |       | Rupees                                      |                                    |
| <b>27. DISTRIBUTION COSTS</b>              |       |                                             |                                    |
| Salaries, wages and other benefits         | 27.1  | 67,589,434                                  | 137,907,447                        |
| Travelling and conveyance                  |       | 14,320,023                                  | 30,175,489                         |
| Freight and handling charges               |       | 11,078,613                                  | 16,718,076                         |
| Advertisement and sales promotion expenses |       | 28,580,360                                  | 107,415,945                        |
| Repairs and maintenance                    |       | 3,016,565                                   | 12,119,114                         |
| Rent, rates and taxes                      |       | 7,171,557                                   | 10,129,176                         |
| Legal and professional charges             |       | 2,015,649                                   | 10,284,370                         |
| Utilities                                  |       | 1,543,874                                   | 2,374,793                          |
| Office canteen                             |       | 2,777,390                                   | 6,362,265                          |
| Printing and stationery                    |       | 450,167                                     | 840,035                            |
| Telephone and postage                      |       | 1,136,894                                   | 2,906,158                          |
| Fees and subscriptions                     |       | 3,368,158                                   | 2,716,042                          |
| Depreciation                               | 5.1.1 | 775,709                                     | 644,216                            |
| Software expenses                          |       | -                                           | 11,398                             |
| Security charges                           |       | 1,573,457                                   | 2,739,668                          |
| Insurance                                  |       | 34,386                                      | 80,565                             |
|                                            |       | <u>145,432,236</u>                          | <u>343,424,757</u>                 |

**27.1** Included herein is a sum of Rs. 2,316,529 (2014: Rs. 3,714,858) on account of contributions to the employees' provident fund.

|                                       |       | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|---------------------------------------|-------|---------------------------------------------|------------------------------------|
|                                       |       | Rupees                                      |                                    |
| <b>28. ADMINISTRATIVE EXPENSES</b>    |       |                                             |                                    |
| Salaries, wages and other benefits    | 28.1  | 150,816,934                                 | 299,084,139                        |
| Travelling and conveyance             |       | 28,852,329                                  | 41,487,529                         |
| Repairs and maintenance               |       | 5,263,968                                   | 14,768,402                         |
| Rent, rates and taxes                 |       | 15,046,903                                  | 32,734,165                         |
| Legal and professional charges        |       | 19,718,759                                  | 22,821,822                         |
| Auditors' remuneration                | 28.3  | 1,465,000                                   | 3,039,000                          |
| Utilities                             |       | 1,643,868                                   | 5,182,883                          |
| Advertisement                         |       | 4,111,544                                   | 955,087                            |
| Corporate Social Responsibility       |       | 5,956,574                                   | 6,020,285                          |
| Royalty and technical assistance fees |       | 154,975,599                                 | 516,843,399                        |
| Management fee                        | 28.2  | 57,534,247                                  | -                                  |
| Office canteen                        |       | 10,576,722                                  | 9,031,945                          |
| Printing and stationery               |       | 2,094,065                                   | 5,618,895                          |
| Telephone and postage                 |       | 2,768,039                                   | 5,277,215                          |
| Fees and subscriptions                |       | 6,289,679                                   | 7,353,130                          |
| Depreciation                          | 5.1.1 | 1,840,882                                   | 3,800,363                          |
| Amortization of intangible assets     | 6     | 1,624,246                                   | 451,094                            |
| Security charges                      |       | 3,425,773                                   | 7,097,348                          |
| Software expenses                     |       | 42,150                                      | 357,025                            |
| Insurance                             |       | 3,386,681                                   | 1,101,260                          |
| Sales tax refund written off          |       | -                                           | 6,587,397                          |
| Others                                |       | 1,896,598                                   | 3,523,018                          |
|                                       |       | <u>479,330,560</u>                          | <u>993,135,401</u>                 |

**28.1** Included herein is a sum of Rs 3,227,946 (2014: Rs.4,961,897) on account of contributions to the employees' provident fund.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

28.2 This represent expense relating to management fee, payable to the Parent Company.

## 28.3 Auditors' remuneration

|                         | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014          |
|-------------------------|---------------------------------------------|---------------------------------------------|
|                         | Rupees                                      |                                             |
|                         | KPMG Taseer<br>Hadi & Co.                   | Ernst & Young<br>Ford Rhodes<br>Sidat Hyder |
| Annual statutory audits | 1,137,000                                   | 1,137,000                                   |
| Half-yearly audit       | -                                           | 650,000                                     |
| Half-yearly review      | -                                           | 430,000                                     |
| Other certifications    | 200,000                                     | 440,000                                     |
| Out of pocket expenses  | 128,000                                     | 382,000                                     |
|                         | <u>1,465,000</u>                            | <u>3,039,000</u>                            |

## 29. OTHER OPERATING INCOME

### From financial assets

Mark-up on long-term advance  
Return on deposit accounts

|                  |                  |
|------------------|------------------|
| 180,768          | 522,933          |
| 1,971,782        | 6,758,970        |
| <u>2,152,550</u> | <u>7,281,903</u> |

### From non-financial assets

Exchange gain - net  
Scrap sales  
Loss on disposals/write offs of operating fixed assets  
Liabilities written back

|                   |                    |
|-------------------|--------------------|
| 27,185,155        | 155,670,841        |
| 13,705,049        | 1,033,439          |
| (16,712,577)      | (1,653,765)        |
| 4,687,754         | -                  |
| <u>28,865,381</u> | <u>155,050,515</u> |
| <u>31,017,931</u> | <u>162,332,418</u> |

