Contents

Corporate Information

Board of Directors

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

Audit Committee

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

HR & Remuneration Committee

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

Chief Financial Officer & Company Secretary

Basit Habib

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor

Usmani & Iqbal
Advocate & Solicitors

Tax Advisor

Hyder Bhimji & Co.
Chartered Accountants

Share Registrar

Technology Trade (Private) Limited

Principal Bankers

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

Registered Office

1st Floor, Arif Habib Centre,
23 M.T. Khan Road, Karachi

Website

www.powercement.com.pk

Email Address

corporate@powercement.com.pk

Contact Number

021-32468231-32

Factory

Nooriabad Industrial Area,
Kalo Kohar Distt., Jamshoro, Sindh

Vision

Power Cement Limited (Formerly: Al-Abbas Cement Industries Limited) aims to be recognized nationally and internationally as a successful cement producer with a strong satisfied customer base.

Mission

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

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

Notice of the 22nd Annual General Meeting

Notice is hereby given that the 22nd Annual General Meeting of Power Cement Limited (Formerly: Al-Abbas Cement Industries Limited) ("the Company") will be held at Beach Luxury Hotel, Molvi Tamizuddin Khan Road, Karachi on Saturday, 26th October 2013 at 09:15 a.m. to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting of the shareholders held on 4th June 2013.

2. To receive, consider and adopt annual audited financial statements together with the Directors' and the Auditors' Reports thereon for the year ended 30th June 2013.

3. To appoint Auditors for the year ending 30th June 2014 and to fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.

4. To consider any other business with the permission of the Chair.

By order of the Board

Karachi; 5th October 2013

Basit Habib
Company Secretary

Notes:

1. Share transfer books of the Company will remain closed from 18th October 2013 to 26th October 2013 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, M/s Technology Trade (Pvt) Limited, Dagia House, 241-C, Block -2, P.E.C.H.S, Off Shahrah-e-Quaideen, Karachi up to the close of business on Thursday, 17th October 2013 will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:

   (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.

   (ii) In the case of a corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.

   (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.

   (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

   (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.

4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

Directors' Report

The Directors of the Company present herewith the annual report of your Company together with the audited financial statements for the year ended 30th June 2013.

Overview

Pakistan's Cement Industry witnessed a modest growth of 2.8% at the close of the financial year ended 30th June 2013 achieving total sales volumes of 33.5 million tons as compared to last year sales volume of 32.5 million tons. The domestic demand registered an increase of 5% and achieved volume of 25.1 million tons against last year volume of 23.9 million tons. The improvement can be mainly attributed to normal growth due to population and urbanization. Export volumes declined by 2% and achieved a volume of 8.4 million tons as compared to prior year's volume of 8.6 million tons.

Despite the slow growth in domestic consumption, your Company has increased its market share to 2.08% in the domestic market as compared to 2.01% in the last year. The local sales volume of the company has registered an increase of 8% achieving a volume of 522,036 metric tons as compared to 482,419 metric tons in the last year.

Business Performance

Production & Sales Volume Performance

The production and sales volume statistics of your Company for the year ended 30th June 2013 together with the comparative figures is as under:

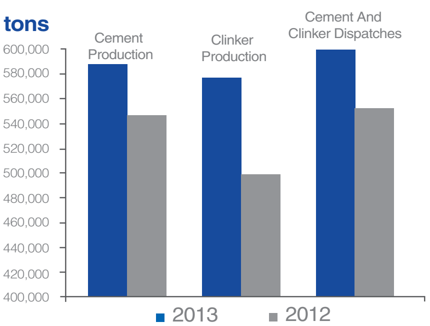
Particulars	2013	2012	2011
		In tons	
Cement production	587,980	546,647	502,576
Clinker production	577,160	498,997	460,894
Cement and clinker dispatches	607,414	551,933	527,596

During the year under review, the production of cement and clinker increased by 33,944 tons and 78,163 tons respectively. On the other hand, rising demands in the industry were met by increased dispatches. A graphical analysis is as under:

Financial Performance

A comparison of the key financial results of your Company for the year ended 30th June 2013 is as under:

PARTICULARS	2013	2012
	Rs. In '000	
Sales revenue	3,511,774	2,930,152
Gross profit	722,518	296,942
Operating profit	817,449	694,602
Profit before tax	434,483	292,672
Net profit after tax	369,961	153,431
Earnings per share (Rupees)	1.01	0.42



Sales Revenue Analysis

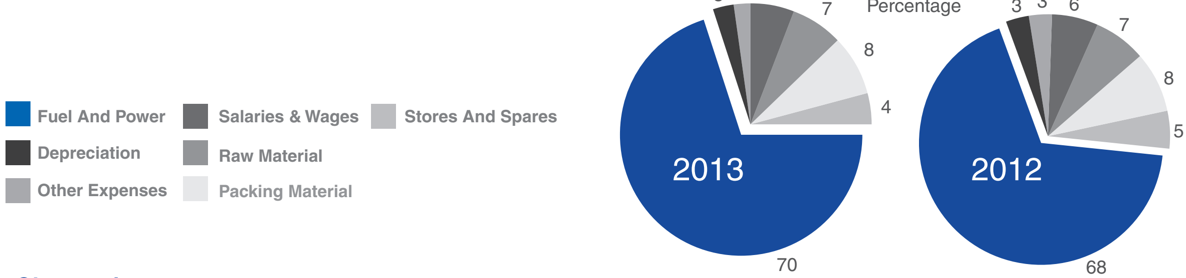
An increase of 20% in net sales revenue was achieved by the Company as compared to the previous year. Not only cement, clinker and local dispatches were higher in the year under review, but average retention per ton also increased by 11%. The Company has mainly focused on local sales, whereas exports increased to 15% against 13% in 2012. Overall rising demand in private housing and commercial projects has contributed towards the increase in turnover.

Cost Analysis

Your Company has efficiently controlled its cost of sales, resulting in an increase of gross profit margin to 20.6% from 10.1%. Almost 70% of the cost relates to 'fuel and power' which includes electricity, coal and other related expenses. Although the rates and consumption of these expenses increased significantly during the year, the Company managed to maintain 'per ton' cost at the same level by improving operational efficiency and production levels.

As the Company is recovering from losses incurred in the previous years, the Directors of your Company do not recommend any appropriations for the year ended 30th June 2013.

Comparison of distribution of cost is as under:



Auditors Observation

"We draw attention to note 9.1 and 14.2 to the financial statements which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs.182.604 million and reversal of loan from previous sponsors amounting to Rs.115.927 million in the financial statements. Our opinion is not qualified in respect of these matters."

Note 9.1 of the Financial Statements is reproduced as under:

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

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

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the company, the company has recorded the refund claim receivable with a corresponding credit to the profit & loss account. The matter has been challenged by the Tax department in the High Court.

However, the management based on legal advisor's opinion is confident of a favourable outcome. The Company is actively pursuing the matter for the settlement of the said refund claim.

Note 14.2 of the Financial Statements is reproduced as under:

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

During the year ended 30th June 2013, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. The award has been sent to the Registrar High Court of Sindh for making the award a rule of Court. The management, based on its lawyers' advice is of the opinion that despite of objection filed by the previous sponsors against the arbitration award, the Company has strong grounds considering the fact that the Arbitration Award has been announced in Company's favour and the arbitration award will be made a rule of Court. Accordingly, the management has reversed the liability with a corresponding credit in the profit & loss account.

However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in these financial statements. Further, the amount of Rs. 0.735 million has been shown as a current liability.

Long Term Finance

During the year, your Company has made timely repayments of its long term dues and was able to generate enough cash as well to meet its financial obligations.

Cash Flow Strategy

The Company effectively manages its cash flows by monitoring them on a regular basis. Working capital requirements are planned and met through internal cash generations and short term borrowings. An amount of Rs. 471 million (2012: Rs. 339 million) was generated from operations during the year, which was utilized for the repayments of long term financing installments and fixed capital expenditures. Your Company has also arranged interest free financings from its sponsors for the smooth operations and its working capital requirements.

Audit Committee

The Board of Directors has established an Audit Committee which comprises of four members all of whom are non-executive directors. Composition of the Audit Committee will be made in line with the requirements of Code of Corporate Governance at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2013.

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

Code Of Corporate Governance.

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

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

Board Of Directors

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

Name of Director	BOD Meetings Attended	AC Meetings Attended
Mr. Kashif Habib	7	N/A
Syed Ajaz Ahmed**	4	N/A
Mr. Muhammad Yahya Khan*	1	1
Mr. M. Yousuf Adil*	2	1
Mr. Aves Cochinwala**	2	2
Mr. Nasim Beg	6	4
Syed Salman Rashid	6	4
Mr. Muhammad Ejaz	3	N/A
Mr. Samad A.Habib*	4	N/A

* Mr. Samad A.Habib, Mr.Muhammad Yousuf Adil and Mr.Muhammad Yahya Khan joined the company on 11th September, 2012, 24th October,2012 and 04th June, 2013 respectively.
** Mr. Aves Cochinwala and Syed Ajaz Ahmed resigned on 24th October,2012 and 04th June, 2013 respectively.

