Gharibwal Cement Limited

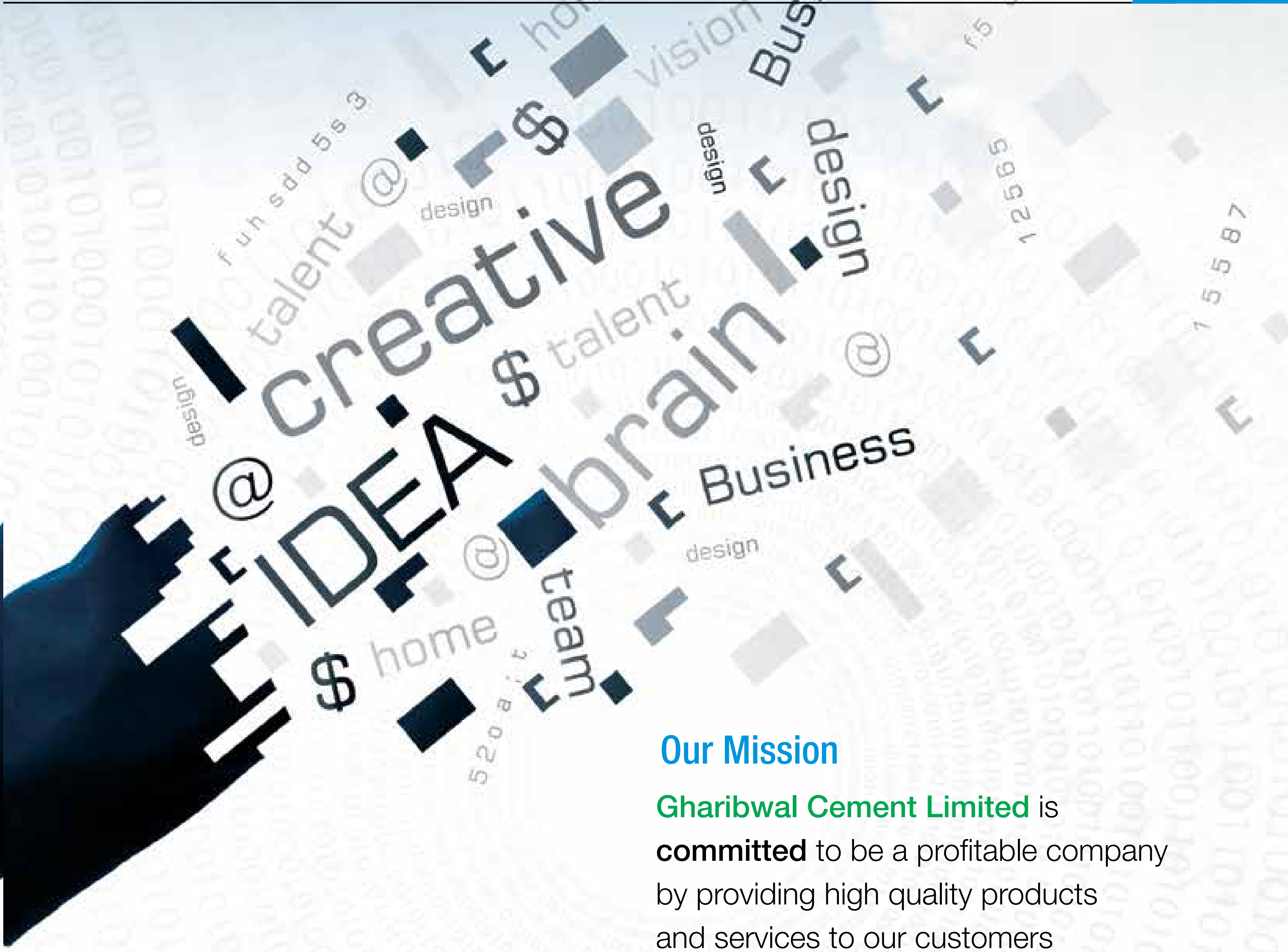
Strength and growth come only through
continuous effort and struggle...

Annual Report 2014

Contents

Our Vision

Gharibwal Cement Limited is envisioned to be a leading partner in nation-building and the most preferred cement brand in the market by maintain our reputation as "Symbol of Quality".



Our Mission

Gharibwal Cement Limited is **committed** to be a profitable company by providing high quality products and services to our customers through a competent, efficient and motivated team supported by the latest technology in an eco-friendly manner, thereby achieving the financial objectives of our shareholders, whilst adding value to community.

Core Values

We will execute our mission by standing firm around our core values and the beliefs that reflect what is truly important to us as an organization. These are not values that change form time to time but rather they are the foundations of our company culture:

Profit
Unless we continue to meet our profit objective, we will not be able to achieve our other corporate objective.

Customer
Our clients are the reason of our being and we work to meet their expectations and provide them with the added value product they need.

Quality
We consider people as our most valuable assets and provide an environment whereby our people can excel, develop and grow with the Company.

Employee
WE consider people as our most valuable assets and provide an environment whereby our people can excel, develop and grow with the Company.

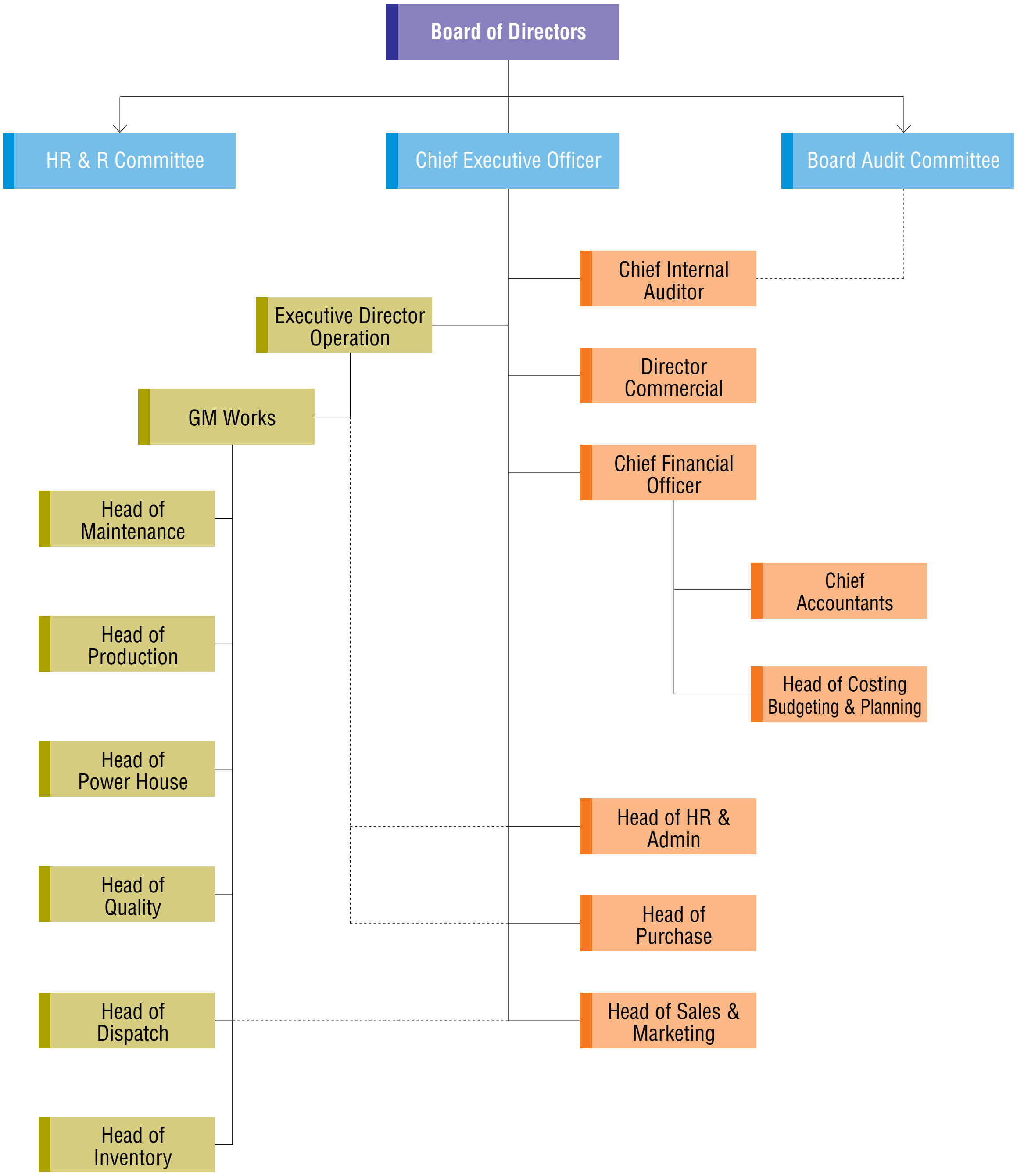
Technology
GCL believes that innovation and high efficiency are part of its competitive advantage that can only be achieved through the use of the latest technologies.

Safety
A safe environment, a safe product and a safe organization are our commitments.

Transparency
Long-term profitable growth can only be built on an organization that is clear and transparent in our dealings with customers, employees and any other stakeholders.

Integrity
GCL is committed to enforcing good corporate governance practices and interacting with its stakeholders according to its value system and principles.

Organogram


Board of Directors
HR & R Committee
Chief Executive Officer
Board Audit Committee
Chief Internal Auditor
Executive Director Operation
Director Commercial
GM Works
Chief Financial Officer
Head of Maintenance
Chief Accountants
Head of Production
Head of Costing Budgeting & Planning
Head of Power House
Head of HR & Admin
Head of Quality
Head of Purchase
Head of Dispatch
Head of Sales & Marketing
Head of Inventory

Company Profile

Board of Directors	**Chairman & CEO**	**Directors**
	Mr. Muhammad Tousif Peracha	Mr. Abdur Rafique Khan Mrs. Tabassum Tousif Peracha Mr. Mustafa Tousif Ahmed Paracha Mr. Ali Rashid Khan Mr. Muhammad Rahman Mr. Khalid Siddique Tirmzi
Audit Committee	**Chairman**	**Member**
	Mrs. Tabassum Tousif Peracha	Mr. Ali Rashid Khan Mr. Muhammad Rahman
HRR Committee	**Chairman**	**Member**
	Mr. Mustafa Tousif Ahmed Parachas	Mr. Ali Rashid Khan Mr. Muhammad Rahman
Chief Internal Auditor	Mr. Iqbal Ahmed Rizvi FCA	
CFO & Company Secretary	Mr. Muhammad Shamail Javed ACA	
Chief Accountant	Mr. Farukh Naveed	
External Auditors	Kreston Hyder Bhimji & Co. Chartered Accountant	

Legal Advisor	Raja Muhammad Akram
Banker to the Company	Allied Bank limited Askari Bank limited Faysal Bank limited First Cradit adn Investment Bank Habib Bank limited KASB Bank limited MCB Bank limited Meezan Bank limited National Bank of Pakistan NIB Bank limited Saudi Pak Industrial & Agricultural Investment Company Silk Bank limited The Bank of Khyber The Bank of Punjab United Bank limited
Registered & Head Office	28-B/III, Gulberg III, P.O. Box 1285, Lahore. UAN : 042 - 111-210-310, Fax : 042 - 35871039 & 59 E-mail: info@gharibwalcement.com www.gharibwalcement.com
Works	Ismailwal, Distt. Chakwal
Shares Registrar	Corplink (Pvt.) Limited Shares Registrar. Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042 - 35916714

Notice of Annual General Meeting

Notice is hereby given that 54th Annual General Meeting of Gharibwal Cement Limited will be held on Thursday, October 16, 2014 at 12:00 p.m at Registered Office of the company (28-B/III, Gulberg-III, Lahore) to transact the following businesses:

Ordinary Business

1. To confirm minutes of last Annual General Meeting (AGM) held on October 22, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the company for the year ended June 30, 2014 together with Auditor's and Director's report thereon.
3. To appoint Auditors' of the Company for the year ending June 30, 2015 and to fix their remuneration.

Special Resolution

4. Further resolved that the resolutions passed in Extra Ordinary General Meeting (EOGM) held on September 17, 2011 regarding Issuance 138.00 million ordinary shares of Rs. 10/- each at 50% discount i.e. 34.48% (approx.) of existing share capital of the company to Sponsor Directors (Mr. Muhammad Tousif Peracha & Mr. A. Rafique Khan), against their liabilities (loan & mark up) through otherwise than right U/S 84 & 86(1) of Companies Ordinance, 1984 and accordingly necessary changes in Articles and Memorandum of company for enhancement of authorized capital up to Rs. 5.5 billion, be withdrawn as these are no more required by considering the financial health of company.

Other Business

5. To transact any other business with the permission of chair

By Order of the Board

Muhammad Shamail Javed
Company Secretary
Lahore: September 16, 2014

NOTES:

1. The share transfer books of the company will remain close from October 10 to October 16, 2014 both days inclusive. Transfer received by the Share Registrar of the Company, M/s Corplink (Private) Limited, 1-K Commercial, Model Town Lahore up to October 09, 2014 will be considered in time for the purpose of attendance at AGM.
2. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account /sub account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/ her proxy to attend, speak and vote instead of him/her.
4. Forms of proxy to be valid must be properly filled in/executed and received at the Company's head office situated at 28/B-III, Gulberg-III, Lahore not later than 48- hours before the time of meeting.
5. Members are requested to notify the Shares Registrar of the Company promptly of any change in their addresses and also provide Copy of their CNIC for updating record.