## 30. FINANCE COSTS

### Mark-up / interest on:

Long-term financing  
From banking companies  
From a related party  
Short-term borrowings

|                    |                    |
|--------------------|--------------------|
| 115,414,485        | 342,489,941        |
| -                  | 8,350,660          |
| 39,922,641         | 67,757,651         |
| <u>155,337,126</u> | <u>418,598,252</u> |

Interest on Workers' Profit Participation Fund  
Bank charges

|                    |                    |
|--------------------|--------------------|
| 6,359,061          | 3,197,210          |
| 20,266,383         | 37,059,817         |
| <u>26,625,444</u>  | <u>40,257,027</u>  |
| <u>181,962,570</u> | <u>458,855,279</u> |

## 31. OTHER CHARGES

Workers' Profit Participation Fund  
Workers' Welfare Fund

21.3  
21.4

|                   |                   |
|-------------------|-------------------|
| 43,154,233        | 68,331,123        |
| 17,261,693        | 27,332,449        |
| <u>60,415,926</u> | <u>95,663,572</u> |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                                   | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014          |
|-------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                                   | Rupees                                      |                                             |
|                                                                   | KPMG Taseer<br>Hadi & Co.                   | Ernst & Young<br>Ford Rhodes<br>Sidat Hyder |
| 32. TAXATION - NET                                                |                                             |                                             |
| Current                                                           |                                             |                                             |
| Current period                                                    | 117,804,011                                 | 172,894,836                                 |
| Prior year                                                        | -                                           | 35,161,794                                  |
|                                                                   | 16                                          |                                             |
|                                                                   | 117,804,011                                 | 208,056,630                                 |
| Deferred                                                          | 91,667,010                                  | 522,834,801                                 |
|                                                                   | 209,471,021                                 | 730,891,431                                 |
| Relationship between tax expense and accounting profit            |                                             |                                             |
| Profit before taxation                                            | 802,668,727                                 | 1,270,958,890                               |
| Applicable tax rate                                               | 33%                                         | 33%                                         |
| Tax on accounting profit at applicable tax rate                   | 264,880,680                                 | 419,416,434                                 |
| Recognition of previously unrecognised tax credits                | (171,012,325)                               | (103,238,805)                               |
| Income attributable to presumptive tax regime                     | (47,622,455)                                | (117,477,778)                               |
| Effect of change in enacted tax rate/change in export restriction | 182,968,101                                 | 497,029,786                                 |
| Prior period tax recognised                                       | -                                           | 35,161,794                                  |
| Other permanent differences                                       | (19,742,980)                                | -                                           |
|                                                                   | 209,471,021                                 | 730,891,431                                 |
| 33. EARNINGS PER SHARE - Basic and Diluted                        |                                             |                                             |
| Profit attributable to ordinary shareholders (Rupees)             | 593,197,706                                 | 540,067,459                                 |
| Weighted average number of ordinary shares in issue               | 1,456,109,027                               | 1,440,731,833                               |
| Basic earnings per share (Rupees)                                 | 0.41                                        | 0.37                                        |

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

## 34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements, for the period, as remuneration and benefits of the Chief Executive Officer, Directors and Executives of the Company are as follows:

|                                    | Six months'<br>period ended<br>30 June 2015 | Year ended<br>31 December<br>2014 | Six months'<br>period ended<br>30 June 2015 | Year ended<br>31 December<br>2014 | Six months'<br>period ended<br>30 June 2015 | Year ended<br>31 December<br>2014 |
|------------------------------------|---------------------------------------------|-----------------------------------|---------------------------------------------|-----------------------------------|---------------------------------------------|-----------------------------------|
|                                    | Chief Executive Officer                     |                                   | Executive Director                          |                                   | Executives                                  |                                   |
|                                    | Rupees                                      |                                   |                                             |                                   |                                             |                                   |
| Managerial remuneration            | 11,648,717                                  | 37,182,066                        | 1,950,968                                   | 4,723,342                         | 100,441,033                                 | 187,028,326                       |
| House rent and utilities allowance | 6,572,343                                   | 15,373,045                        | 903,150                                     | 2,314,438                         | 47,527,185                                  | 91,643,880                        |
| Bonus                              | 9,890,197                                   | 16,049,166                        | 2,934,081                                   | 1,423,852                         | 69,270,008                                  | 36,657,464                        |
| Provident fund                     | -                                           | -                                 | 167,999                                     | 472,329                           | 9,737,797                                   | 17,420,630                        |
| Other benefits                     | 7,698,770                                   | 19,250,829                        | 178,247                                     | 1,705,567                         | 19,097,262                                  | 54,970,245                        |
|                                    | 35,810,027                                  | 87,855,106                        | 6,134,445                                   | 10,639,528                        | 246,073,285                                 | 387,720,545                       |
| Number of persons                  | 1                                           | 1                                 | 1                                           | 1                                 | 157                                         | 142                               |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

- 34.1 During the period, Rs. 3,577,772 (2014: Rs. 8,049,988) was paid to a Non-Executive Director in connection with services rendered and Rs. 5,000 (2014: Rs. 25,000) was paid to another Non-Executive Director for attending meetings of the Board of Directors.
- 34.2 The Chief Executive Officer, the Executive Director, the Chairman of the Board of Directors and certain Executives were provided with Company maintained cars and medical benefits, in accordance with their entitlement.
- 34.3 The Chief Executive Officer, Chairman and Directors, after change in management are not drawing any Emolument from the Company.