Leave of absences were granted to directors who could not attend the meetings due to their pre occupations. All casual vacancies occurring on the Board were duly filled by the directors within the stipulated time and all required formalities were duly complied with.

Training Programs Attended By Directors

The board arranged 1 (One) in-house training session for its directors during the year. The Board already consists of two directors certified under directors training program and a director who is exempted from the directors' training program in accordance with regulation No.35 (xi) of Listing Regulations of the Stock Exchanges due to having minimum of 14 years of education and 15 years of experience on the board of a listed company. The Company is committed to get all those directors of its Board acquire the certification under the directors' training program by 30th June 2016 which require such certification in accordance with the subject Regulation. Further, the Board has approved the participation of Mr. Muhammad Ejaz and Mr. Samad A. Habib, to have certification under the directors' training program in the upcoming session of an approved institution. Furthermore, Mr.Salman Rashid is in the process on completing its Director's Training Program.

Election Of Directors

In accordance with the provision of section 180 of the Companies Ordinance 1984, the three year term of seven directors elected in the Extraordinary General Meeting of the Company dated 4th June 2010, has completed. Accordingly, the election of Director has taken place in Extraordinary General meeting of the Company dated 4th June 2013.

Now the composition of the Board is as follows:

Name of Director	Remarks
Mr.Nasim Beg - Chairman	Elected
Mr.Muhammad Kashif Habib - CEO	Elected
Mr.Muhammad Ejaz	Elected
Mr.Muhammad Yousuf Adil (Independent)	Elected
Mr.Samad A.Habib	Elected
Syed Salman Rashid	Re-elected
Mr.Muhammad Yahya Khan (Independent)	Elected

Reduction Of Capital

Your Company, in the Extraordinary General Meeting dated 4th June 2013, has decided to restructure its share capital by reducing to the extent of 50% i.e. 365,689,968 to 182,844,984 number of shares of Rs.10 each amounting to Rs. 1,828,449,840. The reduction will better reflect the performance of the Company, however, the reduction is subject to approval of regulatory authorities and confirmation by the Court. Had the reduction of share capital of the Company been completed the EPS of the Company for the year under review would have been Rs. 2.02 per share.

Future Outlook

The Government in the recent budget has allocated substantial funds for public sector development projects and its full utilization will be a key factor for increase of cement demand in the domestic market for the coming financial year. In the current year, utilization of development funds in infrastructure projects is expected which will support growth in consumption of cement. Improvement in the agricultural sector due to better support prices and better crop is expected to make a positive impact on the consumption of cement also.

Export sales volume which has been declining for the last three consecutive years may continue its gradual decline in 2014-15 due to decline of exports to India on account of decline Indian rupee parity. However, the increase in domestic market is expected to more than offset the export decline.

The Company's growth is mainly associated with certain risk factors such as increasing inflation fuel prices and law and order situation. In order to maximize potential and improve performance, management is leaned towards improving operational excellence and will continue to concentrate on process improvements and material management strategies.

Going forward your Company is pushing hard to capitalize the business opportunities available with the export and local market.

Corporate Social Responsibility

Power Cement Limited (Formerly: Al-Abbas Cement Industries Limited) has a culture and history of undertaking social and philanthropic activities which reflects the commitment of its Directors and sponsors towards the social uplift of the down trodden.

The Company regularly donates to welfare trust engaged in spreading Islamic education. During the year, the Company has disbursed Rs. 0.487 million as donation to different trusts, charitable institutions and welfare organizations.

During the year, the Company contributed Rs. 732.699 million towards the national exchequer under various modes.

Auditors

The auditors, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year 2013-2014 in the Annual General Meeting.

Acknowledgement

The Company strongly believes that its success is driven by the commitment and declaration of its employees. We acknowledge the contribution of each and every member of the Company in the relevant area. We would also like to express our thanks to our customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks & financial institutions, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Managements of Karachi and Lahore Stock Exchanges for their continued support and guidance which has gone a long way in giving present shape to the Company.

For and on behalf of the Board

Muhammad Kashif Habib - CEO
25th September 2013

Pattern of Shareholding

As at 30th June 2013

Number of Shareholders	Shareholdings From	Shareholdings To	Total shares held
524	1	100	15,630
464	101	500	135,803
340	501	1000	305,015
592	1001	5000	1,685,236
175	5001	10000	1,450,883
55	10001	15000	720,352
43	15001	20000	779,436
19	20001	25000	452,651
22	25001	30000	612,956
16	30001	40000	579,503
17	40001	50000	809,899
12	50001	65000	704,851
13	65001	85000	948,104
6	85001	100000	574,000
8	100001	145000	974,887
1	145001	185000	185,000
8	185001	370000	2,025,676
5	370001	1000000	3,491,596
4	1000001	25000000	6,529,532
2	25000001	5000000	8,490,500
1	5000001	7500000	7,018,545
1	7500001	10005000	10,000,500
1	10005001	20000000	10,700,000
1	20000001	25600000	25,600,000
1	25600001	25605000	25,604,383
1	25605001	255295030	255,295,030
2,332			**365,689,968**

Pattern of Shareholding

As at 30th June 2013

Shareholders' Category	No. of shareholders	Number of Shares Held	Percentage %
Directors, Chief Executive Officer and their Spouse and Minor Children	9	32,725,545	8.95
Associated Companies, Undertaking and Related Parties	3	306,499,413	83.81
NIT and ICP	3	803,576	0.22
Public Sector Companies and Corporations	1	110	0.00
Banks Development Financial Institutions, Non Banking Financial Institutions	29	2,437,178	0.67
Insurance Companies	1	676,169	0.18
Foreign	7	1,978,396	0.54
Modarabas and Mutual Funds	4	157	0.00
General Public Local	2265	19,280,507	5.27
Others	10	1,288,917	0.35
	2,332	**365,689,968**	**100**

Details of Shareholders Categories

As at 30th June 2013

Directors, Chief Executive Officer, and Their Spouse and Minor Children	Number of Shares	Percentage %
Syed Salman Rashid	10,700,000	2.93
Mohammad Kashif Habib	10,000,500	2.73
Syed Saad Salman	7,018,545	1.92
Rehana Salman	5,000,000	1.37
Muhammad Yahya Khan	2,000	0.00
Nasim Beg	2,000	0.00
Samad A.Habib	1,000	0.00
Muhammad Yousuf Adil	1,000	0.00
Muhammad Ejaz	500	0.00
	32,725,545	**8.95**
Associated Companies, Undertaking and Related Parties.		
Arif Habib Corporation Limited	255,295,030	69.81
Arif Habib Limited	25,604,383	7.00
Thatta Cement Company Limited	25,600,000	7.00
	306,499,413	**83.81**
NIT and ICP		
National Bank Of Pakistan-trustee Department Ni(U)T Fund	802,969	0.22
Investment Corporation of Pakistan (ICP)	607	0.00
	803,576	**0.22**
Public Sector Companies and Corporations		
Lahore Stock Exchange Limited	110	0.00
	110	**0.00**

Details of Shareholders Categories

As at 30th June 2013

Banks,Development Financial Institutions and Non Banking Financial Institutions	Number of Shares held	Percentage %
Islamic Investment Bank Limited	2,020	0.00
Crescent Investment Bank Limited	110	0.00
National Bank Of Pakistan	1054	0.00
The Bank Of Punjab, Treasury Division	60,000	0.02
Habib Bank Ag Zurich	124,500	0.03
Royal Bank Of Scotland	115	0.00
J.P.Morgan Clearing Corp.	1,850,000	0.51
Capital Vision Securities (Pvt) Limited	7,500	0.00
Cma Securities (Pvt) Limited	25,000	0.01
Excel Securities (Pvt) Limited	9,000	0.00
Darson Securities (Pvt) Limited	5,000	0.00
Highlink Capital (Pvt) Limited	197,500	0.05
Naeem Securities (Pvt) Limited	1,512	0.00
Karachi Parsi Anjuman Trust Fund	20,000	0.01
Escorts Investment Bank Limited	1,000	0.00
Ace Securities (Pvt.) Limited	1,500	0.00
Zhv Securities (Pvt) Limited	1,001	0.00
Azee Securities (Pvt) Limited	1	0.00
Islamic Investment Bank Limited	20,203	0.01
Nh Securities (Pvt) Limited.	300	0.00
General Investment & Securitie {Pvt} Limited	500	0.00
First National Equities Limited	1	0.00
Hh Misbah Securities (Pvt) Limited	17,000	0.00
Prudential Securities Limited	630	0.00
Hm Investment (Pvt) Limited	10	0.00
Time Securities (Pvt) Limited	1,671	0.00
Rafi Securities (Pvt) Limited	90,000	0.02
Trust Securities (Pvt) Limited	50	0.00
	2,437,178	**0.67**
Insurance Companies		
State Life Insurance Corporation Of Pakistan	676,169	0.18
	676,169	**0.18**
Modarabas And Mutual Funds		
First Interfund Modaraba	122	0.00
Industrial Capital Modaraba	14	0.00
Asian Stocks Fund Limited	21	0.00
	157	**0.00**