THE STATEMENT UNDER SECTION 160 (I) (B) OF THE COMPANIES ORDINANCE, 1984

Through resolutions passed in Extra Ordinary General Meeting (EOGM) held on September 17, 2011 the directors decided to issue 138.00 million ordinary shares of Rs. 10/- each at 50% discount i.e. 34.48% (approx.) of existing share capital of the company to Sponsor Directors (Mr. Muhammad Tousif Peracha & Mr. A. Rafique Khan), against their liabilities (loan & mark up) through otherwise than right U/S 84 & 86(1) of Companies Ordinance, 1984 and accordingly necessary changes in Articles & Memorandum of company has also been resolved for enhancement of authorized capital up to Rs. 5.5 billion to cater this issue of shares. However, after passing of these resolutions, company financial position improved as well as the share price of of company has also strengthened; therefore, directors decided to withdraw these resolutions in the best interest all other shareholders of the company.

STATEMENT U/S 218 OF COMPANIES ORDINANCE, 1984

Board of Directors (BOD) in its meeting held on September 16, 2014 has revised the remuneration of Mr. Muhammad Tousif Peracha (CEO) & Mr. Abdur Rafique Khan (Director) and approved the renumeration of Mr. Ali Rashid Khan (Director). Company is authorised to pay Rs. 4.0 million per month to Mr. Muhammad Tousif Peracha, Rs. 1.5 million per month to Mr. Abdur Rafique Khan and Rs. 0.5 million per month to Mr. Ali Rashid Khan as remueration w.e.f. July 01, 2014. Furthermore this remuneration shall be subject to such increments (not more than 25% p.a.), other allowances and applicable benefits, bonuses and other entitlements/perquisites as may be granted at any time and from time to time by BOD in accordane witht he policies of the Company. Directors interested in the business have not taken part in this decision.

Time-line

1960	Company Incorporation
1962	Stock Exchange listing, Erection of Plant 1200 TPD capacity
1965	Commercial production of plant
1966	Supply for Mangla Dam Construction
1967	Supply for Quadirabad Barrage construction
1968	Supply for Rasool Barrage construction
1969	Capacity enhancement to 1800 TPD
1972	Nationalization of the Company
1993	Privatization of the Company, control taken by existing sponsoring Directors
2006	Commissioning of 2 gas-based power generators
2007	Erection of the modern cement Plant 6700 TPD Capacity along-with three dual fuel power generators to enhance capacity to 37.5MW
2009	Commercial Production of New Plant
2014	Highest Sales Volume

Directors' Report to the Members

The Directors of your company are pleased to present the Annual Report of the Company along with the audited financial statements and Auditors' Report thereon for the year ended June 30, 2014.

INDUSTRY OVERVIEW:

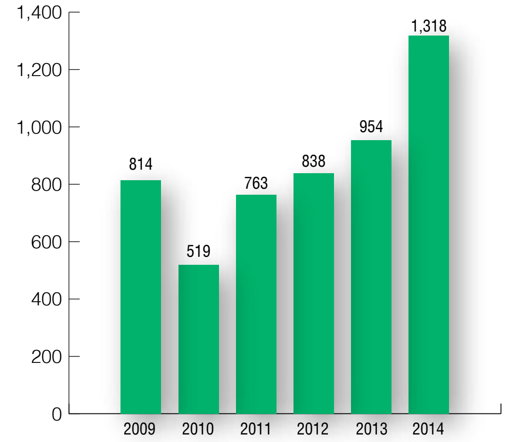
During the FY2014, Pakistan cement industry posted a meager growth of 2.54% over FY2013. The domestic market posted a growth of 4.34%; whereas foreign market posted a decline of 2.84%. The north region of the industry in which GCL operates, posted healthy growth of 6.60% in domestic market and decline of 11.30% in foreign market. Export to Afghanistan decreased due to slow pace of new projects developments in the country and posted a 17% decline over the last year. However the industry was able to increase sales to India by 40% over the last year.

COMPANY PERFORMANCE

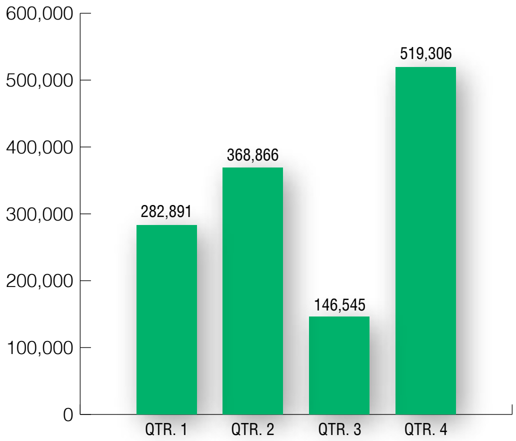
FY2014 is one of the best performing year so far and our engineers and technical staff worked with "*we can do it*" approach and give the plant a new life. The plant operated at 66% of its listed capacity during FY2014 and produced highest clinker during this financial year showing an increase of 38% over the last year clinker production.

During the last quarter of FY2014, the plant accelerated its production and operated at 103% of its listed capacity. We intent to continue with same pace till winter season when gas will be shut down due to load management.

Clinker Production (Tons '000)



Clinker Production FY2014 (Tons)



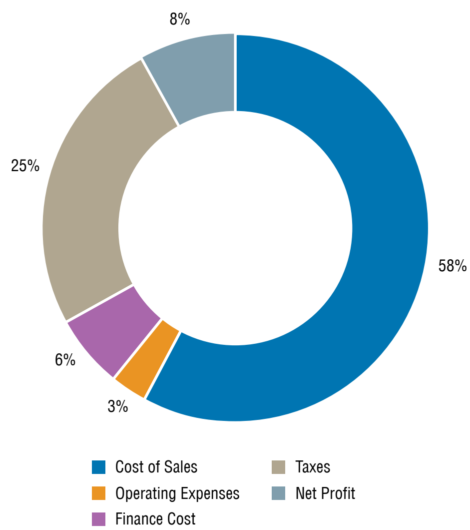
Directors' Report to the Members

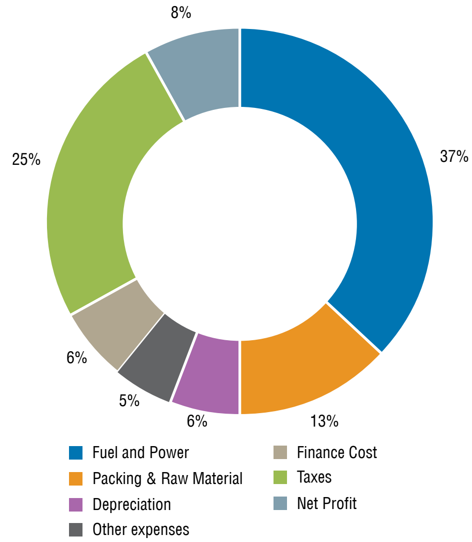
	2014	2013	Variance	% change
	Rupees in '000'			
Net Sales	8,547,263	6,230,216	2,317,047	37%
Gross Profit	2,350,239	1,696,111	654,128	39%
Profit from operations	2,044,742	1,833,852	210,890	11%
EBITDA	2,638,057	2,177,311	460,746	21%
Profit before tax	1,409,932	1,076,529	333,403	31%
Profit after tax	848,598	1,061,054	(212,456)	-20%
	Rupees			
Earnings per share	2.12	2.65	(0.53)	-20%

The Company generated its life-time highest gross revenue of Rs. 10.780 billion (FY2013: Rs. 7.649 billion) from cement sales during FY2014 posting a growth of 41% over the last year mainly due to increase in sales volume by 26% over FY2013.

58% of the gross revenue was used in cost of production, 25% was distributed to government exchequer, 6% was allocated as finance cost, whereas 8% was left as net profit.

The cost of production of cement industry is rapidly going up due to massive increase in transportation cost, electricity & Gas prices, hike in interest rates etc. The margins are also under pressure due to these factors. Furthermore, another factor which is affecting the margin is the additional taxes imposed by government of Pakistan on cement industry. The Company has developed a new raw material quarry during the year and spent heavily on plant & quarry maintenance. Therefore, due to these factors the cost of production increased by 37% over the last year.





37% of the gross revenue was spent on fuel & power, 13% on packing & raw material, 6% was allocated to depreciation and 5% to other expenses. The Company earned gross profit of Rs. 2.350 billion (FY2013: Rs. 1.696 billion) posting an increase of 39% over FY2013. The Company repaid the loans during the year which resulted in reduction in finance cost to Rs. 634.810 million (FY2013: Rs. 757.323 million) showing a decrease of 16%. Alternative Corporate Tax @ 17% on the accounting profit has been imposed through Finance Act 2014, on the corporate sector with effect from the TY2014. This new taxation increased the current tax liability from Rs. 15.475 million to Rs. 231.774 million. Provision for deferred tax amounting to Rs. 329.560 million had also to be accounted for due to recent profits of the Company.

At bottom end the Company managed to earn profit after tax of Rs. 848.598 million (FY2013: Rs. 1,061.054 million). The reduction in net profit is mainly due to heavy taxation as explained above, accordingly, Earnings per Share reduced to Rs. 2.12 (FY2014) from Rs. 2.65 (FY2013).

During the year, the Company has revalued its fixed assets which resulted in incremental surplus on revaluation of property, plant and equipment as explained in Note 6.1.1 to the financial statements.

FUTURE OUTLOOK

The Government has announced, in the Federal Budget 2014, to allocate Rs. 113 billion for the construction of 74 projects of motorways, highways, bridges, tunnels, and regional roads; and further announced to initiate low cost housing guarantees schemes, and revive and restructure the HBFC which would boost the construction activities in the country. Therefore, it is anticipated that the coming years will bring significant growth in the cement industry and your Company will also keep its growth pace in near future years.

Ever increasing energy crises in the country and hike in prices of fuels and other materials are the real challenges for your Company. In order to counter these challenges, the management of your Company is working on various proposals for Waste Heat Recovery Plant (WHR) and for conveyor belt project to transport raw material from quarry to plant. These projects once completed will substantially reduce the cost of production.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is a responsible corporate citizen and fully recognizes its responsibility towards community, employees and environment.

BOARD & AUDIT COMMITTEE MEETINGS

During the year under report, four Board (BOD) and Audit Committee (BAC) meetings were held. Attendance by each director is as under:

Sr. No.	Name of Directors	No. of Meetings Attended	
		BOD	BAC
i)	Mr. Muhammad Tousif Peracha	4	2
ii)	Mr. Abdur Rafique Khan	4	1
iii)	Mrs. Tabassum Tousif Peracha	2	2
iv)	Mr. Mustafa Tousif Ahmed Paracha	1	–
v)	Mr. Ali Rashid Khan	2	2
vi)	Mr. Muhammad Rehman	1	
vii)	Mr. Khalid Siddique Tirmzi (appointed on 25-01-2014)	2	
viii)	Mian Nazir Ahmed Peracha (resigned on 25-01-2014)	2	2

Directors' Report to the Members

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

In compliance with the Code of Corporate Governance, we give below statements on Corporate and Financial Reporting Frame Work:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of account of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements, except changes fully disclosed in financial statements, and accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure, if any, there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. Management feels that there is no significant doubt on the Company's ability to continue as going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. Company has also constituted Audit Committee and HR &R Committee and its members are disclosed in annual report.

8. The detail of trading in shares of the Company, if any, carried out by the directors, CEO, CFO, and Company Secretary and their spouses and minor children is provided in pattern of shareholding provided in this report.

9. No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of Directors' report.

10. Key operating and financial data for last six years is provided in this annual report.

11. The pattern of shareholding is provided in this annual report.

12. Value of investment of Provident Fund Trust as per latest audited accounts is given in the financial statement (Refer note 35).

13. The Company has fulfilled its major statutory and financial obligations, except as disclosed in the Financial Statements in detail.

14. No dividend or bonus shares are declared because of ongoing financial commitments and future BMR projects.

15. Company has arranged in house training program for its directors, however, most of directors meet criteria as laid down in code of corporate governance

16. The Statement of compliance with the best practices of Code of Corporate Governance is provided with this report.

AUDITORS

Kreston Hyder Bhimji & Co., Chartered Accountants being the retiring auditors are eligible for reappointment and Board has also endorsed their re-appointment for another term as per recommendation of the Audit Committee.

ACKNOWLEDGEMENT

The Board is thankful to the bankers and financial institutions especially The Bank of Punjab that extended assistance in financing the Company as well as its suppliers and dealers for their continuous support and cooperation.

We would also like to appreciate the commitment and hardworking of every worker and employee of Gharibwal family.

We are grateful to you, our shareholders, for your confidence and faith that you have always reposed in us.