## 35. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of the Ultimate Parent Company, the Parent Company, associated undertakings, Directors, the employees' provident fund and key management personnel. Details of transactions with related parties, during the period, are as follows:

The Company is a subsidiary of Bestway ("the parent company") therefore all subsidiaries and associated undertakings of the parent company are related parties of the 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 and staff benefit fund. Balances with related parties are disclosed in the note 15, 17.1 and 21 and the remuneration of Chief Executive and Director is disclosed in note 34 to the financial statements. Transactions with related parties other than those disclosed elsewhere in these financial statements are as follows:

|                                                      | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|------------------------------------------------------|---------------------------------------------|------------------------------------|
|                                                      | Rupees                                      |                                    |
| <b>Transactions with parent company</b>              |                                             |                                    |
| Bestway Cement Limited                               |                                             |                                    |
| - Purchase of coal                                   | 75,289,185                                  | -                                  |
| - Management fee payable                             | 57,534,247                                  | -                                  |
| - Transfer of stores and spares                      | 5,311,924                                   | -                                  |
| - Impact of Tax losses surrendered to Parent Company | 825,000,000                                 | -                                  |

The Company was a subsidiary of Pakistan Cement Holding Limited, whereas its ultimate parent company was Lafarge SA, France upto 21 April 2015. Therefore, all subsidiaries and associated undertakings of Lafarge SA were related parties of the Company upto that date. Transactions with Lafarge SA, and its associated undertakings during the period were as under:

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                                          | Six months<br>period ended<br>30 June, 2015 | Year ended<br>31 December,<br>2014 |
|----------------------------------------------------------|---------------------------------------------|------------------------------------|
|                                                          | Rupees                                      |                                    |
| <b>Ultimate Parent Company</b>                           |                                             |                                    |
| - Expenses incurred on behalf of Ultimate Parent Company | 45,179,783                                  | 3,736,370                          |
| - Master Brand Agreement                                 | 49,213,559                                  | 166,079,625                        |
| - Intellectual Property                                  | 82,022,600                                  | 276,799,375                        |
| - Services Agreement                                     | 20,229,743                                  | 81,326,598                         |
| - Payments received during the period                    | 6,815,755                                   | 3,134,130                          |
| - Payments made during the period                        | 873,479,236                                 | 826,512,305                        |
| <b>Parent Company</b>                                    |                                             |                                    |
| - Mark-up accrued on loan                                | -                                           | 8,350,660                          |
| - Mark-up paid during the period                         | -                                           | 12,930,953                         |
| - Repayment of loan                                      | -                                           | 1,069,632,653                      |
| - Dividend paid                                          | -                                           | 221,442,391                        |
| <b>Associates</b>                                        |                                             |                                    |
| - Services provided by the Company                       | 6,343,820                                   | 114,626,993                        |
| - Services received by the Company                       | 13,627,265                                  | 53,621,753                         |
| - Payments received against services                     | 24,109,885                                  | 34,329,534                         |
| - Dividend paid                                          | -                                           | 153,589,189                        |
| <b>Other related parties</b>                             |                                             |                                    |
| - Contributions to the Provident Fund Trust              | 10,364,665                                  | 21,806,545                         |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets, and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's financial liabilities mainly comprise long-term financing, trade and other payables, accrued mark-up on long-term financing and short-term borrowings. The main purpose of the financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise long-term advance, long-term deposits, advances, trade debts, interest accrued, other receivables and cash balances.

### 36.1 CREDIT RISK

Credit risk is the risk of financial loss if a counterparty to a financial instrument, fails to meet its contractual obligations. It arises principally from advances, deposits, trade debts, interest accrued, other receivables and bank balances.

The carrying amount of financial assets represents the Company's maximum credit exposure.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## Exposure to credit risk

The Company's maximum exposure to credit risk, at the reporting date, is as follows:

|                    | Note | 30 June,<br>2015     | 31 December,<br>2014 |
|--------------------|------|----------------------|----------------------|
|                    |      | Rupees               |                      |
| Long-term advance  |      | 10,329,500           | 20,659,000           |
| Long-term deposits |      | 43,408,489           | 84,397,692           |
| Trade debts        |      | 182,290,225          | 84,226,728           |
| Advances           |      | 14,205,923           | 16,092,948           |
| Interest accrued   |      | 46,949               | 331,009              |
| Other receivables  |      | 968,080,950          | 151,441,799          |
| Bank balances      |      | 50,904,378           | 134,613,728          |
|                    |      | <u>1,269,266,414</u> | <u>491,762,904</u>   |

Geographically there is no concentration of credit risk.

The Company's most significant customer are Government institutes, from whom Rs. 139.1 million (2014: Rs. 30.37 million) was outstanding at the period end and which is included in the total carrying amount of trade debtors, at the period 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. Credit risk and bank balances, as at 30 June, 2015, with each of the counterparties, is as follows:

| Name of Bank            | Long-term<br>Rating | Short-term<br>Rating | Rating<br>Agency | Rupees     |
|-------------------------|---------------------|----------------------|------------------|------------|
| United Bank Limited     | AA+                 | A-1+                 | JCR-VIS          | 23,238,587 |
| Faysal Bank Limited     | AA                  | A1+                  | PACRA            | 557,733    |
| Citibank N.A.           | A2                  | P-1                  | Moody's          | 1,313,222  |
| MCB Bank Limited        | AAA                 | A1+                  | PACRA            | 5,232,425  |
| NIB Bank Limited        | AA-                 | A1+                  | PACRA            | 19,180     |
| Habib Bank Limited      | AAA                 | A-1+                 | JCR-VIS          | 11,870,184 |
| Standard Chartered Bank | AAA                 | A1+                  | PACRA            | 711,454    |
| Askari Bank Limited     | AA                  | A-1+                 | JCR-VIS          | 7,299,476  |
| Meezan Bank Limited     | AA                  | A-1+                 | JCR-VIS          | 662,117    |

36.1.1 As at 30 June, 2015, the ageing analysis of trade debts in aggregate is as follows:

|      | Total       | 1-90 days   | 91-180 days | 181 days<br>and over |
|------|-------------|-------------|-------------|----------------------|
|      | Rupees      |             |             |                      |
| 2015 | 182,290,225 | 181,828,374 | 153,097     | 308,753              |
| 2014 | 84,226,728  | 82,295,565  | 94,436      | 1,836,727            |

The allowance account in respect of trade debts is used to record impairment losses, unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written-off against the financial asset directly. Based on past experience, the management believes that no further impairment allowance is necessary in respect of trade debts. The trade debts are essentially due from local distributors, contractors and Government institutes, and the Company is actively pursuing the recovery of these debts; the Company does not expect these parties to fail to meet their obligations.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## 36.2 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 Company uses different methods which assist it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Company maintains lines of credit, as mentioned in notes 20 & 23 to the financial statements.