Shareholders holding 5% or more

Arif Habib Corporation Limited	255,295,030	69.81
Arif Habib Limited	25,604,383	7.00
Thatta Cement Company Limited	25,600,000	7.00

Financial Highlights

Six Years at a Glance

		30th June					
INVESTMENT MEASURE		**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Ordinary Share Capital	Rs. In '000'	**3,656,900**	3,656,900	3,656,900	1,828,450	1,828,450	1,828,450
Reserves	Rs. In '000'	**(1,247,304)**	(1,617,265)	(1,770,696)	(831,629)	80,000	(232,827)
Ordinary Shareholder's Equity	Rs. In '000'	**1,495,371**	1,125,410	971,979	996,821	1,908,450	1,595,623
Dividend on Ordinary Shares	Rs. In '000'	**-**	-	-	-	-	-
Dividend per Ordinary Share	Rs.	**-**	-	-	-	-	-
Profit / (loss) before taxation	Rs. In '000'	**434,483**	292,672	(755,625)	(746,498)	(41,973)	(128,930)
Profit / (loss) after taxation	Rs. In '000'	**369,961**	153,431	(926,670)	(720,615)	121,813	(108,263)
Earning / (loss) per share	Rs.	**1.01**	0.42	(4.27)	(3.94)	0.67	(0.59)
MEASURE OF FINANCIAL RATIOS							
Current Ratio	x : 1	**0.63**	0.42	0.45	0.34	0.93	1.34
Gearing Ratio	x : 1	**0.68**	0.73	0.76	0.76	0.50	0.51
Acid test Ratio	x : 1	**0.25**	0.09	0.15	0.11	0.29	0.55
Number of Days Stock	In days	**35**	23	19	50	57	68
MEASURE OF PERFORMANCE							
Profit / (loss) after taxation as % of Capital Employed	%	**11**	5.22	(20.28)	(17.70)	2.76	(2.80)
Sales	Rs. In '000'	**3,511,774**	2,930,152	2,220,360	2,198,443	2,982,686	1,162,403
Cost of sales as % of Sales	%	**79.43**	89.87	102.61	96.90	76.52	90.09
Profit / (loss) before taxation as % of Sales	%	**12.37**	9.99	(34.03)	(33.96)	(1.41)	(11.09)
Profit / (loss) after taxation as % of Sales	%	**10.53**	5.24	(41.74)	(32.78)	4.08	(9.31)
Asset Turnover	In times	**0.63**	0.57	0.44	0.42	0.50	0.22

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
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Review report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of Power Cement Limited (Formerly:Al-Abbas Cement Industries Limited) ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Stock Exchanges where the company is listed, require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.

Date: 4th October 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Statement of Compliance with the Code of Corporate Governance

Power Cement Limited (Formerly: Al Abbas Cement Industries Limited)

30th June 2013

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

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

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

Category	Names
Executive director	Mr. Muhammad Kashif Habib
Non Executive / Independent directors	Mr. Muhammad Yahya Khan Mr. M.Yousuf Adil
Non executive directors	Mr. Samad A.Habib Mr. Nasim Beg Mr. Muhammad Ejaz Syed Salman Rashid

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on 30th June 2012 was filled up on 11th September, 2012. Another casual vacancy arising 24th October 2012 was also filled up by the director within the stipulated time.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged 1 (One) in-house training session for its directors during the year. The Board already consists of two directors certified under directors training program and a director who is exempted from the directors' training program in accordance with regulation No.35 (xi) of Listing Regulations of the Stock Exchanges due to having minimum of 14 years of education and 15 years of experience on the board of a listed company. The Company is committed to get all those directors of its Board acquire the certification under the directors' training program by 30th June 2016 which require such certification in accordance with the subject Regulation. Further, the Board has approved the participation of Mr. Muhammad Ejaz and Mr. Samad A. Habib, to have certification under the directors' training program in the upcoming session of an approved institution. Furthermore, Mr.Salman Rashid is in the process on completing its Director's Training Program.

10. There has been no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit after the Code of Corporate Governance (CCG) 2012 became effective. However, their remuneration and terms and conditions of employment were duly approved by the Board.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by 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 that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises 4 members, of whom all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 are non-executive directors and the Chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Muhammad Kashif Habib - CEO
25th September 2013

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Power Cement Limited (Formerly: Al-Abbas Cement Industries Limited) ("the Company") as at 30th June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th June 2013 and of the profit, cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 9.1 and 14.2 to the financial statements which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs.182.604 million and reversal of loan from previous sponsors amounting to Rs.115.927 million in the financial statements. Our opinion is not qualified in respect of these matters.

KPMG Taseer Hadi & Co.

Date: 4th October 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Form of Proxy

22nd Annual General Meeting

The Company Secretary
Power Cement Limited
(Formerly: Al-Abbas Cement Industries Limited)
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we ______________________ of ______________________ being a member(s) of Power Cement Limited (Formerly: Al Abbas Cement Industries Limited) holding ordinary shares as per CDC A/c. No. ____________ hereby appoint Mr./Mrs./Miss ______________________ ______________________ of (full address) ______________________ ______________________ or failing him/her Mr./Mrs./Miss ______________________ of (full address) ______________________

(being member of the company) as my/our Proxy to attend, act vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company to be held on 26th October 2013 and/or any adjournment thereof.

Signed this ____________ day of ____________ 2013.

Witnesses:

1. Name : ______________________
   Address : ______________________
   CNIC No. : ______________________
   Signature : ______________________

2. Name : ______________________
   Address : ______________________
   CNIC No. : ______________________
   Signature : ______________________

Signature on Rs. 5/- Revenue Stamp

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

2. Proxy shall authenticate his/her identity by showing his/her identity by showing his/her original passport and bring folio number at the time of attending the meeting

3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Technology Trade (Pvt) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., off: Shahrah-e-Quaideen, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.

4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.

5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.

AFFIX
CORRECT
POSTAGE

POWER CEMENT LIMITED
(FORMERLY: AL-ABBAS CEMENT INDUSTRIES LIMITED)

Registrar:
Technology Trade (Pvt) Ltd., Dagia House,
241-C, Block-2, P.E.C.H.S., off:
Shahrah-e-Quaideen, Karachi

Fold : Here

Fold : Here

Balance Sheet

As at 30th June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	4	4,250,180	4,226,616
Long term deposits		19,635	19,635
		4,269,815	4,246,251
CURRENT ASSETS			
Stores, spares and loose tools	5	496,839	516,210
Stock-in-trade	6	324,979	219,062
Trade debts	7	138,445	44,010
Advances and other receivables	8	138,716	121,060
Trade deposits		7,436	4,969
Tax refunds due from government	9	238,862	27,921
Cash and bank balances	10	4,052	3,594
		1,349,329	936,826
		5,619,144	5,183,077
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
400,000,000 (2012: 400,000,000) Ordinary shares of Rs. 10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up capital			
365,689,968 (2012: 365,689,968) Ordinary shares of Rs. 10/- each	11	3,656,900	3,656,900
Discount on issuance of right shares		(914,225)	(914,225)
General reserve		80,000	80,000
Accumulated loss		(1,327,304)	(1,697,265)
		1,495,371	1,125,410
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	12	1,867,062	1,674,780
Deferred taxation	13	93,901	-
Deferred liabilities	14	30,810	141,851
		1,991,773	1,816,631
CURRENT LIABILITIES			
Loan from previous sponsors	14	735	-
Trade and other payables	15	857,898	839,656
Mark-up accrued	16	15,248	46,002
Short-term borrowings	17	958,322	1,104,276
Current portion of long term financing	12	299,797	251,102
		2,132,000	2,241,036
CONTINGENCIES AND COMMITMENTS	18		
		5,619,144	5,183,077

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR & CEO	DIRECTOR	CHIEF FINANCIAL OFFICER