For and on behalf of the Board

MUHAMMAD TOUSIF PERACHA
Chief Executive Officer
Lahore: September 16, 2014

Summary of Six Years' Financial Results
Balance Sheet

	2014	2013	2012	2011	2010	2009
			(Rupees in '000')			
NON CURRENT ASSETS						
Property, plant and equipment	13,159,141	11,527,658	11,547,891	11,616,953	12,044,869	9,729,489
Intangible assets	6,117	-	-	-	-	-
Long term loans	-	-	1,552	2,111	1,270	519
Long term deposits	84,954	72,456	52,641	6,844	56,645	61,834
Deferred tax asset	-	142,761	-	-	-	-
	13,250,212	**11,742,875**	**11,602,084**	**11,625,908**	**12,102,784**	**9,791,842**
CURRENT ASSETS						
Stores, spares and loose tools	580,663	647,243	383,978	329,537	351,604	278,335
Stock in trade	887,682	167,020	112,122	115,180	109,483	401,668
Trade debts	252,013	188,929	129,592	61,964	33,762	52,694
Advances, deposits and other receivables	138,456	170,113	320,810	418,787	237,219	386,301
Cash and bank balances	32,964	22,718	16,777	12,261	11,140	57,981
Non current assets held for sale	37,904	13,812	13,812	13,812	-	-
	1,929,682	**1,209,835**	**977,091**	**951,541**	**743,208**	**1,176,979**
TOTAL ASSETS	**15,179,894**	**12,952,710**	**12,579,175**	**12,577,449**	**12,845,992**	**10,968,821**
EQUITY AND LIABILITIES						
SHARE CAPITAL AND RESERVES						
Authorized capital						
Ordinary shares of Rs. 10 each	**4,700,000**	**4,700,000**	**4,700,000**	**4,700,000**	**2,500,000**	**2,500,000**
Issued, subscribed and paid up capital	4,002,739	4,002,739	4,002,739	4,002,739	2,318,764	2,318,764
General reserve	332,000	332,000	332,000	332,000	332,000	332,000
Accumulated loss	(1,752,184)	(2,725,238)	(3,858,299)	(3,604,680)	(2,694,482)	(1,695,856)
	2,582,555	**1,609,501**	**476,440**	**730,059**	**(43,718)**	**954,908**
Share deposit money	-	-	-	-	1,683,975	-
Revaluation surplus	3,727,563	2,285,921	2,215,354	2,285,820	2,360,164	1,010,899
NON CURRENT LIABILITIES						
Long term borrowings	2,323,642	4,007,163	3,691,144	3,690,314	3,609,647	3,411,000
Finance Lease	-	-	-	2,345	11,916	52,297
Deferred liabilities	2,668,987	2,015,184	2,296,062	888,249	714,867	147,037
	4,992,629	**6,022,347**	**5,987,206**	**4,580,908**	**4,336,430**	**3,610,334**
CURRENT LIABILITIES						
Trade and other payables	1,618,068	1,224,418	1,210,357	1,796,690	1,646,687	1,362,488
Markup and profit payable	608,867	587,285	964,449	735,266	393,976	499,731
Short term borrowings	167,017	179,008	184,967	89,591	252,517	494,577
Current portion of non-current liabilities	839,111	737,920	1,034,999	945,045	1,257,002	2,543,801
Taxes and duties payable	644,084	306,310	505,403	1,414,070	958,959	492,083
	3,877,147	**3,034,941**	**3,900,175**	**4,980,662**	**4,509,141**	**5,392,680**
TOTAL EQUITY AND LIABILITIES	**15,179,894**	**12,952,710**	**12,579,175**	**12,577,449**	**12,845,992**	**10,968,821**

Summary of Six Years' Financial Results
Profit & Loss Account and Key Ratios

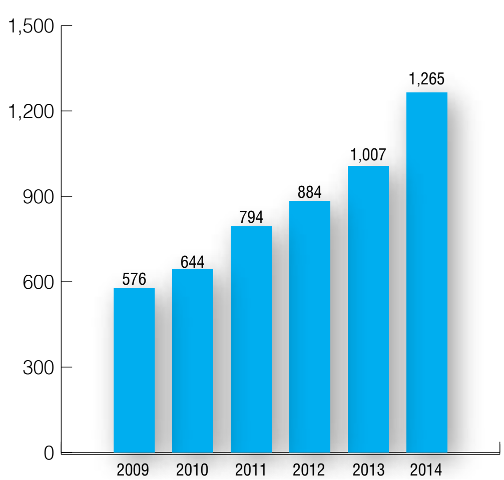
	2014	2013	2012	2011	2010	2009
			(Rupees in '000')			
Net sales	8,547,263	6,230,216	4,976,032	3,327,031	2,113,818	2,438,570
Cost of sales	(6,197,024)	(4,534,105)	(3,991,252)	(3,161,296)	(2,532,723)	(2,205,490)
Gross Profit	**2,350,239**	**1,696,111**	**984,780**	**165,735**	**(418,905)**	**233,080**
Selling and distribution expenses	(23,848)	(17,140)	(25,383)	(17,311)	(292,689)	(94,414)
Administrative and general expenses	(149,455)	(140,518)	(161,123)	(192,803)	(149,378)	(79,314)
Other expenses	(134,329)	(82,754)	(19,907)	(145,383)	(105,049)	(48,147)
Other income	-	-	1,337	2,279	21,349	793
Profit from operations	**2,042,607**	**1,455,699**	**779,704**	**(187,483)**	**(944,672)**	**11,998**
Finance cost	(634,810)	(757,323)	(997,448)	(777,831)	(1,184,656)	(881,406)
Finance income	2,135	378,153	13,496	16,457	16,565	9,909
Profit before taxation	**1,409,932**	**1,076,529**	**(204,248)**	**(948,857)**	**(2,112,763)**	**(859,499)**
Current tax	(231,774)	(15,475)	(49,760)	(35,685)	(6,497)	(10,858)
Defer tax	(329,560)	-	-	-	1,121,238	-
Profit after taxation	**848,598**	**1,061,054**	**(254,008)**	**(984,542)**	**(998,022)**	**(870,357)**
Earnings per share	**2.12**	**2.65**	**(0.60)**	**(3.08)**	**(4.30)**	**(3.75)**

	2014	2013	2012	2011	2010	2009
Production			(Tons in '000')			
Clinker capacity	2,010	2,010	2,010	2,010	2,010	2,010
Clinker production	1,318	954	838	763	519	814
Cement dispatched	1,265	1,007	884	794	644	576
Key Ratio			(%age ratio)			
Gross profit to sales ratio	27%	27%	20%	5%	-20%	10%
EBITDA to sales ratio	31%	35%	23%	5%	-33%	11%
Net profit to sales ratio	10%	17%	-5%	-30%	-47%	-36%
Return on equity	13%	27%	-9%	-33%	-25%	-44%
Return on assets	6%	8%	-2%	-8%	-8%	-8%
Return on capital employed	18%	18%	9%	-2%	-11%	0%
Interest cover ratio (times)	4.16	2.88	1.14	0.20	(0.58)	0.30
Current ratio (times)	0.50	0.40	0.25	0.18	0.17	0.22
Share Value			(Rupees)			
Eearnings per share	2.12	2.65	(0.60)	(3.08)	(4.30)	(3.75)
Braekup value per share *	15.76	9.73	6.96	9.59	9.99	8.48
Braekup value per share **	6.45	4.02	1.47	2.40	(0.19)	4.12

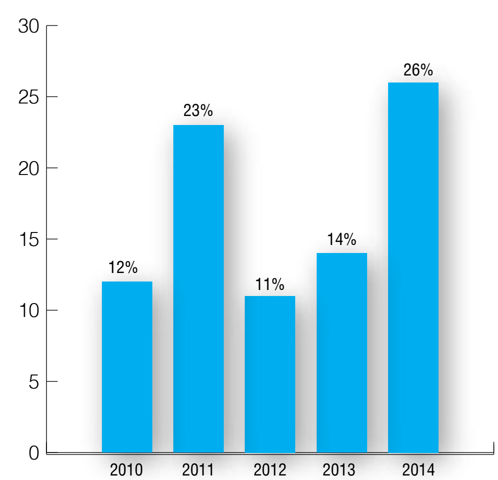
* with revaluation surplus
** without revaluation surplus

Graphical Presentation

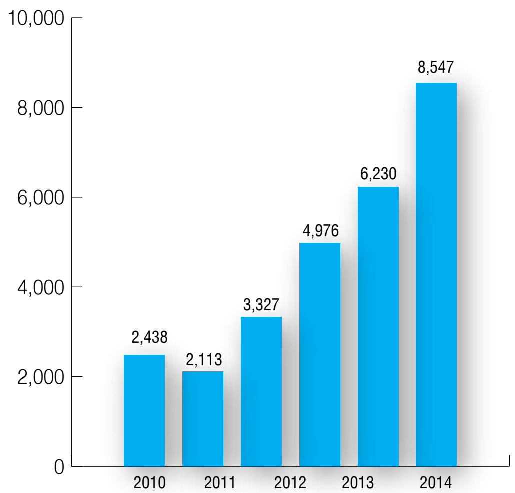
Cement Volume (Tons '000)



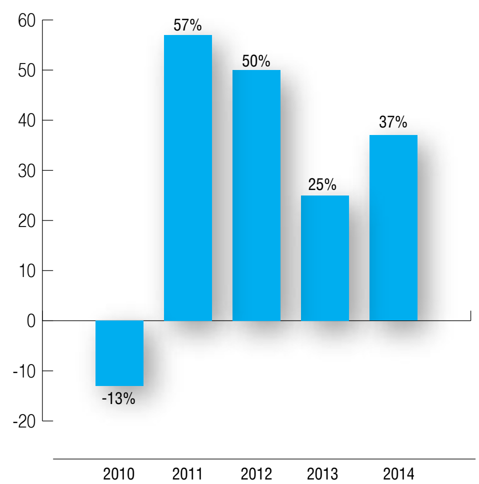
Sales Volume Growth



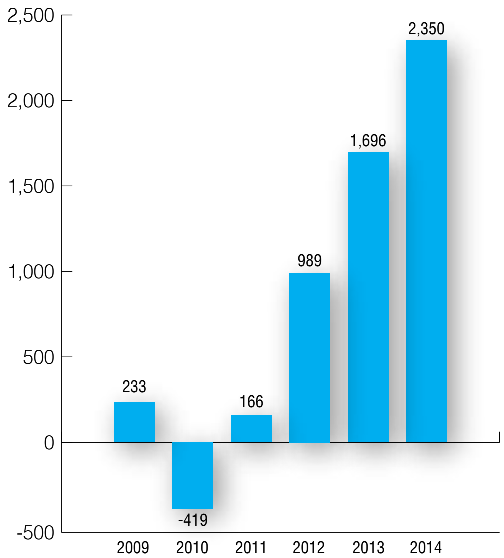
Net Sales (Rs. million)



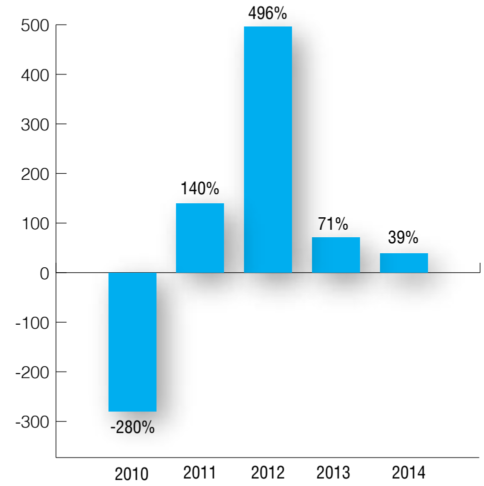
Net Sales Growth



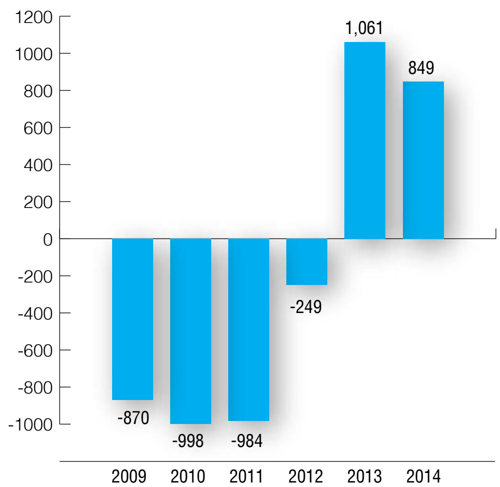
Gross Profit (Rs. million)



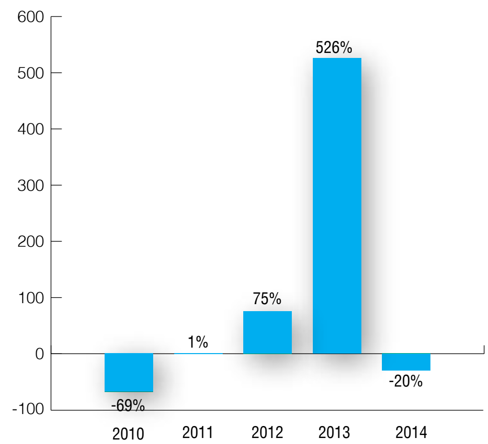
Gross Profit Growth



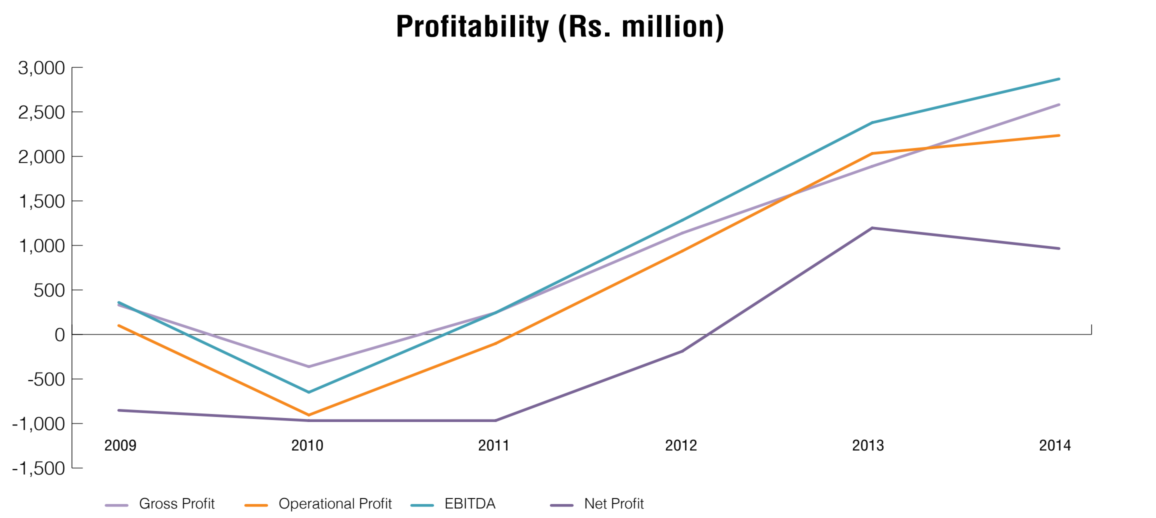
Net Profit (Rs. million)