The table below summarizes the contractual cash flows arising from the Company's financial liabilities as at the reporting date.

|                                                  | Contractual cash flows |                      |                      |                      |
|--------------------------------------------------|------------------------|----------------------|----------------------|----------------------|
|                                                  | Carrying Amount        | Less than one year   | One to five years    | Total                |
| <b>2015</b>                                      | <b>Rupees</b>          |                      |                      |                      |
| Long-term financing including accrued interest   | 2,180,110,456          | 1,018,322,842        | 1,407,874,521        | 2,426,197,363        |
| Trade and other payables                         | 996,988,851            | 996,988,851          | -                    | 996,988,851          |
| Short-term borrowings including accrued interest | 1,231,210,002          | 1,231,210,002        | -                    | 1,231,210,002        |
|                                                  | <b>4,408,309,309</b>   | <b>3,246,521,695</b> | <b>1,407,874,521</b> | <b>4,654,396,216</b> |
| <b>2014</b>                                      | <b>Rupees</b>          |                      |                      |                      |
| Long-term financing including accrued interest   | 2,618,285,815          | 1,130,543,750        | 1,982,312,500        | 3,112,856,250        |
| Trade and other payables                         | 1,926,902,213          | 1,926,902,213        | -                    | 1,926,902,213        |
| Short-term borrowings including accrued interest | 1,321,212,019          | 1,321,212,019        | -                    | 1,321,212,019        |
|                                                  | <b>5,866,400,047</b>   | <b>4,378,657,982</b> | <b>1,982,312,500</b> | <b>6,360,970,482</b> |

The contractual cash flows relating to long and short-term borrowings, have been determined on the basis of current mark-up rates. The mark-up rates have been disclosed in notes 20 and 23 to these financial statements.

## 36.3 MARKET RISK

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market risk factors, such as foreign exchange rates, interest rates and equity prices.

The Company is exposed to currency risk and interest rate risks only.

### 36.3.1 INTEREST / MARK-UP RATE RISK MANAGEMENT

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument, will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term financing and short-term borrowings from banks.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

At the reporting date, the interest rate profile of the Company's interest bearing financial liabilities is as follows:

|                                  | 30 June,<br>2015     | 31 December,<br>2014 |
|----------------------------------|----------------------|----------------------|
|                                  | Rupees               |                      |
| <b>Financial liabilities</b>     |                      |                      |
| <b>Floating rate liabilities</b> |                      |                      |
| Long-term financing              | 2,173,583,915        | 2,605,846,911        |
| Short-term borrowings            | 1,217,053,996        | 1,297,482,284        |
|                                  | <u>3,390,637,911</u> | <u>3,903,329,195</u> |

## Sensitivity analysis

A change of 1% in interest rates, at the reporting date, would have changed the Company's profit or loss for the period and accumulated losses by the amount shown below, with all other variables held constant:

|                                      |              | 30 June,<br>2015 | 31 December,<br>2014 |
|--------------------------------------|--------------|------------------|----------------------|
| Change in interest rate              | ± Percentage | 1%               | 1%                   |
| Effect on profit / loss for the year | ± Rupees     | 33,906,379       | 39,033,292           |
| Effect on accumulated losses         | ± Rupees     | 33,906,379       | 39,033,292           |

## 36.3.2 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk due to transactions denominated in foreign currencies, primarily on account of imports relating to plant and machinery, and equipment and payables to related parties.

### Exposure to currency risk

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

|                            | US Dollar<br>(USD) | Euro<br>(Euro)     | Egyptian<br>Pound<br>(EGP) | Great Britain<br>Pound<br>(GBP) |
|----------------------------|--------------------|--------------------|----------------------------|---------------------------------|
| <b>2015</b>                |                    |                    |                            |                                 |
| Trade and other payables   | (78,990)           | (68,110)           | -                          | (576)                           |
| Cash in hand               | 7,138              | 2,963              | -                          | -                               |
| <b>Net exposure</b>        | <u>(71,852)</u>    | <u>(65,148)</u>    | <u>-</u>                   | <u>(576)</u>                    |
| <b>Exchange rates</b>      |                    |                    |                            |                                 |
| Average rates (Rs.)        | 101.70             | 112.88             | -                          | 155.48                          |
| Reporting date rates (Rs.) | 101.78             | 113.36             | -                          | 159.91                          |
| <b>2014</b>                |                    |                    |                            |                                 |
| Trade and other payables   | (171,460)          | (1,641,764)        | (2,638,889)                | (20,488)                        |
| Cash in hand               | 13,520             | 2,857              | -                          | 3,640                           |
| <b>Net exposure</b>        | <u>(157,940)</u>   | <u>(1,638,907)</u> | <u>(2,638,889)</u>         | <u>(16,848)</u>                 |
| <b>Exchange rates</b>      |                    |                    |                            |                                 |
| Average rates (Rs.)        | 104.21             | 116.43             | 14.30                      | 163.62                          |
| Reporting date rates (Rs.) | 100.43             | 122.12             | 14.07                      | 156.10                          |