Profit and Loss Account

For the Year ended 30th June 2013

	Note	2013	2012
		(Rupees in '000)	
Sales - net	19	**3,511,774**	2,930,152
Cost of sales	20	**(2,789,256)**	(2,633,210)
Gross profit		**722,518**	296,942
Distribution cost	21	**(137,999)**	(103,400)
Administrative expenses	22	**(54,868)**	(33,516)
Other income	23	**319,999**	534,576
Other operating expense	24	**(32,201)**	-
		94,931	397,660
Operating profit		**817,449**	694,602
Finance cost	25	**(382,966)**	(401,930)
Profit before taxation		**434,483**	292,672
Taxation	26	**(64,522)**	(139,241)
Profit after taxation		**369,961**	153,431
		(Rupees)	
Earnings per share - Basic and diluted	27	**1.01**	0.42

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR & CEO

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Comprehensive Income

For the Year ended 30th June 2013

	2013	2012
	(Rupees in '000)	
Profit for the year	**369,961**	153,431
Other comprehensive income		
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**369,961**	153,431

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR & CEO

DIRECTOR

CHIEF FINANCIAL OFFICER

Cash Flow Statement

For the Year ended 30th June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**471,355**	339,071
Gratuity paid		**(7,481)**	(4,921)
Income tax paid		**(12,361)**	(8,961)
Finance cost paid		**(413,720)**	(204,902)
		(433,562)	(218,784)
Net cash generated from operating activities		**37,793**	120,287
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(132,673)**	(58,255)
Acquisition of intangible assets		**-**	(586)
Proceeds from sale of fixed asset		**315**	2,040
Net cash used in investing activities		**(132,358)**	(56,801)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finance		**(259,023)**	(621,717)
Loan from related party		**899,500**	500,000
Repayment of related party loan		**(500,000)**	-
Net cash generated from / (used in) financing activities		**140,477**	(121,717)
Net increase in cash and cash equivalents		**45,912**	(58,231)
Cash and cash equivalents at the beginning of the year		**(600,682)**	(542,451)
Cash and cash equivalents at the end of the year	31	**(554,770)**	(600,682)

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR & CEO

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

For the Year ended 30th June 2013

	Capital reserve			Revenue Reserve			Total
	Share Capital	Discount on issuance of right shares	Sub-total	General	Accumulated loss	Sub-total	
	(Rupees in '000)						
Balance as at 30 June 2011	3,656,900	(914,225)	2,742,675	80,000	(1,850,696)	(1,770,696)	971,979
Total comprehensive income for the year							
Profit for the year ended 30 June 2012	-	-	-	-	153,431	153,431	153,431
Balance as at 30 June 2012	3,656,900	(914,225)	2,742,675	80,000	(1,697,265)	(1,617,265)	1,125,410
Total comprehensive income for the year							
Profit for the year ended 30 June 2013	-	-	-	-	369,961	369,961	369,961
Balance as at 30 June 2013	**3,656,900**	**(914,225)**	**2,742,675**	**80,000**	**(1,327,304)**	**(1,247,304)**	**1,495,371**

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR & CEO

DIRECTOR

CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the Year ended 30th June 2013

1. STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of Estimates and Judgments

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

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

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

Notes to the Financial Statements
For the Year ended 30th June 2013

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

a) Fixed assets

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

b) Trade debts

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

c) Stock in trade and stores and spares

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

d) Income taxes

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

e) Staff retirement benefits

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

2.5 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

Notes to the Financial Statements

For the Year ended 30th June 2013

New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods mentioned in respective notes:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit and loss account, which is currently allowed under IAS 19; and that the expected return on plan assets recognised in profit and loss account is calculated based on the rate used to discount the defined benefit obligation. The Company's policy is to account for actuarial gains and losses immediately in profit and loss account and with the change actuarial loss amounting to Rs 0.371 million will be recognized in other comprehensive income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12 - Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on these financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendment have no impact on these financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 - Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009 - 2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

Notes to the Financial Statements

For the Year ended 30th June 2013

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for as consumable spares under IAS 2 - Inventories. The amendment in IAS 16 would result in reclassification of certain plant specific spares as property, plant and equipment when the amended standard becomes applicable. Management is currently undertaking a comprehensive exercise to assess the spares, standby equipment and servicing equipment that would qualify for recognition as property, plant and equipment. The amount of reclassification of stores and spares to property, plant and equipment has not been quantified to date.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendment has no impact on these financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event give rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow - scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- Amendment to IAS 36 - Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow - scope amendments to IAS 36 Impairment of Assets the disclosure of information about the recoverable amount of impaired assests if that amount is based on fair value less costs of disposal.

Notes to the Financial Statements

For the Year ended 30th June 2013

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Fixed assets

a) Operating property, plant and equipment - Owned

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

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

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

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

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

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

b) Assets subject to finance lease

The Company accounts for property, plant and equipment obtained under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments at inception of lease or fair value whichever is lower. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on plant and machinery is charged on the unit of production method basis. Depreciation on assets other than plant and machinery is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in note 4. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Notes to the Financial Statements
For the Year ended 30th June 2013

c) Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates specified in note 4.4 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

d) Capital work-in-progress (CWIP)

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

e) Ijarah lease

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

3.2 Impairment

Financial assets

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

Non-Financial assets

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

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

Notes to the Financial Statements

For the Year ended 30th June 2013

3.3 Stores, spare parts and loose tools

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

3.4 Stock in trade

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

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

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

3.5 Trade debts

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

3.6 Cash and cash equivalents

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

3.7 Taxation

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

a) Current

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

b) Deferred

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

Notes to the Financial Statements

For the Year ended 30th June 2013

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

3.8 Staff retirement benefits

a) Defined benefit plan

The company operates an approved funded gratuity scheme (defined benefit plan) for all its employees who have completed the qualifying period under the scheme. Contribution are made to the fund in accordance with actuarial recommendations. The most recent valuation in this regard was carried out on 30th June 2013 by using the Projected Credit Unit Method for valuation of the scheme. The actuarial gains/ losses are recognized as income or expense in the year in which they arises.

b) Compensated absences

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

3.9 Trade and other payables

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

3.10 Provisions

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

3.11 Foreign currency transactions

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

3.12 Financial instruments

a) Initial recognition

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

Notes to the Financial Statements

For the Year ended 30th June 2013

b) Derecognition of financial liability

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

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Derivative financial instruments

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

3.15 Borrowing and finance costs

Borrowing costs are recognized as an expense in the period in which these are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

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

3.16 Revenue recognition

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

3.17 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved.

Notes to the Financial Statements

For the Year ended 30th June 2013

3.18 Earnings per share

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

4. FIXED ASSETS

	Note	2013	2012
		(Rupees in '000)	
Property, plant and equipment	4.1	**4,250,159**	4,226,302
Intangible assets	4.4	**21**	314
		4,250,180	4,226,616

4.1 Property, Plant and Equipment

	Cost			2013 Rate	Accumulated depreciation			Written down
	As at 1 July 2012	Additions / (disposals)	As at 30 June 2013		As at 1 July 2012	Charge for the year / (disposal)	As at 30 June 2013	value as at 30 June 2013
	(Rupees in '000)				(Rupees in '000)			
Owned assets								
Land - lease hold	3,025	-	3,025	-	-	-	-	3,025
Factory building on leased hold land	778,828	-	778,828	5%	259,982	25,942	285,924	492,904
Non-factory building on leased hold land	20,938	-	20,938	10%	9,204	1,173	10,377	10,561
Lease Hold Improvement	-	26,741	26,741	10%	-	1,337	1,337	25,404
Plant and machinery	4,608,888	91,426	4,700,314	Units of production	961,119	72,997	1,034,116	3,666,198
Factory and laboratory equipment	24,172	9,286	33,458	10%	8,161	1,736	9,897	23,561
Quarry equipments	11,444	375	11,819	15%	9,616	321	9,937	1,882
Office equipments	4,978	579	5,557	10%	2,882	237	3,119	2,438
Computer and peripherals	7,901	2,657	10,558	33%	5,126	1,496	6,622	3,936
Furniture and fixture	19,152	49	19,201	10%	7,709	1,145	8,854	10,347
Vehicles	26,878	1,560	27,606	20%	16,103	2,285	17,703	9,903
		(832)				(685)		
	5,506,204	132,673	5,638,045		1,279,902	108,669	1,387,886	4,250,159
		(832)				(685)		