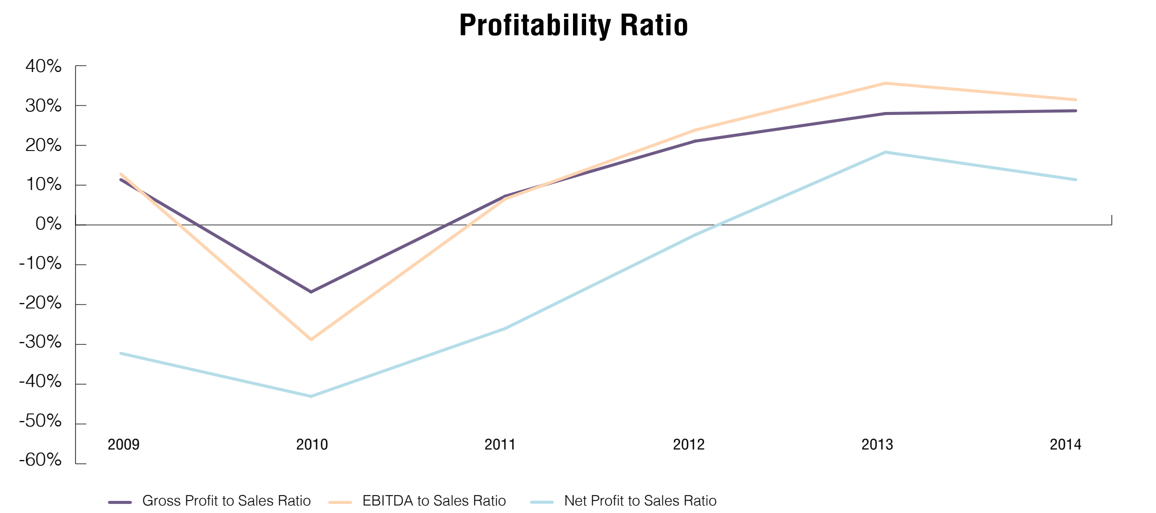


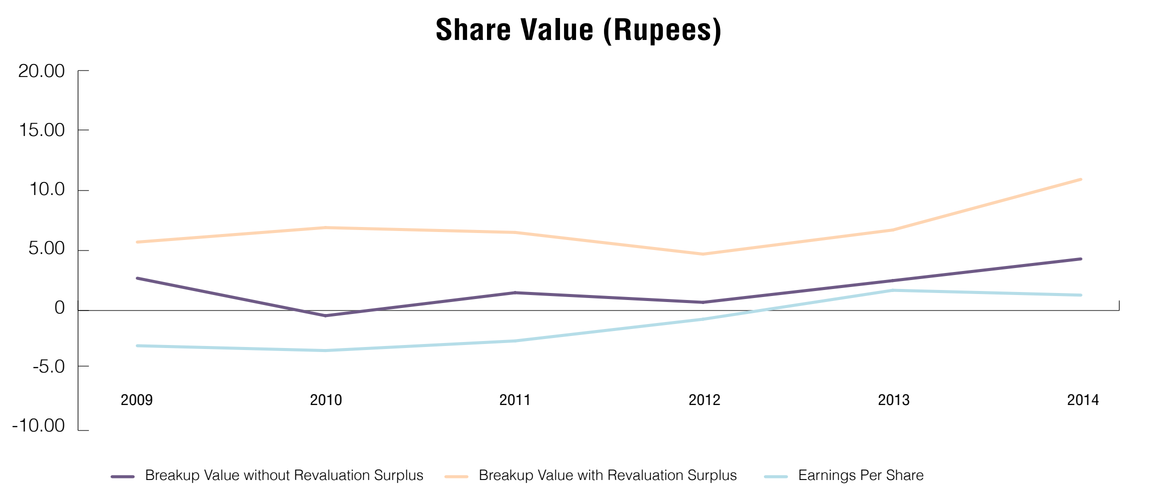
Net Profit Growth



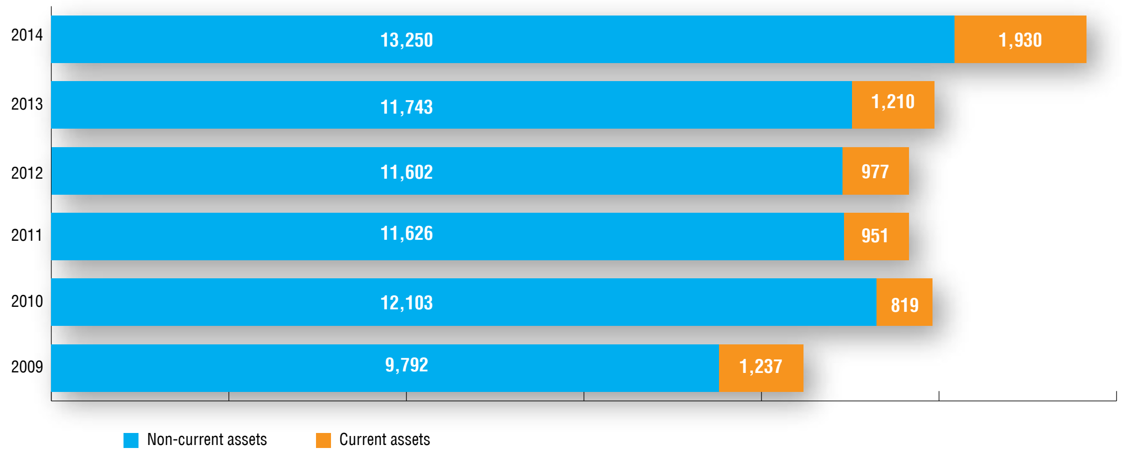
Graphical Presentation



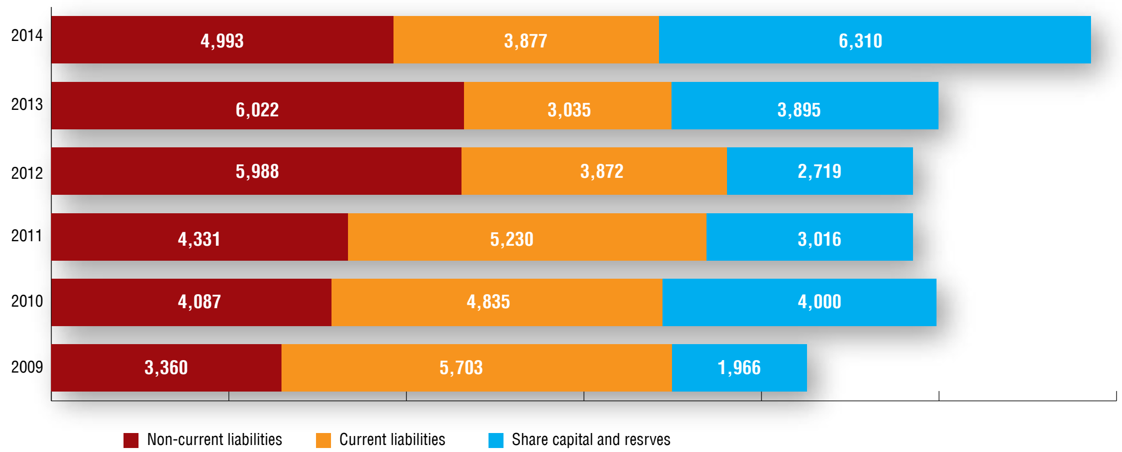




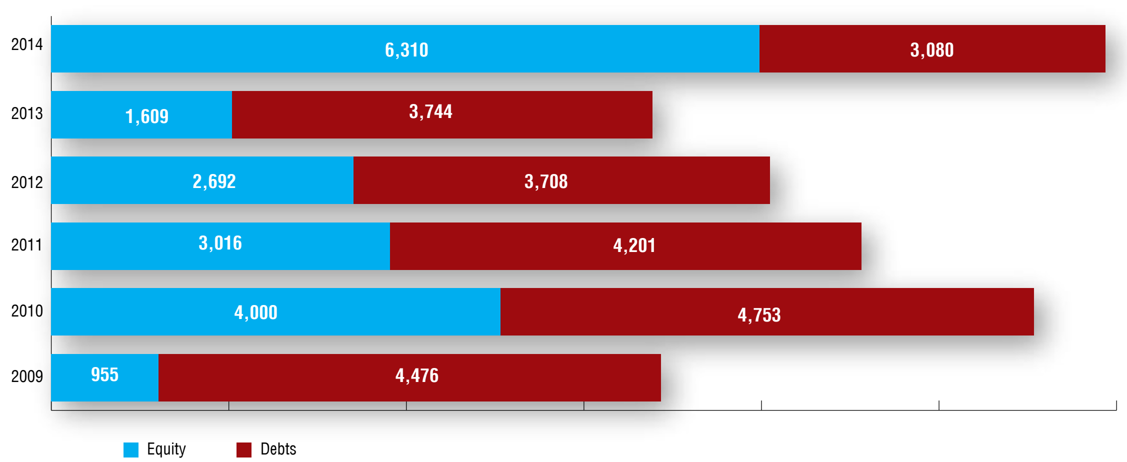
Assets (Million Rupees)



Liability (Million Rupees)



Debt Equity (Million Rupees)



Pattern of Shareholding

As at 30 June 2014

Sr. No	Number of Shareholding	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
1	895	1	100	34,341	0.0086%
2	543	101	500	153,707	0.0384%
3	309	501	1,000	236,217	0.0590%
4	401	1,001	5,000	986,008	0.2463%
5	80	5,001	10,000	576,312	0.1440%
6	34	10,001	15,000	421,725	0.1054%
7	16	15,001	20,000	286,480	0.0716%
8	9	20,001	25,000	210,896	0.0527%
9	5	25,001	30,000	142,997	0.0357%
10	2	30,001	35,000	66,709	0.0167%
11	2	35,001	40,000	78,390	0.0196%
12	2	40,001	45,000	82,899	0.0207%
13	6	45,001	50,000	292,297	0.0730%
14	1	50,001	55,000	54,000	0.0135%
15	1	65,001	70,000	65,025	0.0162%
16	2	75,001	80,000	160,000	0.0400%
17	1	80,001	85,000	82,205	0.0205%
18	1	85,001	90,000	87,000	0.0217%
19	1	90,001	95,000	91,000	0.0227%
20	1	100,001	105,000	102,500	0.0256%
21	1	105,001	110,000	108,000	0.0270%
22	1	115,001	120,000	116,943	0.0292%
23	1	125,001	130,000	129,500	0.0324%
24	1	140,001	145,000	143,000	0.0357%
25	1	150,001	155,000	153,747	0.0384%
26	1	180,001	185,000	181,000	0.0452%
27	1	195,001	200,000	200,000	0.0500%
28	1	210,001	215,000	212,000	0.0530%
29	2	245,001	250,000	500,000	0.1249%
30	1	285,001	290,000	286,000	0.0715%
31	1	395,001	400,000	400,000	0.0999%
32	1	445,001	450,000	450,000	0.1124%
33	1	495,001	500,000	500,000	0.1249%
34	1	520,001	525,000	520,074	0.1299%
35	1	550,001	555,000	553,204	0.1382%
36	1	590,001	595,000	592,145	0.1479%
37	1	1,195,001	1,200,000	1,200,000	0.2998%
38	1	1,275,001	1,280,000	1,279,500	0.3197%
39	1	1,335,001	1,340,000	1,339,000	0.3345%
40	1	2,995,001	3,000,000	3,000,000	0.7495%
41	1	3,995,001	4,000,000	4,000,000	0.9993%
42	1	4,080,001	4,085,000	4,082,112	1.0198%
43	1	4,280,001	4,285,000	4,282,112	1.0698%
44	1	4,505,001	4,510,000	4,510,000	1.1267%
45	1	5,680,001	5,685,000	5,684,216	1.4201%
46	1	6,665,001	6,670,000	6,666,666	1.6655%
47	1	16,060,001	16,065,000	16,062,541	4.0129%
48	1	22,725,001	22,730,000	22,728,035	5.6781%
49	1	43,495,001	43,500,000	43,500,000	10.8676%
50	1	71,165,001	71,170,000	71,166,618	17.7795%
51	1	201,515,001	201,520,000	201,516,839	50.3447%
	2,344			400,273,960	100.000%