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

## Sensitivity analysis

If the functional currency, at the reporting date, had fluctuated by 5% against the USD, GBP, Euro and EGP, with all other variables held constant, the impact on profit or loss for the period and accumulated losses would have been:

|                                 |              | 30 June,<br>2015 | 31 December,<br>2014 |
|---------------------------------|--------------|------------------|----------------------|
| Change in exchange rate         | ± Percentage | 5%               | 5%                   |
| Effect on profit for the period | ± Rupees     | 739,516          | 12,788,576           |
| Effect on accumulated losses    | ± Rupees     | 739,516          | 12,788,576           |

## 36.4 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At the reporting date, the carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 36.5 DETERMINATION OF FAIR VALUE

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for 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 rates 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 the future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 36.6 CAPITAL RISK MANAGEMENT

The Board of Director's policy is to maintain a strong capital base so as to maintain investor, creditor, lender, and market confidence and to ensure sustainable future development of the Company's business. The Board of Directors monitors return on equity and ensures that the Company has an appropriate capital mix. Return on equity is defined as the ratio of percentage of earnings, before interest and tax, to the total capital employed, whereas capital mix is defined as the ratio between equity and debt capital of the Company. The Board of Directors also monitors the Company's performance along with the capital and debt costs. Further, the Board of Directors also monitors the level of dividends paid to ordinary shareholders. There were no changes to the Company's approach to capital management during the period.

The Company monitors its capital on the basis of the Company's gearing ratio, which is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt.

# Notes to The Financial Statements

For the six months period ended 30 June, 2015

|                                        | Note | 30 June,<br>2015      | 31 December,<br>2014  |
|----------------------------------------|------|-----------------------|-----------------------|
|                                        |      | Rupees                |                       |
| Long-term financing                    |      | 2,180,110,456         | 2,618,285,815         |
| Short-term borrowings                  |      | 1,231,210,002         | 1,321,212,019         |
| <b>Total debt</b>                      |      | <b>3,411,320,458</b>  | <b>3,939,497,834</b>  |
| Cash and bank balances                 |      | (53,264,436)          | (137,295,695)         |
| <b>Net debt</b>                        |      | <b>3,358,056,022</b>  | <b>3,802,202,139</b>  |
| Issued, subscribed and paid-up capital |      | 14,561,090,270        | 14,561,090,270        |
| Reserve for issue of shares            |      | -                     | -                     |
| Reserves                               |      | (838,087,247)         | (1,431,284,953)       |
| <b>Total capital</b>                   |      | <b>13,723,003,023</b> | <b>13,129,805,317</b> |
| <b>Total capital and net debt</b>      |      | <b>17,081,059,045</b> | <b>16,932,007,456</b> |
| Gearing ratio                          |      | 20%                   | 22%                   |

## 37. PROVIDENT FUND TRUST

The details of the Provident Fund are as follows:

|                                         |        |             |             |
|-----------------------------------------|--------|-------------|-------------|
| Size of the trust (Rupees)              |        | 242,333,587 | 227,278,266 |
| Cost of investments made (Rupees)       |        | 120,815,000 | 105,815,000 |
| Percentage of investments made (%)      |        | 51%         | 47%         |
| Fair value of investments made (Rupees) | 37.1.1 | 185,288,949 | 201,803,891 |

### 37.1.1 Break-up of fair value of investments

|                                    | 30 June, 2015 |           | 31 December, 2014 |           |
|------------------------------------|---------------|-----------|-------------------|-----------|
|                                    | Rupees        | % of full | Rupees            | % of full |
| <b>With scheduled bank</b>         |               |           |                   |           |
| Savings account                    | 25,415,074    | 14%       | 56,964,566        | 28%       |
| Quoted Investments                 |               |           |                   |           |
| National Investment Trust          | 29,527,044    | 16%       | 28,870,225        | 14%       |
| UBL's United Composite             |               |           |                   |           |
| Islamic Fund - UCIF                | 5,532,377     | 3%        | 5,041,783         | 2%        |
| UBL's Separately Managed           |               |           |                   |           |
| Account (SMA)                      |               |           |                   |           |
| UBL's Separately Managed           |               |           |                   |           |
| Account                            | 35,138,738    | 19%       | 38,233,523        | 19%       |
|                                    | 70,198,159    | 38%       | 72,145,531        | 36%       |
|                                    | 95,613,233    | 52%       | 129,110,097       | 64%       |
| <b>Other Investments</b>           |               |           |                   |           |
| Defense Saving Certificates        | 20,579,683    | 11%       | 19,531,562        | 10%       |
| Certificates of Islamic Investment |               |           |                   |           |
| of Meezan Bank Limited             | 41,053,214    | 22%       | 41,535,181        | 21%       |
| Term Deposit Receipts of           |               |           |                   |           |
| Bank Islami Pakistan Limited       | 11,066,519    | 6%        | 11,627,051        | 6%        |
| MCB Islamic Bank                   | 16,976,300    | 9%        | -                 | -         |
|                                    | 89,675,716    | 48%       | 72,693,794        | 36%       |
|                                    | 185,288,949   | 100%      | 201,803,891       | 100%      |

# Notes to The Financial Statements

For the six months period ended 30, June 2015

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.