	Cost			2012 Rate	Accumulated depreciation			Written down
	As at 1 July 2011	Additions / (disposals)	As at 30 June 2012		As at 1 July 2011	Charge for the year / (disposal)	As at 30 June 2012	value as at 30 June 2012
	(Rupees in '000)				(Rupees in '000)			
Owned assets								
Land - lease hold	3,025	-	3,025	-		-	-	3,025
Factory building on			-					
leased hold land	778,828	-	778,828	5%	232,674	27,308	259,982	518,846
Non-factory building			-					
on leased hold land	20,938	-	20,938	10%	7,901	1,303	9,204	11,734
Plant and machinery	4,562,938	45,950	4,608,888	Units of production	897,511	63,608	961,119	3,647,769
Factory and laboratory equipment	16,531	7,641	24,172	10%	6,838	1,323	8,161	16,011
Quarry equipments	11,444	-	11,444	15%	9,293	323	9,616	1,828
Office equipments	4,848	175	4,978	10%	2,700	214	2,882	2,096
		(45)				(32)		
Computer and peripherals	7,157	744	7,901	33%	3,969	1,157	5,126	2,775
Furniture and fixture	18,025	1,127	19,152	10%	6,517	1,192	7,709	11,443
Vehicles	26,182	2,618	26,878	20%	14,010	2,490	16,103	10,775
		(1,922)				(397)		
	5,449,916	58,255	5,506,204		1,181,413	98,918	1,279,902	4,226,302
		(1,967)				(429)		

Notes to the Financial Statements
For the Year ended 30th June 2013

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

	Note	2013	2012
		(Rupees in '000)	
Cost of sales	20	**99,260**	91,238
Distribution cost	21	**2,352**	1,920
Administrative expenses	22	**7,057**	5,760
		108,669	98,918

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

Particulars of asset	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
2013							
Vehicle	**43**	**(35)**	**8**	**15**	**7**	Negotiation	Mr. Ehsan Ali
Vehicle	**789**	**(650)**	**139**	**300**	**161**	Negotiation	Mr. Hussain
	832	**(685)**	**147**	**315**	**168**		
2012	1,967	(429)	1,538	2,040	502		

4.4 **Intangible assets**

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

	Note	2013	2012
		(Rupees in '000)	
Cost		**586**	586
Accumulated amortization		**(565)**	(272)
		21	314
Carrying amount at the beginning of the year		**314**	-
Additions during the year		**-**	586
Amortization during the year		**(293)**	(272)
Carrying amount at the end of the year		**21**	314
Rate of amortization		**50%**	50%

5. STORES, SPARES AND LOOSE TOOLS

	Note	2013	2012
Stores		**153,933**	157,443
Coal	5.1	**167,251**	225,096
Spare parts		**186,170**	142,496
Loose tools		**3,004**	4,694
		510,358	529,729
Provision for slow moving / obsolete store and spares	5.2	**(13,519)**	(13,519)
		496,839	516,210

Notes to the Financial Statements

For the Year ended 30th June 2013

5.1 This includes coal in-transit amounting to Rs. Nil (2012: Rs. 107.28 million).

5.2 Provision for slow moving / obsolete stores and spares

	Note	2013	2012
		(Rupees in '000)	
Opening balance		**13,519**	13,519
Charge for the year		**-**	-
Closing balance		**13,519**	13,519

6. STOCK-IN-TRADE

	Note	2013	2012
Raw material		**17,080**	37,157
Packing material		**51,133**	49,310
Work-in-process		**220,453**	117,901
Finished goods		**36,313**	14,694
		324,979	219,062

7. TRADE DEBTS - Considered good

	Note	2013	2012
Secured against letter of credit		**40,250**	-
Unsecured			
- Due from related parties	7.1	**1,889**	2,455
- Others		**96,306**	41,555
		138,445	44,010

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

	Note	2013	2012
Javedan Corporation Limited		**1,038**	108
Safe Mix Concrete (Pvt.) Limited		**851**	-
Aisha Steel Mills Limited		**-**	2,347
		1,889	2,455

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

	Note	2013	2012
Not past due		**851**	-
Past due 1-60 days		**296**	2,455
Past due 61 days -1 years		**742**	-
		1,889	2,455

Notes to the Financial Statements

For the Year ended 30th June 2013

8. ADVANCES AND OTHER RECEIVABLES

	Note	2013	2012
		(Rupees in '000)	
Advances			
To employees	8.1	**4,204**	1,785
To contractors and suppliers	8.2	**46,715**	72,999
Against letter of credit		**24,392**	21,308
Income tax		**26,799**	13,396
Other receivable			
Rebate receivable		**4,554**	4,371
Others	8.3 & 8.4	**32,052**	7,201
		138,716	121,060

8.1 This includes advances to executives amounting to Rs. 2.852 million (2012: Rs 0.01 million).

8.2 This includes advance against rent to Rotocast Engineering Company (Private) Limited (a related party) amounting to Rs. 2.264 million (2012:Rs.Nil).

8.3 This includes receivable from Thatta Cement Company Limited (a related party) amounting to Rs. 0.87 million (2012:Rs.3.731 million).

8.4 This include receivable against the sale of scrap amounting to Rs. 22.048 million.

9. TAX REFUND DUE FROM GOVERNMENT

	Note	2013	2012
		(Rupees in '000)	
Income tax refundable		**46,406**	18,069
Sales tax refundable		**2,989**	2,989
Excise duty receivable	9.1 & 9.2	**189,467**	6,863
		238,862	27,921

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

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

Notes to the Financial Statements

For the Year ended 30th June 2013

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

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

10. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees in '000)	
Cash in hand		**415**	499
Cash with banks:			
- In current accounts		**3,302**	2,760
- In savings accounts	10.1	**335**	335
		4,052	3,594

10.1 These carry mark-up rate ranging from 9% - 12% (2012: 9% - 12%) per annum.

11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
(Number of Shares)			(Rupees in '000)	
		Fully paid ordinary shares of Rs. 10 each issued:		
353,510,380	353,510,380	For cash	**3,535,104**	3,535,104
840,000	840,000	For consideration other than cash	**8,400**	8,400
11,339,588	11,339,588	Bonus shares	**113,396**	113,396
365,689,968	365,689,968		**3,656,900**	3,656,900

11.1 Shares held by the associated companies as at the balance sheet date were 306,499,413 (2012: 322,596,280).

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

Notes to the Financial Statements

For the Year ended 30th June 2013

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

Subsequent to the year end, a petition has been filed with the High Court to confirm the reduction.

12. LONG TERM FINANCING

	Note	2013	2012
		(Rupees in '000)	
Secured from banking companies:			
Syndicated Term finance - secured	12.1	**1,666,859**	1,925,882
Loan From related party - unsecured	12.3	**500,000**	-
		2,166,859	1,925,882
Current maturity shown under current liability		**(299,797)**	(251,102)
		1,867,062	1,674,780

12.1 This represents syndicated term finance facility to Rs. 2,500 million arranged by the Company with syndicated of local commercial banks (the Syndicate). During the year ended 30 June 2012, the Company entered into a revised restructuring agreement with the Syndicate dated 23 December 2011. As per the revised restructuring agreement the principal is payable in nine half yearly installments starting from 23 December 2011 23 December 2015.

The mark up charged during first 3.5 years (23 June 2010 - 22 December 2013) will be 6 month KIBOR + 0% and after 3.5 years (23 December 2013 - 23 June 2016), the mark up will be charged at 6 month KIBOR + 1.75%. Mark-up outstanding at the time of restructuring and mark up accrued from restructuring date till the date of final settlement of principal will then be paid in half yearly installments of Rs. 250 million each commencing from 23rd June 2016.

The loan is secured by way of mortgage over property worth Rs. 3.33 billion and hypothecation charge over assets worth Rs. 3.33 billion.

12.2 The revised restructuring mentioned above resulted in substantial modification of the financing terms, accordingly the original liability was extinguished and new liability was recognised at fair value. The difference between the carrying amount of the liability extinguished and the fairvalue of the new liability was recognised in profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.

12.3 This represents long term loan availed from Arif Habib Corporation Limited (parent company) under financing agreement dated 1 October 2012 aggregating to Rs.500 Million (2012: Nil) and carries markup at the rate of 3 months KIBOR + 2.5%. The principal is repayable at the end of fifth year from the first drawn date whereas mark up is payable semi annually.