Pattern of Shareholding

As at 30 June 2014

Categories of shareholders	Share Held	Percentage
Directors, Chief Executive Officer, and their spouses and minor childdren	298,573,936	74.592%
NIT and ICP	630	0.000%
Banks Development Financial Institutions, Non Banking Financial Institutions	44,848,747	11.205%
Insurance Companies	418	0.000%
Modarabas and Mutual Fund	218	0.000%
General Public Local	38,273,004	9.562%
Investment Companies	5,684,216	1.420%
Joint Stock Companies	4,469,360	1.117%
Foreign Companies	8,364,224	2.090%
Associations	43,637	0.011%
Government Authority	14,872	0.004%
Others	698	0.000%
	400,273,960	**100.000%**

Categories of shareholders	Share Held	Percentage
Associated Companies, Undertakings and Related Parties	–	–
Mutual Funds (Name Wise Detail)		
Prudential Stock Fund Limited	218	0.000%
Directors and their Spouse and Minor Chidren (Name Wise Detail)		
Mr. Muhammad Tousif Peracha	211,183,505	52.760%
Mr. Abdur Rafique Khan	71,166,618	17.779%
Mr. Ali Rashid Khan	16,062,541	4.013%
Mrs. Salma Khan W/O A. Rafique Khan	153,747	0.038%
Mrs. Tabassum Tousif Peracha	6,025	0.002%
Mr. Khalid Siddiq Tirmizey	500	0.000%
Mr. Mustafa Tousif Ahmed Paracha	500	0.000%
Mr. Muhammad Rehman	500	0.000%
Executives		
–	–	
Public Sector Companies & Corporations	–	–
Banks, Development Finance Institutions, Non Banking Finance	50,533,599	12.62%
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds		
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
Mr. Muhammad Tousif Peracha	211,183,505	52.760%
Mr. Abdur Rafique Khan	71,166,618	17.779%
Silkbank Limited	43,500,000	10.87%
Ms. Amna Khan	22,728,035	5.68%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

Name	SALE/TRANSFER	PURCHASE
Mr. Abdur Rafique Khan	3,880,538	500,000
Mr. Muhammad Tousif Peracha	–	8,726,975

Code of Conduct

Gharibwal Cement Limited (GCL) places the highest value on the integrity of the Company as integrity is a bedrock principle of all our behaviors. All employees must abide by and uphold the Code of Business Conduct and all laws. All directors, officers and employees and all representatives, including all agents, consultants, independent contractors and suppliers of GCL, are responsible for complying with all applicable laws and regulations and complying with this Code of Business Conduct and other policies of the Company. Violations of law or this Code or other policies of the Company are subject to disciplinary action, which may include termination. The policies in this Code apply across GCL.

GCL provides this Code of Conduct to its employees for their guidance in recognizing and resolving properly the ethical and legal issues they may encounter in conducting the Company's business. The Code and its terms may be modified or eliminated at any time by the BOD. Directors, officers and employees and other representatives of the Company are responsible for being familiar with its contents. The Code does not include all of the policies of the Company. Each GCL employee shall comply with the letter and spirit of the Code of Business Conduct and with the policies and procedures of the Company, and shall communicate any suspected violations promptly.

1. Relationship with the Company and Each Other

GCL most important resource is its employees whose skills, energy and commitment to excellence and the Company's vision and values are the source of the Company's character and central to its leadership and success.

2. We Respect the Individual and Diversity

Company recognizes the dignity of each individual, respects each employee, provides compensation and benefits that are competitive, promotes self-development through training that broadens work-related skills, and values diversity and different perspectives and ideas.

3. We Live Our Values

As representatives of the Company to the outside world, and regardless of the pressures inherent in conducting business, GCL employees are expected to act responsibly and in a manner that reflects favorably on Company. We will carry out our assignments guided by the principles set forth in our vision and values and in compliance with this Code of Business Conduct and our corporate policies.

4. We Avoid Conflicts of Interest

Each of us and our immediate families should avoid any situation that may create or appear to create a conflict between our personal interests and the interests of the Company.

5. We Invite Full Participation and Support Diversity

GCL is committed to an all-inclusive work culture. We believe and recognize that all people should be respected for their individual abilities and contributions. The Company aims to provide challenging, meaningful and rewarding opportunities for personal and professional growth to all employees without regard to gender, race, ethnicity, sexual orientation, physical or mental disability, age, pregnancy, religion, veteran status, national origin etc.

6. We Work in a Positive Environment

GCL endeavors to provide all employees an environment that is conducive to conducting business and allows individuals to excel, be creative, take initiatives, seek new ways to solve problems, generate opportunities and be accountable for their actions. The Company also encourages teamwork in order to leverage our diverse talents and expertise through effective collaboration and cooperation.

7. We Do Not Employ Child or Forced Labor

GCL does not and will not employ child labor or forced labor. GCL defines a child as anyone under the age of eighteen.

Code of Conduct

8. We Provide a Safe Workplace

It's GCL policy to establish and manage a safe and healthy work environment and to manage its business in ways that are sensitive to the environment. The Company will comply with all regulatory requirements regarding health, safety and protection of the environment.

9. We Safeguard Company Property and Business Information

Safeguarding Company assets is the responsibility of all directors, officers and employees and Company representatives. All employees, directors' must use and maintain such assets with care and respect while guarding against waste and abuse. Similarly, all directors, officers and employees and Company representatives are not expected to share any business secrets, inside information or strategies with GCL competitors either directly or indirectly.

10. We Maintain Accurate Books and Records and Report Results with Integrity

GCL financial, accounting, and other reports and records will accurately and fairly reflect the transactions and financial condition of the Company in reasonable detail, and in-accordance with generally accepted and Company-approved accounting principles, practices and procedures and applicable government regulations.

11. Our Relationship with Our Customers

GCL serves many industrial, corporate and non-corporate enterprises, dealers and distributors as well as of governmental bodies and individual consumers, for whom we design, develop, manufacture and market quality products.

12. We Obey All Laws and Regulations

Our customer relationships are critical to GCL. In meeting our customers' needs, the Company is committed to doing business with integrity and according to all applicable laws. Products must be designed and produced to internal standards and to comply with external regulations, the standards of the appropriate approval entities, and any applicable contractual obligations.

13. We Provide Quality Products and Services

Committed to be a Six Sigma Company, we strive to provide products and services that meet or exceed our customers' expectations for quality, reliability and value, and to satisfy their requirements with on-time deliveries.

14. We Seek Business Openly and Honestly

Sales and marketing are the lifeblood of the organization, and we commit that we will market our products fairly and vigorously based on their proven quality, integrity, reliability, delivery and value to our customer.

15. We Follow Accurate Billing Procedures

It is the Company's policy to reflect accurately on all invoices to customers the sale price and other terms of sales. Every employee has the responsibility to maintain accurate and complete records. No false, misleading or artificial entries may be made in GCL books and records.

16. Our Relationship with our Suppliers

GCL suppliers are our partners in Six Sigma Plus. The high caliber of the materials, goods and services they provide is linked directly to the quality, reliability, values and prompt delivery of the Company's products to our customers and, thus, leads to customer's satisfaction.

17. We Will Not Be Influenced by Gifts

We will not be influenced by gifts or favors of any kind from our suppliers or potential suppliers. The Company expects each employee to exercise reasonable judgment and discretion in accepting any gratuity or gift offered to the employee in connection with employment at GCL.

18. We Do Not Make Improper Political Contributions

Company funds generally can not to be used for political contributions, directly or indirectly, in support of any party or candidate.

19. We Protect the Environment

GCL abides by all applicable health, safety and environmental laws and regulations. We will also abide by Company's own standards.

20. We Comply with Export Control and Import Laws

GCL will comply with all Export Control and Import laws and regulations that govern the exportation and importation of commodities and technical data, including items that are hand-carried as samples or demonstration units in luggage.

21. Supervisory Personnel

Managers and supervisors have key roles in the Integrity and Compliance Program and are expected to demonstrate their personal commitment to the Company's standards of conduct and to lead their employees accordingly.

22. Trading in Company's Shares

All executives and directors of the company who purchase company shares must inform the company secretary in writing about their sale and purchase transactions. However, no employee, director or executive of the company is allowed to trade during 'closed period', as intimated prior to the announcement of interim/final results, and business decisions, and all directors, employees and officers are prohibited to take advantage from any price sensitive information which may materially affect the market price of company's securities.

23. Smoking & Use Of Alcohol

Employees are prohibited from smoking at restricted places and they are also prohibited to use Alcohol inside organization at any place during working hours.

Term of Reference of Board Audit Committee

A. Membership

1. The Audit Committee will be appointed by the Board of Directors ("the Board") and will consist of at least three non-executive directors.

2. The Board shall appoint an independent director as the Chairman of the Audit Committee and determine the period for which he shall hold office. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Audit Committee.

3. The Audit Committee shall appoint a secretary of the committee who shall either be the Company Secretary or Chief Internal Auditor. However, CFO shall not be appointed as the secretary to the Audit Committee.

   "*Independent director*" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the Company, its associated companies, or directors; and able to exercise independent business judgment without being subservient to any form of conflict of interest.

B. Meetings

1. The Audit Committee shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the listed company by its Board of Directors and before and after completion of external audit.

2. A meeting of the Committee may be called by any member of the Committee or by the Secretary or, if they consider that one is necessary, the external auditors or the internal auditors.

3. The quorum for any meeting shall be two.

4. In the absence of the Chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting.

5. The members of the Audit Committee are entitled to attend and vote at the Audit Committee meeting. The CFO, the Chief Internal Auditor and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed. The CEO, the Finance Controller, or other people e.g. representatives of the finance function, may be invited to attend and speak at meetings at the request of the Chairman of the Committee.

6. At least once a year, the Audit Committee shall meet the external auditors without the CFO and the Chief Internal Auditor being present:

7. At least once a year, the Audit Committee shall meet the Chief Internal Auditor and other members of the internal audit function without the CFO and the external auditors being present.

8. The chairman of the Audit Committee and engagement partner of external auditor or in his absence any other partner designated by the audit firm shall be present at the AGM for necessary feedback to the shareholders.

9. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, Chief Internal Auditor and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the board and the minutes shall be circulated immediately after the meeting of the board.

10. The Committee Chairman shall report formally to the Board on the proceedings of the Committee after each meeting on all matters within its duties and responsibilities.

11. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

C. Responsibilities

The Board of Directors shall provide adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively. The Term of Audit Committee shall include the following:

1. Financial reporting The Audit Committee shall review of quarterly, half-yearly and annual financial statements of the Company, preliminary results' announcements and any other formal announcement relating to its financial performance, prior to their approval by the Board of Directors, focusing on:

   i. major judgmental areas;
   ii. significant adjustments resulting from the audit;
   iii. the going concern assumption;
   iv. any changes in accounting policies and practices;

Term of Reference of Board Audit Committee

- **v.** compliance with applicable accounting standards;
- **vi.** compliance with listing regulations and other statutory and regulatory requirements; and
- **vii.** significant related party transactions.

2 External Audit: The Audit Committee shall:

- **i.** recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise, it shall record the reasons thereof.
- **ii.** shall review of management letter issued by external auditors and management's response thereto.
- **iii.** shall ensure coordination between the internal and external auditors of the Company.
- **iv.** shall facilitate the external audit and discuss with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).

3 Internal controls and risk management systems: The Audit Committee shall:

- **i.** ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.
- **ii.** review the Company's procedures and control for detecting and prevention of fraud
- **iii.** review of the Company's statement on internal control systems prior to endorsement by the Board of Directors.

4 Internal audit Function The Audit Committee shall:

- **i.** recommend the appointment and removal of the head of the internal audit function to the Board.
- **ii.** monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- **iii.** review and approve the scope and extend of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- **iv.** review and approve the internal audit strategy and plans;
- **v.** review the major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- **vi.** review and monitor management's responsiveness to the findings and recommendations of the internal auditor;

5 Other matters The Audit Committee shall:

- **i.** institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body.
- **ii.** determine the compliance with relevant statutory requirements.
- **iii.** Monitor compliance with the best practices of corporate governance and identification of significant violations thereof.
- **iv.** consider any other issue or matter as may be assigned by the Board of Directors.

Terms of Reference of Internal Audit Function

A. Objectives

1. Internal Audit Function ("IAF") is an independent and objective assurance and consulting activity designed to add value and improve the operations of Gharibwal Cement Limited ("the Company"). IAF assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the efficiency and effectiveness of the organization's risk management, control, and governance processes.

2. IAF is responsible for giving assurance to the Board, through the Audit Committee, on the standard operating procedures (SOPs) for risk management, control and governance, and value for money. It also assists management by evaluating and reporting to them on the effectiveness of these SOPs.

3. IAF is not an extension of, nor a substitute for, good management, although it can have a role in advising management on risk management, control and governance, value for money and related matters, subject to resource constraints. IAF shall have no direct operational responsibility or authority over any of the activities it reviews. Accordingly, it shall not develop nor install systems or procedures, prepare records or accounts, or engage in any other activity which would normally be considered management or staff's responsibility.

B. Organizational structure

1. Head of Internal Audit shall be called Chief Internal Auditors and shall be appointed and removed by the Board of Directors only upon recommendation of the Chairman of the Audit Committee.