|                                      | 30 June,<br>2015       | 31 December,<br>2014   |
|--------------------------------------|------------------------|------------------------|
|                                      | Rupees                 |                        |
| <b>38. CASH AND CASH EQUIVALENTS</b> |                        |                        |
| Cash and bank balances               | 53,264,436             | 137,295,695            |
| Short-term borrowings                | (1,217,053,996)        | (1,297,482,284)        |
|                                      | <u>(1,163,789,560)</u> | <u>(1,160,186,589)</u> |

|                                                          |     |     |
|----------------------------------------------------------|-----|-----|
| <b>39. NUMBER OF EMPLOYEES</b>                           |     |     |
| Number of employees of the Company at the reporting date | 297 | 313 |
| Average number of employees during the period / year     | 308 | 304 |

|                                                 |                  |                      |
|-------------------------------------------------|------------------|----------------------|
| <b>40. PLANT CAPACITY AND ACTUAL PRODUCTION</b> |                  |                      |
|                                                 | 30 June,<br>2015 | 31 December,<br>2014 |
|                                                 | Metric tons      |                      |
|                                                 |                  |                      |
| Installed capacity - (Annual)                   | 40.1             | 2,485,445            |
| Actual production                               |                  | 838,978              |
|                                                 |                  | 1,560,222            |

**40.1** In 2014, the Company revised its estimate of the installed capacity of its plant, based on performance tests and a technical evaluation by the plant manufacturer.

**40.2** The difference between the installed capacity and actual production is due to the annual demand and supply variations of the Company's products, and for 2015 its six months period.

## 41 POST BALANCE SHEET EVENTS / DATE OF AUTHORISATION

**41.1** The Board of Directors in their meeting held on 12 September 2015 has proposed a final dividend of Rs. 0.25 per share.

**41.2** These financial statements were authorized for issue on 12 September 2015 by the Board of Directors of the Company.

## 42. GENERAL

Figures have been rounded off to the nearest Rupee.

  
CHIEF EXECUTIVE

  
DIRECTOR & CFO

# Pattern of Shareholding

As at 30 June, 2015

| NUMBER OF<br>SHAREHOLDERS | SHAREHOLDING |         | NUMBER OF<br>SHARES HELD |
|---------------------------|--------------|---------|--------------------------|
|                           | FROM         | TO      |                          |
| 260                       | 1            | 100     | 9,079                    |
| 1,159                     | 101          | 500     | 499,791                  |
| 1,209                     | 501          | 1,000   | 1,147,068                |
| 2,454                     | 1,001        | 5,000   | 7,250,383                |
| 874                       | 5,001        | 10,000  | 7,158,966                |
| 311                       | 10,001       | 15,000  | 4,114,010                |
| 224                       | 15,001       | 20,000  | 4,183,238                |
| 140                       | 20,001       | 25,000  | 3,289,617                |
| 87                        | 25,001       | 30,000  | 2,490,626                |
| 54                        | 30,001       | 35,000  | 1,812,456                |
| 75                        | 35,001       | 40,000  | 2,850,503                |
| 31                        | 40,001       | 45,000  | 1,337,996                |
| 97                        | 45,001       | 50,000  | 4,806,736                |
| 23                        | 50,001       | 55,000  | 1,226,353                |
| 20                        | 55,001       | 60,000  | 1,175,827                |
| 9                         | 60,001       | 65,000  | 564,630                  |
| 15                        | 65,001       | 70,000  | 1,026,286                |
| 35                        | 70,001       | 75,000  | 2,585,477                |
| 15                        | 75,001       | 80,000  | 1,164,117                |
| 16                        | 80,001       | 85,000  | 1,322,501                |
| 7                         | 85,001       | 90,000  | 612,712                  |
| 9                         | 90,001       | 95,000  | 835,992                  |
| 49                        | 95,001       | 100,000 | 4,895,606                |
| 9                         | 100,001      | 105,000 | 914,658                  |
| 5                         | 105,001      | 110,000 | 537,998                  |
| 2                         | 110,001      | 115,000 | 224,000                  |
| 3                         | 115,001      | 120,000 | 354,000                  |
| 6                         | 120,001      | 125,000 | 746,665                  |
| 3                         | 125,001      | 130,000 | 384,000                  |
| 1                         | 130,001      | 135,000 | 135,000                  |
| 4                         | 135,001      | 140,000 | 555,998                  |
| 4                         | 140,001      | 145,000 | 569,325                  |
| 12                        | 145,001      | 150,000 | 1,781,642                |
| 1                         | 150,001      | 155,000 | 152,500                  |
| 2                         | 155,001      | 160,000 | 319,832                  |
| 4                         | 160,001      | 165,000 | 647,525                  |
| 2                         | 165,001      | 170,000 | 336,800                  |
| 8                         | 170,001      | 175,000 | 1,394,993                |
| 1                         | 175,001      | 180,000 | 177,331                  |
| 10                        | 180,001      | 185,000 | 1,829,692                |
| 3                         | 185,001      | 190,000 | 564,162                  |
| 8                         | 190,001      | 195,000 | 1,538,110                |
| 13                        | 195,001      | 200,000 | 2,598,593                |
| 1                         | 205,001      | 210,000 | 210,000                  |
| 2                         | 215,001      | 220,000 | 434,330                  |
| 3                         | 220,001      | 225,000 | 672,000                  |
| 4                         | 225,001      | 230,000 | 909,588                  |
| 2                         | 230,001      | 235,000 | 465,428                  |
| 1                         | 235,001      | 240,000 | 240,000                  |
| 1                         | 240,001      | 245,000 | 240,161                  |
| 5                         | 245,001      | 250,000 | 1,248,500                |
| 2                         | 250,001      | 255,000 | 504,196                  |
| 2                         | 270,001      | 275,000 | 549,986                  |
| 1                         | 275,001      | 280,000 | 276,763                  |
| 1                         | 280,001      | 285,000 | 283,329                  |
| 1                         | 285,001      | 290,000 | 286,500                  |
| 2                         | 290,001      | 295,000 | 580,859                  |
| 3                         | 295,001      | 300,000 | 897,329                  |
| 3                         | 300,001      | 305,000 | 905,483                  |
| 1                         | 305,001      | 310,000 | 308,909                  |