Notes to the Financial Statements
For the Year ended 30th June 2013

13. DEFERRED TAXATION

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

	Note	2013	2012
		(Rupees in '000)	
Deductible temporary differences			
Deferred liability - provision for gratuity		**(7,010)**	(5,898)
Provision for stores and spares		**(3,076)**	(3,076)
Provision for leave encashment		**(2,703)**	(2,566)
Carry forward tax losses		**(615,215)**	(697,188)
		(628,004)	(708,728)
Taxable temporary differences			
Accelerated tax depreciation		**637,513**	595,051
Long term financing		**84,392**	98,395
		93,901	(15,282)
Deferred tax asset not recognised		**-**	15,282
		93,901	-

14. DEFERRED LIABILITIES

	Note	2013	2012
Provision for employees gratuity	14.1	**30,810**	25,924
Loan from previous sponsors	14.2	**-**	115,927
		30,810	141,851

14.1 The amounts recognised in these financial statements, based on the actuarial valuation carried out by Nauman Associates as at 30 June are as follows:

	2013	2012
a) Principle actuarial assumptions		
Discount rate	**10.5%**	13%
Expected rate of eligible salary increase in future years	**9.5%**	12%
Average expected remaining working life time of employees	**11 Years**	10 Years

	2013	2012
	(Rupees in '000)	
b) Reconciliation of balance due to defined benefit plan		
Present value of defined benefit obligation	**31,406**	26,007
Fair value of plan assets	**(596)**	(83)
	30,810	25,924
c) Movement of the liability recognized in the balance sheet		
Liability recognised in the balance sheet as at 1 July	**25,924**	20,276
Charge for the year	**12,367**	10,569
Contribution during the year	**(7,481)**	(4,921)
Liability recognised in the balance sheet as at 30 June	**30,810**	25,924

Notes to the Financial Statements

For the Year ended 30th June 2013

		2013	2012
		(Rupees in '000)	
d)	**Change in present value of defined benefits obligations**		
	Present value of defined benefits obligation as at 1 July	**26,007**	20,835
	Current service cost for the year	**8,626**	7,738
	Interest cost for the year	**3,381**	2,917
	Benefits paid during the year	**(4,258)**	(5,234)
	Actuarial gain on present value of defined benefit obligation	**(2,350)**	(249)
	Present value of defined benefits obligation as at 30 June	**31,406**	26,007
e)	**Changes in fair value of plan assets**		
	Fair value of plan assets as at 1 July	**83**	559
	Expected return on plan assets	**11**	78
	Contribution during the year	**7,481**	4,921
	Benefits paid / discharged during the year	**(4,258)**	(5,234)
	Actuarial loss on plan assets	**(2,721)**	(241)
	Fair value of plan assets as at 30 June	**596**	83
f)	**Expenses recognized in the profit and loss account**		
	Current service cost	**8,626**	7,738
	Interest cost	**3,381**	2,917
	Net actuarial (loss)/gain recognized during the year	**371**	(8)
	Return on plan assets	**(11)**	(78)
		12,367	10,569
g)	**Change in actuarial gains / (losses)**		
	Net (loss)/gain arising during the year	**(371)**	8
	Charged to the profit and loss account	**371**	(8)
		-	-

h) Expected charge for the year ending 30 June 2014 is Rs. 12.888 million.

i) Present value of defined benefits obligations

	2012-13	2011-12	2010-11	2009-10	2008-09
	------------------------ (Rupees in '000) ------------------------				
Present value of defined obligations	**31,406**	26,007	18,495	18,627	11,358

j) Experience adjustments

	2012-13	2011-12	2010-11	2009-10	2008-09
Experience adjustment arising on plan liabilities	**(2,350)**	(249)	(1,363)	2,871	2,209

Notes to the Financial Statements

For the Year ended 30th June 2013

k) The charge for the year has been allocated as follows:

	Note	2013	2012
		(Rupees in '000)	
Cost of sales	20	**9,645**	8,258
Distribution cost	21	**1,114**	962
Administrative expenses	22	**1,608**	1,349
		12,367	10,569

		2013	2012
14.2	Loan from previous sponsors	**-**	234,076
	Stores and spares	**-**	(118,149)
		-	115,927

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

During the year ended 30 June 2013, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. The award has been sent to the Registrar High Court of Sindh for making the award a rule of Court. The management, based on its lawyers' advice is of the opinion that despite of objection filed by the previous sponsors against the arbitration award, the Company has strong grounds considering the fact that the Arbitration Award has been announced in Compnany's favour and the arbitration award will be made a rule of Court. Accordingly, the management has reversed the liability with a corresponding credit in the profit & loss account. However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in these financial statements. Further, the amount of Rs. 0.735 million has been shown as a current liability.

15. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in '000)	
Trade creditors	15.1	**180,607**	177,353
Bills payable		**288,956**	365,559
Accrued liabilities		**73,182**	69,367
Royalty payable		**16,761**	8,607
Excise duty payable		**5,802**	9,155
Advances from customers	15.2	**210,320**	146,144
Retention money payable		**1,323**	1,302
Sales tax and federal excise duty payable		**24,901**	46,826
Unclaimed dividends		**126**	126
Withholding tax payable		**1,732**	1,605
Workers' Profit Participation Fund	15.3	**23,334**	-
Workers' Welfare Fund		**8,867**	-
Leave encashment payable		**11,881**	11,278
Others		**10,106**	2,334
		857,898	839,656

Notes to the Financial Statements

For the Year ended 30th June 2013

15.1 This includes an amount payable to Javedan Corporation Limited amounting to Rs. 0.375 million (2012: Rs. Nil).

15.2 It includes Rs. 0.458 million (2012: Rs. Nil) payable to Aisha Steel Mill Limited, a related party.

15.3 Workers' Profit Participation Fund

	Note	2013	2012
		(Rupees in '000)	
Balance as at 1 July		**-**	-
Allocation for the year		**23,140**	-
		23,140	-
Payments made during the year		**-**	-
Balance as at 30 June		**23,140**	-

16. MARK-UP ACCRUED

	Note	2013	2012
On long term financing	12.1, 12.3 & 16.1	**4,511**	5,649
On short term borrowings	16.1	**10,737**	40,353
		15,248	46,002

16.1 This includes amount due to Arif Habib Corporation Limited (parent company) amounting to Rs. 0.577 million (2012:Rs.25.230 million).

17. SHORT TERM BORROWINGS

	Note	2013	2012
From banking companies:			
Running finances	17.1	**428,822**	493,609
Istisna	17.2	**130,000**	-
Murahbaha		**-**	110,667
		558,822	604,276
From related parties:			
Short term finance from related party	17.3	**87,500**	500,000
Sponsor Loan	17.4	**312,000**	-
		958,322	1,104,276

17.1 This includes short-term running finance facilities from various banks amounting to Rs. 550 million (2012: Rs.500 million), which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These carry mark up at the rate ranging between 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5% (2012: 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5%) per annum calculated on daily product basis. Markup on these facilities is payable quarterly. These facilities have various maturity dates up to April 2014 and are secured by first pari passu charge against current / fixed assets of the Company.

The aggregate amount of aforementioned facilities which have not been availed as at the balance sheet date amounts to Rs. 121.18 million (2012: Rs. 25.72 million). The facility is secured by first pari passu charge against fixed assets (excluding land and building) of the Company.

17.2 During the year, the Company availed the Istisna facility from a bank amounting to Rs. 130 million (2012: Nil). The amount is repayable in 90 days from the date of disbursement and carries markup at the rate of 3 months KIBOR plus 3%. The facility matures on 31 May 2014.

Notes to the Financial Statements

For the Year ended 30th June 2013

17.3 The amount represents short term finance availed from Arif Habib Corporation Limited (parent company) under financing agreement dated 24 November 2011 aggregating to Rs.500 Million (2012: Rs. 87.5 million) and carries markup at the rate of 3 months KIBOR + 2.5%. The loan is repayable on demand whereas mark up is payable semi annually.

17.4 This represent loan obtained from a sponsor carrying mark up at the rate of 3 months KIBOR plus 2% per annum. However, during the later half of the year the mark up was waived by the sponsor and the loan was converted into interest free loan.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

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

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

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

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

18.1.4 The Hyderabad Electric Supply Corporation (HESCO) has charged an amount of Rs 53.414 million as arrears on account of fuel price adjustment (FPA) in the electricity bills for the months of December 2012, January 2013 and June 2013 pertaining to various months. The Company has challenged this claim in the Honorable High Court of Sindh, Hyderabad, whereby a stay order has been granted in its favour. The management is actively pursuing the matter and is hopeful for its favourable outcome. Accordingly, no provision against the above demand has been made in these financial statement.

Notes to the Financial Statements
For the Year ended 30th June 2013

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

The Company has carried forward minimum tax of current and previous year amounting to Rs. 40.527 million and the company expect to adjust the amount against the future taxable profits. The Company's legal counsel is of the opinion that the Company has strong arguable case and at an appropriate stage the matter can be agitated before Supreme Court of Pakistan in case the adjustment is challenged by the tax authorities. In view of above, the Company is confident that the ultimate outcome in this regard would be favorable.

18.1.6 As more fully explained in note 14.2, during the year, the Company reversed liability amounting to Rs. 115.927 million in respect of a related party on the basis of arbitration award in favour of the Company. Although objection have been filed by the previous sponsors however, based on lawyer's advice, the company is confident of a favourable outcome.