2. The Chief Internal Auditor should have 5 years of relevant audit experience and is:

   a) a member of a recognized body of professional accountants; or
   b) a Certified Internal Auditor; or
   c) a Certified Fraud Examiner; or
   d) a Certified Internal Control Auditor

3. The Board Audit Committee shall assess IAF's organizational structure, mandate and operating budget to ensure that these are appropriate and sufficient to meet agreed activities.

C. Scope and Professional standards

1. All the Company's activities fall within the remit of the Internal Audit Function. This does not imply that all areas will be subject to review, but that all will be included in the audit risk assessment.

2. The Internal Audit Function will consider the adequacy of arrangements necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken the necessary steps to achieve these objectives and manage the associated risks.

3. IAF's scope encompasses the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management process, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. It includes:

   a) Auditing internal control procedures and risk assessment procedures (i.e. SOPs) in order to obtain assurance that these procedures are appropriately designed and effectively implemented

      i. to deduct and prevent fraud or errors;
      ii. to comply with policies, plans, laws, and regulations;
      iii. to safeguard assets of the Company; or
      iv. to promote the economic, efficient and effective use of resources

   b) Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

   c) Identifying the areas of risk where SOPs are not designed/implemented; along with advising on objectives of these SOPs.

   d) Conducting specific reviews or tasks requested by the Board, the Audit Committee or the CEO, provided such reviews and tasks do not compromise IAF's independence or objectivity.

4. It is not within the remit of the Internal Audit Function to question the appropriateness of policy decisions. However, the Internal Audit Function is required to examine the arrangements by which such decisions are made, monitored and reviewed, and related risks identified and reviewed.

Terms of Reference of Internal Audit Function

5. The Internal Audit Function shall govern themselves by adherence to The Institute of Chartered Accountants of Pakistan' Code of Ethics. The Institute of Internal Auditors's International Standards for the Professional Practice of Internal Auditing shall constitute the operating procedures for the department. In addition, IAF will adhere to the Company's policies and procedures.

6. To achieve its objectives the Internal Audit Function will develop and implement an audit strategy and plans that assesses the Company's arrangements for risk management, control and governance and for achieving value for money at the beginning of each financial year. The Chief Internal Auditor will implement measures to monitor the effectiveness of the service and compliance with standards.

7. The Audit Committee will consider the audit strategy and plans along with the performance measures and may also seek an independent assessment of the Internal Audit Function's effectiveness. The Audit Committee shall recommend the same to the Board for its approval.

8. IAF shall regularly submit to the CEO and Audit Committee an up-to-date summary of the audit work schedule. The audit work schedule is developed based on a prioritization of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to the CEO and the Audit Committee through periodic activity reports.

D. Authority and confidentiality

1. The Internal Audit Function shall have right for full and unrestricted access to all the Company records, physical properties, and staff relevant to any area under review without disturbing the working environment of employees. All employees are requested to assist IAF in fulfilling its function.

2. Documents and information obtained by IAF will be handled in the same prudent and confidential manner as by those employees normally accountable for them. No information or document shall be shared with outsider or used by the IAF otherwise than to achieve the objectives of IAF.

E. Reporting

1. The Chief Internal Auditor is accountable to the Board of Directors through the Audit Committee for the performance of the service. For day to day administrative purposes, the Chief Internal Auditor reports to the CEO and CFO.

2. The Chief Internal Auditor shall have free and unrestricted access to the Chair of the Board and to the Chair of the Audit Committee.

3. At least once a year, the Audit Committee shall meet the Chief Internal Auditor and other members of the internal audit function without the CFO and the external auditors being present.

4. The Internal Audit Function will produce draft reports, usually within one week of completing each internal audit, giving an opinion on the area reviewed and making recommendations for improvement where appropriate. These will be discussed with the line managers responsible who will provide responses to the report, giving management comments and details of a plan of action with timescales for implementing recommendations.

5. A final report will then be issued to line managers, usually within one month of issuing the draft report. Such reports will also be provided to the CFO and the CEO.

6. A quarterly report should be submitted to the Board through Audit Committee. Significant finding (e.g. any serious weaknesses, significant fraud or major accounting breakdown discovered during the normal course of audit work) and recommendation along with the auditee's response and corrective action (to be) taken in this regard, including a timetable for anticipated completion and a justification for any recommendations not addressed should be consolidated into quarterly report. The quarterly report should give an opinion on the adequacy and effectiveness of the Company's arrangements for:

   a) risk management, control and governance, and

   b) economy, efficiency and effectiveness and the extent to which the Board can rely on them.

7. Recommendations will be followed up, usually six to twelve months later. In addition the Audit Committee will monitor the implementation of audit recommendations by management. IAF shall monitor the appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.

8. The management shall not be bound to accept the recommendation of the IAF if it has reasonable ground to believe that these will not bring any significant improvement in risk management, control and governance, and value for money.

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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 prepared by the Board of Directors of Gharibwal Cement Limited ("the company") for the year ended June 30, 2014 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, listing regulations 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 status of 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 June 30, 2014.

KRESTON HYDER BHIMJI & CO.
Lahore: CHARTERED ACCOUNTANTS
Engagement Partner –
Syed Aftab Hameed, FCA

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Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 34 of listing regulations of Karachi and Lahore Stock Exchange 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
Independent Director		Nil
Executive Director	i)	Mr. Muhammad Tousif Peracha
	ii)	Mr. Abdur Rafique Khan
Non-Executive Director	i)	Mr. Muhammad Rehman
	ii)	Mr. Khalid Siddiq Tirmizey
	iii)	Mr. Mustafa Tousif Ahmed Paracha
	iv)	Mrs. Tabbasum Tousif Peracha
	v)	Mr. Ali Rashid Khan

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. Casual vacancies occurred on the board during the year has filled within 30-days

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 two in house training programs for its directors during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for 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 three members, of whom two are non-executive directors and the chairman of the committee is a Non-Executive 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 three members, of whom two 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 and has outsourced the internal audit function and head of internal audit function is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

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

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

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

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied except as required under provisions of clause i(a),i(b) to some extent, i(d) & vi and these shall take effect when the board is reconstituted on expiry of its current term.

Muhammad Tousif Peracha
Chief Executive Officer
Lahore: September 16, 2014

Financial Statements

For the year ended 30 June 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of Gharibwal Cement Limited as at June 30, 2014 and the related profit and loss account, 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 purpose 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 further in accordance with accounting policies consistently applied except for change in accounting policy no. 5.10(a) with which we concur;

  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, 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 June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner –
Syed Aftab Hameed, FCA

Lahore:

Balance Sheet
As at 30 June 2014

	Note	2014	Restated 2013	Restated 2012 July 01,
			(Rupees in 000s)	
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	6	13,159,141	11,527,658	11,547,891
Intangible assets	7	6,117	–	–
Long term loans		–	–	1,552
Long term deposits	8	84,954	72,456	52,641
Deferred tax asset	18.1	–	142,761	–
		13,250,212	11,742,875	11,602,084
CURRENT ASSETS				
Stores, spares and loose tools	9	580,663	647,243	383,978
Stock in trade	10	887,682	167,020	112,122
Trade debts	11	252,013	188,929	129,592
Advances, deposits and other receivables	12	138,456	170,113	320,810
Cash and bank balances	13	32,964	22,718	16,777
		1,891,778	1,196,023	963,279
Non current assets held for sale	14	37,904	13,812	13,812
Total current assets		1,929,682	1,209,835	977,091
TOTAL ASSETS		15,179,894	12,952,710	12,579,175
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
470,000,000 ordinary shares of Rs. 10 each		4,700,000	4,700,000	4,700,000
Issued, subscribed and paid up capital	15	4,002,739	4,002,739	4,002,739
General reserve		332,000	332,000	332,000
Accumulated loss		(1,752,184)	(2,725,238)	(3,858,299)
		2,582,555	1,609,501	476,440
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	16	3,727,563	2,285,921	2,215,354
NON CURRENT LIABILITIES				
Long term borrowings	17	2,323,642	4,007,163	3,691,144
Deferred liabilities	18	2,668,987	2,015,184	2,296,062
		4,992,629	6,022,347	5,987,206
CURRENT LIABILITIES				
Trade and other payables	19	1,618,068	1,224,418	1,210,357
Markup and profit payable	20	608,867	587,285	964,449
Short term borrowings	21	167,017	179,008	184,967
Current portion of non-current liabilities	22	839,111	737,920	1,034,999
Taxes and duties payable	23	644,084	306,310	505,403
		3,877,147	3,034,941	3,900,175
CONTINGENCIES AND COMMITMENTS	24			
TOTAL EQUITY AND LIABILITIES		15,179,894	12,952,710	12,579,175

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	Restated 2013
		(Rupees in 000s)	
Net Sales	25	8,547,263	6,230,216
Cost of sales	26	(6,197,024)	(4,534,105)
Gross Profit		2,350,239	1,696,111
Selling and distribution expenses	27	(23,848)	(17,140)
General and administrative expenses	28	(149,455)	(140,518)
Other expenses	29	(134,329)	(82,754)
Other Income	30	2,135	378,153
		(305,497)	137,741
Profit from operations		2,044,742	1,833,852
Finance cost	31	(634,810)	(757,323)
Profit before taxation		1,409,932	1,076,529
Taxation	32	(561,334)	(15,475)
Profit after taxation		848,598	1,061,054
Other comprehensive income for the year			
Actuarial gain / (loss) for the year		240	(187)
Total comprehensive income for the year		848,838	1,060,867
		Rupees	
Earnings per share (basic & diluted)	33	2.12	2.65

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	Restated 2013
		(Rupees in 000s)	
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxation		1,409,932	1,076,529
Adjustment for non-cash and other items:			
Depreciation and amortization		593,612	343,459
Provision for retirement benefits		3,515	2,587
Finance cost		634,810	757,323
Provision for impairment of store items items		35,127	–
Provision for doubtful debts		(2,584)	–
Provision for balances doubtful for recovery		27,579	26,178
Waiver of markup and default surcharge		–	(376,754)
		1,292,059	752,793
Operating profit before working capital changes		2,701,991	1,829,322
Changes in working capital:			
Stores, spares and loose tools		45,265	(263,265)
Stock in trade		(720,662)	(54,898)
Trade debts		(60,500)	(59,337)
Advance, deposit and other receivable		4,078	126,071
Trade and other payables		630,136	(46,398)
Long term deposits		(12,498)	(19,815)
Taxes & duties		33,658	(537,832)
		(80,523)	(855,474)
Cash inflow from operation		2,621,468	973,848
Finance cost paid		(550,873)	(612,973)
Retirement benefits paid		(4,198)	(12,049)
Income tax paid		(239,193)	(35,067)
Net cash inflow from operating activities		1,827,204	313,759
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(173,659)	(323,226)
Intangible assets		(1,777)	–
Net cash outflow from investing activities		(175,436)	(323,226)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term borrowings		(677,611)	(221,295)
Change in short term borrowings		(11,991)	230,573
Repayment of directors' loan		(929,894)	(15,896)
Net cash outflow from financing activities		(1,619,496)	(6,618)
Net increase/(decrease) in cash and cash equivalents		32,272	(16,085)
Cash and cash equivalents at beginning of the year		692	16,777
Cash and cash equivalents at end of the year - detailed as under:		32,964	692
Cash and bank balances	13	32,964	22,718
Less: temporary bank over drafts	19.6	–	(22,026)
		32,964	692

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of Changes in Equity

For the year ended June 30, 2014

	Note	Share capital	General reserves	Accumulated Loss	Total
		(Rupees in 000s)			
Balance as at June 30, 2012 - previously reported		4,002,739	332,000	(3,794,382)	540,357
Change in accounting policy	5.10 (a)			(9,770)	(9,770)
Correction of prior years' error	5.22.1			(36,468)	(36,468)
Correction of prior years' error	5.22.2			(17,679)	(17,679)
Balance as at June 30, 2012 - restated		4,002,739	332,000	(3,858,299)	476,440
Total Comprehensive income for the year ended June 30, 2013		–	–	1,060,867	1,060,867
Incremental depreciation on revaluation of property, plant & equipment [net off deferred tax of Rs. 38.873 million]		–	–	72,194	72,194
Balance as at June 30, 2013 - restated		4,002,739	332,000	(2,725,238)	1,609,501
Total Comprehensive income for the year ended June 30, 2014		–	–	848,838	848,838
Incremental depreciation on revaluation of property, plant & equipment [net off deferred tax of Rs. 63.990 million]		–	–	124,216	124,216
Balance as at June 30, 2014		**4,002,739**	**332,000**	**(1,752,184)**	**2,582,555**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the Financial Statements

For the year ended June 30, 2014

1 LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on December 29, 1960 as a Public Limited Company; its shares are quoted on Karachi and Lahore Stock Exchanges. It is principally engaged in production and sale of cement. The registered office of the Company is situated at 28-B/III, Gulberg III, Lahore.

2 STATEMENT OF COMPLIANCE

2.1 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 (IFAS) 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 prevail.

2.2 Changes in accounting standards, interpretations and pronouncements

2.2 a Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendment to following standards has been adopted by the Company for the first time for the financial year beginning on or after January 1, 2013:

IAS 19, 'Employee benefits' was revised in June 2011 and applicable for the financial year started on or after January 01, 2013. This change remove the corridor method and eliminate the ability for the entity to recognize all changes in the defined benefit obligation and in the plan assets in profit and loss account . The amendments to IAS 19 require immediate recognition of actuarial gains / losses in the other comprehensive income in the period of initial recognition.