# Pattern of Shareholding

As at 30 June, 2015

| NUMBER OF<br>SHAREHOLDERS | SHAREHOLDING  |               | NUMBER OF<br>SHARES HELD |
|---------------------------|---------------|---------------|--------------------------|
|                           | FROM          | TO            |                          |
| 2                         | 310,001       | 315,000       | 622,507                  |
| 1                         | 320,001       | 325,000       | 323,000                  |
| 1                         | 325,001       | 330,000       | 330,000                  |
| 2                         | 335,001       | 340,000       | 675,309                  |
| 1                         | 345,001       | 350,000       | 350,000                  |
| 2                         | 355,001       | 360,000       | 712,333                  |
| 2                         | 365,001       | 370,000       | 733,316                  |
| 1                         | 375,001       | 380,000       | 377,000                  |
| 2                         | 380,001       | 385,000       | 769,000                  |
| 1                         | 390,001       | 395,000       | 392,834                  |
| 8                         | 395,001       | 400,000       | 3,200,000                |
| 1                         | 400,001       | 405,000       | 401,700                  |
| 2                         | 405,001       | 410,000       | 819,997                  |
| 2                         | 410,001       | 415,000       | 824,000                  |
| 1                         | 415,001       | 420,000       | 416,500                  |
| 1                         | 425,001       | 430,000       | 427,995                  |
| 1                         | 430,001       | 435,000       | 434,911                  |
| 1                         | 445,001       | 450,000       | 450,000                  |
| 1                         | 465,001       | 470,000       | 466,658                  |
| 6                         | 495,001       | 500,000       | 3,000,000                |
| 1                         | 510,001       | 515,000       | 513,321                  |
| 1                         | 515,001       | 520,000       | 516,000                  |
| 1                         | 525,001       | 530,000       | 527,500                  |
| 1                         | 530,001       | 535,000       | 534,997                  |
| 2                         | 535,001       | 540,000       | 1,070,670                |
| 1                         | 580,001       | 585,000       | 584,500                  |
| 6                         | 595,001       | 600,000       | 3,600,000                |
| 1                         | 625,001       | 630,000       | 630,000                  |
| 1                         | 680,001       | 685,000       | 685,000                  |
| 1                         | 805,001       | 810,000       | 810,000                  |
| 1                         | 850,001       | 855,000       | 851,381                  |
| 1                         | 905,001       | 910,000       | 908,830                  |
| 1                         | 995,001       | 1,000,000     | 1,000,000                |
| 1                         | 1,030,001     | 1,035,000     | 1,032,143                |
| 1                         | 1,040,001     | 1,045,000     | 1,044,976                |
| 1                         | 1,045,001     | 1,050,000     | 1,050,000                |
| 1                         | 1,055,001     | 1,060,000     | 1,058,000                |
| 1                         | 1,100,001     | 1,105,000     | 1,100,050                |
| 1                         | 1,150,001     | 1,155,000     | 1,155,000                |
| 1                         | 1,170,001     | 1,175,000     | 1,173,000                |
| 1                         | 1,180,001     | 1,185,000     | 1,183,329                |
| 1                         | 1,200,001     | 1,205,000     | 1,203,500                |
| 1                         | 1,290,001     | 1,295,000     | 1,293,168                |
| 1                         | 1,550,001     | 1,555,000     | 1,554,478                |
| 1                         | 1,600,001     | 1,605,000     | 1,600,158                |
| 1                         | 1,900,001     | 1,905,000     | 1,900,426                |
| 1                         | 1,905,001     | 1,910,000     | 1,910,000                |
| 1                         | 2,075,001     | 2,080,000     | 2,076,599                |
| 1                         | 2,195,001     | 2,200,000     | 2,200,000                |
| 1                         | 2,590,001     | 2,595,000     | 2,592,500                |
| 1                         | 2,995,001     | 3,000,000     | 3,000,000                |
| 1                         | 3,255,001     | 3,260,000     | 3,257,944                |
| 1                         | 4,360,001     | 4,365,000     | 4,363,236                |
| 1                         | 4,460,001     | 4,465,000     | 4,461,500                |
| 1                         | 5,125,001     | 5,130,000     | 5,126,952                |
| 1                         | 7,330,001     | 7,335,000     | 7,333,163                |
| 1                         | 9,995,001     | 10,000,000    | 10,000,000               |
| 1                         | 1,284,340,001 | 1,284,345,000 | 1,284,343,491            |
| 7,392                     |               |               | 1,456,109,027            |