18.2 Commitments

	2013	2012
	(Rupees in '000)	
Commitments against open letter of credit for:		
- Coal	**77,271**	-
- Stores and spares	**69,919**	25,923
	147,190	25,923
Other commitments - Ijarah Rentals	**3,918**	5,201
	151,108	31,124

19. SALES - NET

	2013	2012
Local	**3,702,337**	3,218,637
Export	**527,725**	396,675
	4,320,062	3,615,312
Less:		
Sales tax	**(511,935)**	(443,950)
Federal excise duty	**(206,353)**	(241,210)
	(718,288)	(685,160)
	3,511,774	2,930,152

Notes to the Financial Statements

For the Year ended 30th June 2013

20. COST OF SALES

	Note	2013	2012
		(Rupees in '000)	
Salaries, wages and other benefits including retirement benefits	20.1	**177,385**	159,331
Raw materials consumed	20.2	**206,281**	202,959
Packing material consumed	20.3	**223,014**	220,284
Stores, spares and loose tools		**106,807**	128,121
Fuel and power		**2,034,647**	1,842,559
Insurance		**8,506**	8,046
Repairs and maintenance		**30,822**	39,708
Depreciation	4.2	**99,260**	91,238
Other production overheads		**26,705**	22,517
		2,913,427	2,714,763
Work in process			
Opening		**117,901**	22,912
Closing	6	**(220,453)**	(117,901)
		(102,552)	(94,989)
Cost of goods manufactured		**2,810,875**	2,619,774
Finished goods			
Opening		**14,694**	28,130
Closing	7	**(36,313)**	(14,694)
		(21,619)	13,436
		2,789,256	2,633,210

20.1 It includes Rs. 9.645 million (2012: Rs. 8.258 million) against staff retirement benefits.

20.2 Raw materials consumed

	Note	2013	2012
Opening stock of raw material		**37,157**	28,312
Purchases		**186,204**	211,804
		223,361	240,116
Closing stock of raw material	6	**(17,080)**	(37,157)
		206,281	202,959

20.3 Packing materials consumed

	Note	2013	2012
Opening stock of packing material		**49,310**	41,068
Purchases		**224,837**	228,526
		274,147	269,594
Closing stock of packing material	6	**(51,133)**	(49,310)
		223,014	220,284

Notes to the Financial Statements

For the Year ended 30th June 2013

21. DISTRIBUTION COST

	Note	2013	2012
		(Rupees in '000)	
Salaries, wages and other benefits including retirement benefits	21.1	**13,253**	10,205
Export expenses		**109,680**	78,748
Travelling and conveyance		**1,446**	161
Depreciation	4.2	**2,352**	1,920
Marking fee		**2,902**	2,585
Others		**8,366**	9,781
		137,999	103,400

21.1 It includes Rs. 1.114 million (2012: Rs. 0.962 million) against staff retirement benefits.

22. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and other benefits including retirement benefits	22.1	**18,625**	14,208
Travelling and conveyance		**177**	176
Printing and stationery		**1,146**	949
Repair and maintenance		**4,508**	2,037
Legal and professional charges		**2,927**	1,302
Auditor's remuneration	22.2	**1,001**	1,001
Rent, rates and taxes		**5,934**	1,322
Advertisement		**1,891**	384
Postage, telephone and telegram		**1,801**	1,888
Entertainment		**1,673**	618
Ujrah payments	22.3	**1,209**	319
Fees and subscription		**2,527**	2,326
Depreciation	4.2	**7,057**	5,760
Amortization		**293**	272
Charity and donation	22.4	**487**	348
Miscellaneous		**3,612**	606
		54,868	33,516

22.1 It includes Rs. 1.608 million (2012: Rs. 1.349 million) against staff retirement benefits.

22.2 Auditor's remuneration

	2013	2012
Audit fees	**600**	600
Half yearly review fee	**251**	251
Fee for the review of compliance with Code of Corporate Governance	**50**	50
Out of pocket expenses	**100**	100
	1,001	1,001

Notes to the Financial Statements
For the Year ended 30th June 2013

22.3 Ujrah payments

The Company has entered into Ujarah arrangements with Bank Islami Pakistan Limited for lease of 2 vehicles having monthly rentals for a total period of 4-5 years.

Total of future Ujarah payments under the agrement are as follows:

	Note	2013	2012
		(Rupees in '000)	
Not later than one year		1,310	1,310
Later than one year but not later than five years		2,608	3,918
		3,918	5,228

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

23. OTHER INCOME

	Note	2013	2012
Gain on disposal of fixed assets		168	502
Rebate income		1,488	2,205
Scrap sales		19,256	18,729
Reversal of long outstanding liabilities		-	57,290
Gain on derecognition of financial liability	12.2	-	449,401
Reversal of sponsors loan	14.2	115,193	-
Excise duty refundable	9.1	182,604	-
Others		1,290	6,449
		319,999	534,576

24. OTHER OPERATING EXPENSES

	Note	2013	2012
Workers' Welfare Fund		8,867	-
Workers' Profit Participation Fund		23,334	-
		32,201	-

25. FINANCE COST

	Note	2013	2012
Mark-up on:			
- long term financings		239,346	297,835
- short term borrowings		64,319	75,862
- borrowings from related party		63,356	25,230
Exchange loss		13,508	-
Bank charges and commission		2,437	3,003
		382,966	401,930

26. TAXATION

	Note	2013	2012
Current			
For the year	26.1 & 26.3	-	29,302
Prior year		(29,379)	3,353
		(29,379)	32,655
Deferred	13	93,901	106,586
		64,522	139,241

Notes to the Financial Statements

For the Year ended 30th June 2013

26.1 Minimum tax liability of Rs. 14.92 million has not been recognized in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in next five years against which such liability would be adjusted.

26.2 The return of income have been filed up to tax year 2012 (corresponding to financial year ended 30 June 2012), while the income tax assessment have been finalized up to and including tax year 2011. The tax department has selected tax year 2012 for amendment under section 122 of the Ordinance and has requested certain information to be furnished by the Company.

26.3 Effective tax rate reconciliation

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

27. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
	(Rupees in '000)	
Profit after taxation	**369,961**	153,431
	(Number)	
Weighted average number of ordinary shares	**365,689,968**	365,689,968
	(Rupees)	
Earnings per share in rupees - basic and diluted	**1.01**	0.42

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

28. OPERATING SEGMENTS

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

28.2 Revenue from sale of cement represents 100% (2012 : 100%) of the total revenue of the company.

28.3 85% (2012: 86%) sales of the Company relates to customers in Pakistan.

28.4 All non-current assets of the Company at 30 June 2013 are located in Pakistan.

Notes to the Financial Statements

For the Year ended 30th June 2013

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

29.1 Credit risk

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

Management of credit risk

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

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

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

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

	2013	2012
	(Rupees in '000)	
Trade debts	138,445	44,010
Advances and other receivables	111,917	107,664
Deposits	27,071	24,604
Bank balances	3,637	3,095
	281,070	179,373

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

Domestic (Pakistan)	98,195	44,010
Exports	40,250	-
	138,445	44,010

Notes to the Financial Statements

For the Year ended 30th June 2013

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

	2013	2012
	(Rupees in '000)	
Dealer / distributor	**62,016**	27,483
End-user customers / exports	**76,429**	16,527
	138,445	44,010

29.1.3 Impairment losses

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

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Not past due	**116,156**	**-**	37,363	-
Past due 1-60 days	**7,289**	**-**	2,174	-
Past due 61 days -1 year	**7,989**	**-**	2,382	-
More than one year	**7,011**	**-**	2,091	-
	138,445	**-**	44,010	-

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

29.1.6 Credit Ratings

Details of the credit ratings of bank balances as at 30 June 2013 are as follows:

	Rating		Rating	2013	2012
	Short term	Long term	Agency	(Rupees in '000)	
Allied Bank Limited	A1+	AA+	PACRA	**164**	178
Al-Baraka Islamic Bank	A1	A	PACRA	**80**	18
Bank Islami Pakistan Limited	A1	A	PACRA	**1,732**	1,086
Habib Bank Limited	A-1+	AA+	JCR-VIS	**69**	72
Meezan Bank limited	A-1+	AA	JCR-VIS	**75**	73
National Bank of Pakistan	A1+	AAA	JCR-VIS	**331**	124
Summit Bank Limited	A-2	A-	JCR-VIS	**857**	1,444
Soneri Bank Limited	A1+	AA-	PACRA	**8**	
United Bank Limited	A-1+	AA+	JCR-VIS	**321**	100
				3,637	3,095

29.2 Liquidity risk

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

Notes to the Financial Statements

For the Year ended 30th June 2013

The following are the contractual maturities of financial liabilities, including interest payments:

	2013					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to five years**	**More than five years**
	----------(Rupees in '000)----------					
Non-derivative liabilities						
Long term finance	2,166,859	(2,037,813)	(250,000)	(250,000)	(1,250,000)	(287,813)
Short term borrowings	958,322	(958,322)	(958,322)	-	-	-
Trade and other payables	857,898	(857,898)	(857,898)	-	-	-
Mark-up accrued	15,248	(15,248)	(15,248)	-	-	-
	3,998,327	**(3,869,281)**	**(2,081,468)**	**(250,000)**	**(1,250,000)**	**(287,813)**

	2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	----------(Rupees in '000)----------					
Non-derivative liabilities						
Long term finance	1,925,882	(2,364,761)	(250,000)	(250,000)	(1,250,000)	(614,761)
Short term borrowings	1,104,276	(1,104,276)	(552,138)	(552,138)	-	-
Trade and other payables	839,656	(839,656)	(839,656)	-	-	-
Mark-up accrued	46,002	(46,002)	(46,002)	-	-	-
	3,915,816	(4,354,695)	(1,687,796)	(802,138)	(1,250,000)	(614,761)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June 2013.