2.2 b Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant for the Company's financial statements.

2.2 c Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

There are no new standards, amendments to existing approved accounting standards and new interpretations, not yet effective, that would be expected to have a material impact on the financial statements of the Company.

3 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for those disclosed in the relevant accounting policy as summarized in note 5. The financial statements are presented in Company's functional currency of Pakistan Rupee.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of setting up and applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. Revision 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. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

4.1 Taxation

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

4.2 Provision for doubtful receivables

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

4.3 Useful life and residual values of property, plant and equipment

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

4.4 Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable.

4.5 Provision for defined employees' benefits

Defined benefit plans are provided for permanent employees of the Company subject to completion of a prescribed qualifying period of service. The plans are structured as separate legal entities managed by trustees except compensated absences for which liability is recognized in the Company's financial statements. These plans are evaluated with reference to uncertain events and based upon actuarial assumptions including inter alia, discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost rates and mortality rates.

The actuarial valuations are conducted by independent actuaries on annual basis. Gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

4.6 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

4.7 Stock in trade and stores and spare parts

The company reviews the net realizable value of stock–in–trade and stores & spare parts to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Notes to the Financial Statements

For the year ended June 30, 2014

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant & equipment and depreciation

Owned

Operating property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation and impairment, if any, except for freehold land which is stated at revalued amount.

Depreciation is charged at the rates stated in note 6.1 applying reducing balance method. The useful life and residual value of major components of fixed assets is reviewed annually to determine that expectations are not significantly different from the previous estimates. Adjustment in depreciation rate for current and future periods is made if expectations are significantly different from the previous estimates. Depreciation is charged from the month when an asset becomes available for use, whereas no depreciation is charged in the month of its disposal. Gain/loss on disposal of fixed assets is taken to profit and loss account.

Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major improvements and modifications are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to produce a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

Depreciation is charged at the rates stated in note 6.1 by applying reducing balance method. Financial charges and depreciation on leased assets are charged to profit and loss account.

5.2 Capital Work in Progress

Capital work in progress and stores held for capital expenditure are stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when assets are available for its intended use.

5.3 Intangible assets and amortization

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment, if any. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 costs to sell and value in use.

5.4 Stores and spares

These are valued at lower of moving (monthly weighted) average cost and net realizable value except items-in-transit which are valued at cost accumulated to the balance sheet date. Stores, spares and loose tools are regularly reviewed by the management to assess their net realizable value (NRV). Provision is made for slow moving and obsolete store items when so identified.

5.5 Stock-in-trade

These are stated at the lower of cost and net realizable value (NRV). The methods used for the calculation of cost are as follows:

Raw materials	Lower of annual average cost and NRV
Work in process and finished goods	Lower of annual average cost (comprising quarrying cost, transportation, government levies, direct cost of raw material, labour and other manufacturing overheads) and NRV
Packing materials	Lower of simple moving average cost and NRV

Stock-in-trade is regularly reviewed by the management and any obsolete items are brought down to their net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred to affect such sale.

5.6 Trade debts

Trade debts are carried at invoice amount on transaction date less any estimate of provision for doubtful receivables. Known bad debts are written off as and when identified.

5.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash-in-hand, current, escrow, saving and deposit accounts with commercial banks net of temporary bank overdrafts.

5.8 Assets classified as held for sale

These are measured at the lower of carrying amount and fair value less cost to sell.

5.9 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of these assets is credited to the “Surplus on revaluation of property, plant and equipment”’ account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance 1984. The Company has adopted the following accounting treatment of depreciation on revalued assets in accordance with the provisions of the above said section:

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from “ Surplus on Revaluation of Fixed Assets account” to accumulated loss through Statement of Changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

5.10 Employees benefits

5.10 a Defined benefit plan

The Company operates funded gratuity schemes for all its permanent employees subject to completion of a prescribed qualifying period of service. Contribution to the fund is made annually on the basis of actuarial recommendation to cover obligation under the scheme.

The cost of defined benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions disclosed in note 19.5. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

The Company has adopted IAS 19 (revised) and thereby has recognized actuarial gains/losses in other comprehensive income in the period of initial recognition, as already disclosed in note 2.2(a) of these financial statements. The effect of this change in accounting policy is applied retrospectively as per IAS-8, “Accounting Policies, Changes in Accounting Estimates and Errors”, as under:

	30-06-2013	01-07-2012
	(Rupees in 000s)	
EQUITY AND LIABILITIES		
Increase in accumulated losses	(187)	(9,770)
Increase in employees’ Gratuity Fund Trust - trade and other payables	187	9,770
OTHER COMPREHENSIVE INCOME		
Increase in actuarial losses for the period	187	6,303
Increase in actuarial losses for the prior periods	–	3,467
STATEMENT OF CHANGES IN EQUITY		
Increase in accumulated losses	(187)	(9,770)

Notes to the Financial Statements

For the year ended June 30, 2014

5.10 b Defined contribution plan

The Company also operates a funded contributory provident fund scheme for its workers. Equal monthly contributions @ 10% of the basic salaries are made by the Company and the employees to the fund. Contribution of the Company is charged to the profit and loss account for the year.

5.10 c Compensated absences

Provision is made to cover the obligation for accumulated compensated absences on the basis of actuarial valuation and are charged to profit and loss account. Actuarial gains and losses are recognized immediately.

5.11 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid for goods and services.

5.12 Ijarah

Ijarah payments under an Ijarah are recognized as an expense in the profit and loss account on a straight-line basis over the Ijarah term.

5.13 Provisions

Provisions are recognized in the balance sheet 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 will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

5.14 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or minimum taxation at the rate of 1% of the turnover, in case there is gross profit, or Alternative Corporate Tax at the rate of 17% of accounting profit adjustable as per income tax laws, whichever is higher. For income covered under Final Taxation Regime (FTR), taxation is based on the applicable tax rates under such Regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against these can be utilized. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account.

5.16 Financial instruments

Financial assets are long term deposits, trade debts, advances & other receivables and cash and bank balances. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred; and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term borrowings, short term borrowings and trade and other payables. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

5.17 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

Equity instruments are recorded at their face value. All incremental external costs directly attributable to the equity transaction are charged directly to equity net of any related income tax benefit.

5.18 Revenue recognition

Sale of goods:	Revenue from sales is recognized when the significant risks and rewards of ownership of the goods have passed to customers, which coincide with the dispatch of goods to customers.
Profit on bank deposits:	This is accounted for on accrual basis.
Scrap sales:	These are recognized on physical delivery to customer.
Dividend Income:	It is recognized when the company's right to receive payment is established.

5.19 Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account in the period of incurrence.

5.20 Impairment of assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount by charging the impairment loss against profit and loss account for the year.

5.21 Related party transactions

All transactions with related parties are executed at arm's length prices, determined in accordance with the pricing method as approved by the Board of Directors.

5.22 Correction of prior periods error

5.22.1 During FY2011, the Company had settled bridge finance facility amounting to Rs. 50.760 million acquired from Pak Brunei Investment Bank Limited under a sale and repurchase arrangements in respect of Company's piece of land situated in Lahore. This transaction was recorded by derecognition of financial liability and the said land which was not permitted by IAS-39 consequently this error is rectified by restating the corresponding figures as required by IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors", as under:

Notes to the Financial Statements

For the year ended June 30, 2014

	30-06-2013	01-07-2012
	(Rupees in 000s)	
ASSETS		
Increase in Property, plant and equipment	-	50,760
EQUITY AND LIABILITIES		
Decrease / (increase) in accumulated loss	13,613	(36,468)
Increase in surplus on revaluation of property, plant and equipment	-	15,152
Increase in long term borrowings	-	50,760
(Decrease) / increase in markup and profit payable	(13,613)	21,316
PROFIT AND LOSS ACCOUNT		
(Decrease) / increase in finance cost for the period	(13,613)	8,225
Increase in finance for the prior periods	-	13,091
STATEMENT OF CHANGES IN EQUITY		
(Decrease) / increase in accumulated loss due to finance cost	13,613	(21,316)
Increase in accumulated loss due to surplus transferred on restatement	-	(15,152)

5.22.2 The Gratuity Fund Trust is operating two schemes for its non-management and management cadre members, having different basis, whereas gratuity was being computed on the basis of non-management cadre only in the prior periods. This error is now rectified and actuarial computation is made based on appropriate basis for each scheme. This prior periods error is rectified by restating the corresponding figures as per IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors", as under:

	30-06-2013	01-07-2012
	(Rupees in 000s)	
EQUITY AND LIABILITIES		
Increase in accumulated loss	(3,103)	(17,679)
Increase in employees' Gratuity Fund Trust - trade and other payables	3,103	17,679
PROFIT AND LOSS ACCOUNT		
Increase in salaries, wages & benefits - cost of sales for the period	3,103	4,350
Increase in salaries, wages & benefits - cost of sales for prior periods	-	13,329
STATEMENT OF CHANGES IN EQUITY		
Increase in accumulated loss	(3,103)	(17,679)

5.22.3 The change in accounting policy and correction of errors has immaterial impact on earnings per share.

		Note	2014	Restated 2013
			(Rupees in 000s)	
6	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets - Tangible	6.1	13,007,938	11,086,856
	Capital work in progress	6.2	151,203	440,802
			13,159,141	11,527,658

6.1 OPERATING FIXED ASSETS - TANGIBLE

	Cost / revalued amount					Accumulated depreciation				Book value	
	Balance as at 01-07-2013	Incremental surplus	Addition	Transfer/ Deletion	Balance as at 30-06-2014	Balance as at 01-07-2013	For the year	Transfer/ Delection	Balance as at 30-06-2014	revaluation model as at 30-06-2014	Rate of depreciation
	Restated										
Owned assets											
Land - freehold	134,137	12,739	–	(37,904)	108,972	–	–	–	–	108,972	
Buildings and foundations	3,019,962	528,665	707	–	3,549,334	862,906	112,264	–	975,170	2,574,164	5%
Building on Leasehold land	19,796	19,495	–	–	39,291	15,299	775	–	16,074	23,217	10%
Heavy earth moving machinery	122,452	35,146	24,000	–	181,598	116,626	7,136	–	123,762	57,836	20%
Plant and machinery	9,201,711	1,687,674	237,327	283,486	11,410,198	740,031	448,943	87,126	1,276,100	10,134,098	5%
Infrastructure	116,779	–	–	–	116,779	23,982	18,270	–	42,252	74,527	7%–20%
Tools and equipment	1,718	–	–	–	1,718	1,366	35	–	1,401	317	10%
Furniture, fixtures and office equipment	48,919	–	1,844	–	50,763	35,088	1,447	–	36,535	14,228	10%
Transport assets	60,984	–	4,704	1,859	67,547	41,362	4,305	1,301	46,968	20,579	20%
	12,726,458	2,283,719	268,582	247,441	15,526,200	1,836,660	593,175	88,427	2,518,262	13,007,938	
Assets subject to finance lease											
Plant and machinery	283,486	–	–	(283,486)	–	87,126	–	(87,126)	–	–	5%
Vehicles	1,859	–	–	(1,859)	–	1,161	140	(1,301)	–	–	20%
	285,345	–	–	(285,345)	–	88,287	140	(88,427)	–	–	
Rupees in 000s - 2014	13,011,803	2,283,719	268,582	(37,904)	15,526,200	1,924,947	593,315	–	2,518,262	13,007,938	

	Cost / revalued amount					Accumulated depreciation				Book value	
	Balance as at 01-07-2012	Incremental surplus	Addition	Transfer/ Deletion	Balance as at 30-06-2013	Balance as at 01-07-2012	For the year	Transfer/ Delection	Balance as at 30-06-2013	revaluation model as at 30-06-2013	Rate of depreciation
	Restated									Restated	
Owned Assets											
Land - freehold	134,137	–	–	–	134,137	–	–	–	–	134,137	
Buildings and foundations	2,975,862	–	44,100	–	3,019,962	735,917	126,989	–	862,906	2,157,056	5%-10%
Building on Leasehold land	19,796	–	–	–	19,796	14,799	500	–	15,299	4,497	10%
Heavy earth moving machinery	122,452	–	–	–	122,452	115,170	1,456	–	116,626	5,826	20%
Plant and machinery	9,055,563	–	146,148	–	9,201,711	547,218	192,813	–	740,031	8,461,680	unit of prod.
Infrastructure	116,779	–	–	–	116,779	16,997	6,985	–	23,982	92,797	7%
Tools and equipment	1,403	–	315	–	1,718	1,341	25	–	1,366	352	10%
Furniture, fixtures and office equipment	47,642	–	1,277	–	48,919	33,611	1,477	–	35,088	13,831	10%
Transport assets	50,790	–	11,510	(1,316)	60,984	39,120	2,705	(463)	41,362	19,622	20%
	12,524,424	–	203,350	(1,316)	12,726,458	1,504,173	332,950	(463)	1,836,660	10,889,798	
Assets subject to finance lease											
Plant and machinery	283,486	–	–	–	283,486	76,791	10,335	–	87,126	196,360	5%
Vehicles	1,859	–	–	–	1,859	987	174	–	1,161	698	20%
	285,345	–	–	–	285,345	77,778	10,509	–	88,287	197,058	
Rupees in 000s - 2013	12,809,769	–	203,350	(1,316)	13,011,803	1,581,951	343,459	(463)	1,924,947	11,086,856	

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For the year ended June 30, 2014

6.1.1 Company's freehold land, building and plant & machinery situated at its plant site were revalued as at April 30, 2014 by an independent valuer Indus Surveyor (Pvt) Limited, whereas a piece of land situated in Lahore was revalued by Al Wazzan Associates (Pvt) Limited. The revaluation exercise was carried out on the basis of depreciated replacement cost method except freehold land which was revalued on the basis of market rate prevailing at April 30, 2014. This revaluation produced incremental surplus on revaluation of property, plant and equipment amounting to Rs. 2,283.719 million. Reconciliation of book value and fresh revaluation is given below:

	WDV at 30-04-2014		Fresh revaluation	Incremental surplus
	Cost model	Revaluation model		
	(Rupees in 000s)			
Factory land	55,522	134,138	**146,877**	**12,739**
Building and foundation	1,376,277	2,067,181	**2,595,846**	**528,665**
Building on leasehold land	97	4,122	**23,617**	**19,495**
Heavy earth moving machinery	20,655	24,854	**60,000**	**35,146**
Plant and machinery	5,794,314	8,297,280	**9,984,954**	**1,687,674**
	7,246,865	10,527,575	**12,811,294**	**2,283,719**

6.1.2 The depreciation rate of the old building and foundation, plant and machinery and roads has been changed w.e.f. July 01, 2013 on the basis of reassessment of useful life and pattern of consumption of economic benefits. The changes and its impact is summarized as below:

	Book value at 30-06-2014	Old rate	New rate	Incremental depreciation
	(Rupees in 000s)			(Rupees in 000s)
Building and foundation	252,812	10%	5%	(12,641)
Plant and machinery	8,461,680	unit of prod.	5%	164,056
Roads	90,564	7%	20%	11,773
				163,188

Had the depreciation rates not been revised, the depreciation charge for the year would have been decreased by Rs. 163.188 million; whereas the property, plant and equipment would have been increased by the same amount.