# Pattern of Shareholding

As at 30 June, 2015

| CATEGORIES OF SHAREHOLDERS                                        | SHARES HELD          | %             |
|-------------------------------------------------------------------|----------------------|---------------|
| Directors, Chief Executive, their Spouse and Minor Children       | -                    | 0.00          |
| Associated Companies Undertakings & Related Parties               | 1,284,343,491        | 88.20         |
| NIT/ICP                                                           | -                    | 0.00          |
| Banks, Development Finance Institutions and Non                   |                      |               |
| Banking Financial Institution                                     | 9,392,142            | 0.65          |
| Insurance Companies                                               | 10,143,306           | 0.70          |
| Modarabas and Mutual Funds                                        | 11,296,069           | 0.78          |
| Shareholders holding 10%                                          | -                    | 0.00          |
| General Public                                                    |                      |               |
| a. Local                                                          | 117,609,331          | 8.08          |
| b. Foreign                                                        | 4,672,321            | 0.32          |
| Others                                                            |                      |               |
| i. Foreign Companies                                              | 5,998,546            | 0.41          |
| ii. Joint Stock Companies                                         | 8,753,790            | 0.60          |
| iii. Citibank N.A. as custodian of Global Depository Receipts     | 1,100,050            | 0.08          |
| iv. Trustees D.G.Khan Cement Co. Ltd. Employees Provident Fund    | 100,000              | 0.01          |
| v. Trustees Of Hamid Adamjee Trust                                | 410,000              | 0.03          |
| vi. Trustees Hommie&Jamshed Nusserwanjee C.T                      | 50,000               | 0.00          |
| vii. Trustee National Bank Of Pakistan Employees Pension Fund     | 1,900,426            | 0.13          |
| viii. Trustee National Bank Of Pakistan Emp Benevolent Fund Trust | 66,685               | 0.00          |
| ix. Trustees Of Khatida Adamjee Foundation                        | 173,331              | 0.01          |
| x. Trustee -The Bank Of Khyber Employees Provident Fund           | 30,164               | 0.00          |
| xi. Trustees Resource Development Foundation                      | 5,000                | 0.00          |
| xii. Trustees Aal- Bawany Foundation (200)                        | 10,000               | 0.00          |
| xiii. Trust Iqbal Adamjee                                         | 14,000               | 0.00          |
| xiv. Trustee Karachi Parsi Anjuman Trust Fund                     | 20,000               | 0.00          |
| xv. Trustee-Pak Gums & Chemical Ltd Executive Staff Pension Fund  | 375                  | 0.00          |
| xvi. Trustee - Greaves Pakistan (Pvt.) Ltd. - Staff Gratuity Fund | 20,000               | 0.00          |
| <b>TOTAL</b>                                                      | <b>1,456,109,027</b> | <b>100.00</b> |

# Detail of Pattern of Shareholding

## as per Requirements of Code of Corporate Governance

### Associated Companies Undertakings & Related Parties

### SHARES

|                           |               |
|---------------------------|---------------|
| i. Bestway Cement Limited | 1,284,343,491 |
|---------------------------|---------------|

### Mutual Funds

|                                                                 |           |
|-----------------------------------------------------------------|-----------|
| i. M/s KASB Premier Fund Limited                                | 24,000    |
| ii. First UDL Modaraba                                          | 500,000   |
| iii. Trustee Pak Qatar Family Takaful Limited Balance Fund (BF) | 199,865   |
| iv. Trustee Pak Qatar Family Takaful Limited Aggressive Fund    | 173,331   |
| v. CDC - Trustee Meezan Balanced Fund                           | 16,646    |
| vi. CDC - Trustee Faysal Balanced Growth Fund                   | 630,000   |
| vii. CDC - Trustee Akd Index Tracker Fund                       | 75,799    |
| viii. MC FSL - Trustee JS Kse-30 Index Fund                     | 14,963    |
| ix. CDC - Trustee Faysal Asset Allocation Fund                  | 1,155,000 |
| x. Crescent Standard Modaraba                                   | 3,666     |
| xi. CDC - Trustee MCB Pakistan Asset Allocation Fund            | 306       |
| xii. B.R.R. Guardian Modaraba                                   | 12,833    |
| xiii. CDC - Trustee Alfalah GHP Stock Fund                      | 400,000   |
| xiv. First Elite Capital Modaraba                               | 34,000    |
| xv. CDC - Trustee Nit-Equity Market Opportunity Fund            | 72,598    |
| xvi. CDC - Trustee Kse Meezan Index Fund                        | 535,194   |
| xvii. CDC - Trustee First Capital Mutual Fund                   | 84,916    |
| xviii. CDC - Trustee Faysal Asset Allocation Fund - MT          | 1,203,500 |
| xix. CDC - Trustee Faysal Savings Growth Fund - MT              | 584,500   |
| xx. CDC - Trustee Faysal Income & Growth Fund - MT              | 161,500   |
| xxi. CDC - Trustee National Investment (Unit) Trust             | 5,126,952 |
| xxii. CDC - Trustee First Habib Income Fund - MT                | 286,500   |

### Directors, Chief Executive, their Spouse and Minor Children

-

### Executives

-

### Public Sector Companies & Corporations

7,333,163

### Banks, Development Finance Institutions, Non Banking Finance

### Institutions, Insurance Companies, Takaful, Modarabas & Pension Funds

23,498,354

### Shareholders holding 5% and above Voting Interests

|                           |               |
|---------------------------|---------------|
| i. Bestway Cement Limited | 1,284,343,491 |
|---------------------------|---------------|

This page is intentionally left blank.

# Proxy Form

The Company Secretary  
PakcemLimited (Formerly Lafarge Pakistan Cement Ltd.)  
Bestway Building, 19-A, College Road,  
F-7 Markaz, Islamabad.

|                            |  |
|----------------------------|--|
| Folio No. /<br>CDC A/C No. |  |
| Shares held                |  |

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member (s) of PAKCEM LIMITED (Formerly Lafarge Pakistan Cement Ltd.) (the 'Company')  
hereby appoint Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ (being member(s) of  
Company) as my/our Proxy to attend and vote for me/us and on my/our behalf at the Annual General  
Meeting of the Company to be held on October 14, 2015 at 1:00p.m. at the Registered Office, Bestway  
Building, 19-A, College Road, F-7 Markaz, Islamabad and at every 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.)

## NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed on the instrument.
3. CDC shareholders are requested to bring with them their National Identity Cards alongwith the participants' ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
4. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or notorially certified copy thereof, should be deposited at the Company's office not later than 48 hours before the time of holding the meeting.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
**Pakcem Limited (Formerly Lafarge Pakistan Cement Ltd.)**  
Bestway Building, 19-A, College Road,  
F-7 Markaz, Islamabad.



## PAKCEM LIMITED

(Formerly Lafarge Pakistan 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