29.3 Market risk

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

a) Currency risk

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

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

Notes to the Financial Statements

For the Year ended 30th June 2013

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

	2013	
	Rupees in '000	US Dollars
Trade debts	40,250	407,389
Bills payable	(288,956)	(2,924,656)
Gross exposure	**(248,706)**	**(2,517,267)**

	2012	
	Rupees in '000	US Dollars
Trade debts	-	-
Bills payable	(365,559)	(3,805,924)
Gross exposure	(365,559)	(3,805,924)

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

	Average rates		Balance sheet date rate	
	2013	2012	**2013**	2012
	(Rupees)		(Rupees)	
US Dollars	**98.03**	91.05	**98.80**	96.05

Sensitivity analysis

A ten percent strengthening or weakening of the Rupee against USD as at the year end would have increased or decreased the equity and profit and loss account by an amount shown in table below. This analysis assumes that all other variables, in particular the interest rates, remain constant. The analysis is performed on the same basis for 2012.

	2013	2012
	(Rupees in '000)	
Effect on profit or loss on 10% weakening of Rupee	**(24,871)**	(36,556)
Effect on profit or loss on 10% strengthening of Rupee	**24,871**	36,556

b) Interest rate risk

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

Notes to the Financial Statements

For the Year ended 30th June 2013

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

	Carring amount	
	2013	2012
	(Rupees in '000)	
Fixed rate instruments		
Financial assets (bank balances)	**335**	335
Variable rate instruments		
Financial liabilities		
- short term borrowings	**958,322**	1,104,276
- long term loan	**2,166,859**	1,925,882
	3,125,181	3,030,158

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (decreased) the profit or loss of the Company as at 30 June 2013 by Rs. 9.68 million (2012: Rs. 3.85 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

	30 June 2013				
	Mark-up / return (%)	less than 6 month	6 months to 1	More than 1 year	Total
	(Rupees in '000)				
Assets					
Bank balance	9 - 12	335	-	-	335
Total assets		335	-	-	335
Liabilities					
Short term borrowings	9.2 - 15.01	958,322	-	-	958,322
Long term loan	9.44 - 14.49	149,899	149,899	1,867,062	2,166,860
Total liabilities		1,108,221	149,899	1,867,062	3,125,182
On-balance sheet gap		(1,107,886)	(149,899)	(1,867,062)	(3,124,847)
Total interest risk sensitivity gap		**(1,107,886)**	**(1,257,785)**	**(3,124,847)**	**(3,124,847)**

Notes to the Financial Statements
For the Year ended 30th June 2013

	30 June 2012				
	Mark-up / return (%)	less than 6 month	6 months to 1	More than 1 year	Total
	(Rupees in '000)				
Assets					
Bank balance	9 - 12	168	167	-	335
Total assets		168	167	-	335
Liabilities					
Short term borrowings	11 - 16.81	552,138	552,138	-	1,104,276
Long term loan	11.99 - 13.78	125,551	125,551	1,674,780	1,925,882
Total liabilities		677,689	677,689	1,674,780	3,030,158
On-balance sheet gap		(677,521)	(677,522)	(1,674,780)	(3,029,823)
Total interest risk sensitivity gap		(677,521)	(1,355,043)	(3,029,823)	(3,029,823)

29.4 Fair value of Financial Instruments

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

29.5 Capital risk management

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

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

The Company is not required to maintain any regulatory capital.

Notes to the Financial Statements

For the Year ended 30th June 2013

30. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
		(Rupees in '000)	
Profit before taxation		**434,483**	292,672
Adjustments for:			
Depreciation		**108,669**	98,918
Amortization		**293**	272
Gain on derecognition of financial liability		**-**	(449,401)
Finance cost		**382,966**	401,930
Gain on disposal of fixed assets		**(168)**	(502)
Reversal of loan from previous sponsors		**(115,192)**	-
Provision for gratuity		**12,367**	10,569
		388,935	61,786
Operating profit before working capital changes		**823,418**	354,458
(Increase) / Decrease in current assets			
Stores, spares and loose tools		**19,371**	(189,568)
Stock-in-trade		**(105,917)**	(98,640)
Trade debts		**(94,435)**	(6,837
Advances and other receivables		**(4,253)**	(22,829
Trade deposits		**(2,467)**	2,554
Refund due from government - other than income tax		**(182,604)**	-
		(370,305)	(315,320)
Increase in trade and other payables		**18,242**	299,933
Net cash generated from operations		**471,355**	339,071

31. CASH AND CASH EQUIVALENTS

	Note	2013	2012
Cash and bank balances	10	**4,052**	3,594
Short-term borrowings	17	**(558,822)**	(604,276)
		(554,770)	(600,682)

32. CAPACITY (Clinker)

	2013	2012
Installed capacity (M.Tons)	**900,000**	900,000
Actual production (M.Tons)	**577,160**	498,997

32.1 Production capacity utilization is 65% (2012: 55%) of total installed capacity.

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

33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of associated undertakings and related group companies, directors of the Company, key management personnel and staff retirement funds. Further, contribution to the defined benefit plan (gratuity scheme) are in accordance with the actuarial advice. Remuneration of executive, directors and key management personnel is disclosed in note 33.1.Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Notes to the Financial Statements
For the Year ended 30th June 2013

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

	2013	2012
	(Rupees in '000	
Transactions with related parties		
Aisha Steel Mills Limited		
- Sale of goods	2,069	19,860
Safe Mix Concrete (Private) Limited		
- Sale of goods	3,455	10,888
Thatta Cement Company Limited		
- Common expenses	40	-
- Sale of goods	-	125,596
Javedan Corporation Limited		
- Purchase of stores and spares	676	591
- Sale of goods	1,639	268
Rotocast Engineering Company (Private) Limited		
- Purchase of goods	35,362	-
- Rent & maintenance	6,357	-
Arif Habib Corporation Limited		
- Loan received	587,500	500,000
- Loan repaid	500,000	-
- Markup repaid	88,045	-
- Mark-up accrued during the period	577	25,230
Sponsor		
- Loan received	709,000	-
- Loan repaid	397,000	-
Balances with related parties		
Aisha Steel Mills Limited		
- Advance from customers	458	-
- Trade receivable	-	2,347
Rotocast Engineering Company (Private) Limited		
- Advance against rent	2,264	-
Arif Habib Corporation Limited		
- Loan payable (including mark-up)	588,077	525,230
Safe Mix Concrete (Pvt.) Limited		
- Advances from customers	-	238
- Trade receivable	851	-

Notes to the Financial Statements

For the Year ended 30th June 2013

	2013	2012
	(Rupees in '000)	
Javedan Corporation Limited		
- Trade receivable	**1,038**	108
- Trade payable	**375**	1,840
Thatta Cement Company Limited		
- Trade receivable	**870**	3,731
Sponsor		
- Loan payable	**312,000**	-

33.1 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	**Director**	**Executives**	Chief Executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	**6,000**	**-**	**49,686**	4,200	-	27,327
Retirement benefits	**41**	**-**	**4,083**	350	-	2,576
	6,041	**-**	**53,769**	4,550	-	29,903
	(Number)					
Number of key executives	**1**	**6**	**38**	1	6	23
Number of non-executive directors	**-**	**6**	**-**	-	6	-

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

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

34. NUMBER OF EMPLOYEES

The total number of permanent employees as at year end were 265 and average number of employees were 273.

35. AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the Company on 25th September 2013.

DIRECTOR & CEO

DIRECTOR

CHIEF FINANCIAL OFFICER