6.1.3 All the finance lease rentals had been paid and NOC were obtained from the leasing companies who were members of the consortium formed to finance the import cost of two gas based power generators, accordingly the plant and machinery subject to finance leases were transferred to owned assets during the year.

6.1.4 Had the revaluations of these assets not been made, the carrying value of these assets as at June 30, 2014 would have been as under:

	Note	2014	2013
		(Rupees in 000s)	
Factory land		**19,914**	55,522
Building and foundation		**1,365,011**	1,436,116
Building on leasehold land		**95**	106
Heavy earth moving machinery		**19,829**	786
Plant and machinery		**5,979,278**	5,849,881
		7,384,127	7,342,411

6.1.5 Depreciation charge for the year has been allocated as under :

	Note	2014	2013
		(Rupees in 000s)	
Cost of sales	26	590,217	310,952
Selling and distribution expenses	27	427	218
General and administrative expenses	28	2,671	32,289
		593,315	343,459

6.1.6 The carrying amount of temporarily idle property, plant and equipment, as included in note 6.1, is as under:

	Note	2014	2013
		(Rupees in 000s)	
Building and foundations		103,209	23,574
Railway sidings		2,082	2,239
		105,291	25,813

6.1.7 Heavy earth moving machinery includes used dumpers having book value of Rs. 19.333 million which has been purchased with the funds of the Company. These are in the possession of the Company and are being used for transportation of raw material within the factory premises; but these are not yet registered in the name of the Company.

6.2 CAPITAL WORK-IN-PROGRESS

	Note	Opening balance	Addition/ adjustment	Tranfer to fixed assets	Closing balance
		(Rupees in 000s)			
Civil work and buildings	6.2.1	214,714	(126,035)	(9,985)	78,694
Plant and machinery		167,360	117,200	(251,342)	33,218
Intangible assets	7	4,637	501	(5,138)	–
Advances for capital expenditure		8,650	(8,650)	–	–
		395,361	(16,984)	(266,465)	111,912
Stores and spares held for capital expenditure	6.2.2	120,586	(81,295)	–	39,291
Less: provision for impairment		(75,145)	75,145	–	–
		45,441	(6,150)	–	39,291
		440,802	(23,134)	(266,465)	151,203

6.2.1 The adjustments in civil works and buildings represent the reallocation / reconsideration of the related capital work in progress during the year.

6.2.2 Stores held for capital expenditure valuing Rs. 74.893 million were written off against the provision for impairment, whereas balancing provision for impairment of Rs. 0.252 million was reversed during the year.

	Note	2014	2013
		(Rupees in 000s)	
7 INTANGIBLE ASSETS			
Transfer from capital work in progress	6.2	5,138	–
Additions during the year		1,276	–
		6,414	–
Amortized during the year @ 20%	28	(297)	–
		6,117	–

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in 000s)	
8	**LONG TERM DEPOSITS**			
	Ijarah facility		10,148	10,706
	Rented premises		800	1,790
	Utilities and supplies		82,006	68,518
			92,954	81,014
	Less: Current portion shown under current assets			
	Ijarah facility	12	(8,000)	(8,558)
			84,954	72,456
9	**STORES, SPARES AND LOOSE TOOLS**			
	General stores		448,101	569,610
	Spares		92,833	53,540
	Loose tools		1,833	4,044
	Store in transit		108,993	55,767
			651,760	682,961
	Less: Provision for slow moving and obsolete items			
	General store		(47,939)	(35,718)
	Store in transit		(23,158)	–
			(71,097)	(35,718)
			580,663	647,243
10	**STOCK IN TRADE**			
	Raw material		55,053	93,898
	Work in process		744,525	48,100
	Finished goods		73,962	14,698
	Packing material		14,142	10,324
			887,682	167,020
11	**TRADE DEBTS - unsecured**			
	Considered good		252,013	188,929
	Considered doubtful		5,419	8,003
			257,432	196,932
	Less: provision for doubtful debts		(5,419)	(8,003)
			252,013	188,929

11.1 As at June 30, 2014, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		More than 180 than
			1 - 90 days	91 - 180 days	
2014 (Rupees in 000s)	252,013	–	249,823	402	1,788
2013 (Rupees in 000s)	188,929	–	186,729	1,064	1,136

		Note	2014	2013
			(Rupees in 000s)	
12	**ADVANCES, DEPOSITS AND OTHER RECEIVABLES**			
	Considered good			
	Advances to staff	12.1	18,904	6,609
	Advances to suppliers		75,763	58,066
	Deposits - Utilities and others (including current portion of long term deposits)	8	41,339	94,808
	Prepayments and other receivables		2,450	10,630
			138,456	170,113
	Considered doubtful			
	Advances to suppliers	12.2	23,557	30,113
	Other receivables	12.3	10,011	2,773
			33,568	32,886
			172,024	202,999
	Less: provision for balances doubtful of recovery		(33,568)	(32,886)
			138,456	170,113

12.1 This includes advances amounting to Rs. 6.562 million (FY2013: Rs. 6.454 million) given for the company's business. No advances were given to Chief Executive, Directors and Executives of the company during the year (FY2013: Nil).

12.2 Doubtful advances amounted to Rs. 26.897 million (FY2013: NIL) were written off against the provision during the year, whereas provision amounting to Rs. 27.579 million (FY2013: Rs. 22.146 million) was made during the year.

12.3 This includes fixed deposit of Rs. 10 million (FY2013: Rs. 10.000 million) with First Dawood Investment Bank under lien against Privately Placed Term Finance Certificate (PPTFC) as mentioned in Note 17.1.1. The Bank is not confirming this balance and in fact refusing to refund the deposit to the Company. Although this amount could be recovered from the debts of the Company's associate payable to the said bank, yet this deposit is classified as doubtful of recovery on prudence basis and has been provided for during the year.

		Note	2014	2013
			(Rupees in 000s)	
13	**CASH AND BANK BALANCES**			
	Cash in hand		29	310
	Cash at bank - in			
	Current accounts		25,329	9,584
	Saving accounts	13.1	7,606	12,824
			32,935	22,408
			32,964	22,718

13.1 These accounts bear profit ranging from 5% to 8% p.a.

		Note	2014	2013
			(Rupees in 000s)	
14	**NON-CURRENT ASSETS HELD FOR SALE**			
	Opening balance		13,812	13,812
	Piece of land classified as held for sale	14.1	37,904	–
	Parts of plant classified as store items to be consumed in house	14.2	(13,812)	–
			37,904	13,812

Notes to the Financial Statements

For the year ended June 30, 2014

14.1 This represents the carrying amount of a piece of land situated in Lahore as mentioned in Note 5.22.1. The management of the Company has decided to sell this land in due course of time; and this land has accordingly been classified as non-current asset held for sale at balance sheet date. This piece of land is in the possession of the Company; and transfer of its title in the name of the Company is under process at balance sheet date.

14.2 This represents the left over portion of plant & machinery of wet process which was abandoned and held for sale in due course of time. During the year, the technical staff has assessed that the steel structure and other parts of these assets can be reused in-house as store items. Accordingly these items are reclassified and transferred to the general stores. Subsequent to the balance sheet date, all of these material has been consumed in-house.

15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Numbers)			(Rupees in 000s)	
		Ordinary shares of Rs. 10 each:		
386,842,543	386,842,543	fully paid in cash	3,868,425	3,868,425
13,431,417	13,431,417	fully paid as bonus shares	134,314	134,314
400,273,960	400,273,960		4,002,739	4,002,739

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2014	(Restated) 2013
		(Rupees in 000s)	
Opening balance		3,423,018	3,534,085
Incremental surplus on fresh revaluation arose during the year	6.1.1	2,283,719	–
Incremental depreciation for the year		(188,206)	(111,067)
		5,518,531	3,423,018
Deferred Tax Attributed to Surplus:			
Opening balance		(1,137,097)	(1,318,731)
Fresh revaluation arose during the year	18.1	(772,133)	–
Incremental depreciation for the year		63,990	38,873
Due to change in tax rate	18.1	54,272	142,761
		(1,790,968)	(1,137,097)
		3,727,563	2,285,921

17 LONG TERM BORROWINGS

	Note	2014	2013
Redeemable capital	17.1	104,916	199,840
Banks and financial institutions	17.2	1,890,900	2,434,904
Related parties	17.3	327,826	1,122,419
Dandot Cement Company Limited	17.4	–	250,000
		2,323,642	4,007,163

17.1 Redeemable Capital

	Note	2014	2013
Privately placed term finance certificates (PPTFC)	17.1.1	222,769	389,020
Less: current maturity shown under current liabilities	22	(117,853)	(189,180)
		104,916	199,840

17.1.1 This represents redeemable capital in the form of PPTFC issued on January 18, 2008 to the financial institutions aggregating to Rs. 400.000 million (i.e. 80,000 certificates of Rs 5,000 each), registered with Central Depository Company. Proceeds from these TFC were used to swap higher markup bearing debts.

The company entered into the restructuring agreement with all the TFC holders through its Trustee on December 28, 2010; and the company is committed to redeem these certificates in 24 unequal quarterly installments along with profit @ 3 months KIBOR plus 0% (FY2013: 3 months KIBOR plus 0% p.a.), where last installment will be paid on or before September 30, 2016.

These facilities are secured under ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.2.12.

The Company had, during the year and subsequent to the balance sheet date, paid the majority of the overdue coupon of principal and accrued Profits to the TFC holders, whereas the whole amount of principal had been paid to one of the TFC holder under realignment agreement whereas the accrued profits thereupon will be paid by the end of financial year 2022.

The management of the Company has put forward various rescheduling proposals to the TFC holders which are favourably being considered by them. The management of the Company is confident that their efforts will be fruitful and the TFC holders will, as per term of the restructuring agreement as mentioned in note 17.1.1, become agree to rescheduling as done by other banks and financial institutions and accordingly the Company did not make overdue payments of principal as well as current and deferred profit amounting to Rs. 68.948 million (FY2013 : Rs. 239.025 million). Accordingly, the payments after 12 months as per aforesaid restructuring agreement are shown under non-current liabilities.

		Note	2014	2013
			(Rupees in 000s)	
17.2	**Borrowings from banks and financial institutions - Secured**			
	National Bank of Pakistan	17.2.1	**657,066**	657,066
	Saudi Pak Industrial & Agricultural Investment Co. Ltd	17.2.2	**125,649**	139,649
	NIB Bank Limited	17.2.3	**326,307**	380,185
	KASB Bank Limited	17.2.4	**39,538**	73,184
	Bank of Punjab	17.2.5	**993,816**	1,111,816
	Bank of Khyber	17.2.6	**110,437**	131,812
	Silk Bank Limited	17.2.7	**60,208**	74,375
	First Credit Investment Corporation	17.2.8	**34,960**	39,520
	Faysal Bank Limited	17.2.9	**83,351**	95,500
	Bank Islamic Pakistan Limited	17.2.10	**146,375**	187,375
	Askari Bank Limited	17.2.11	**34,451**	42,402
	Pak Brunei Investment Bank Limited	17.2.13	**–**	50,760
			2,612,158	2,983,644
	Less: current and overdue portion shown under current liabilities	22	**(721,258)**	(548,740)
			1,890,900	2,434,904

17.2.1 This represents the principal amounts of long term borrowings and short term borrowings outstanding as at March 31, 2010, which were converted to a "Consolidated Term Finance" facility as a result of restructuring agreement executed with the consortium of banks and financial institutions on June 30, 2010. However, members of this consortium except for this bank, have entered into rescheduling agreement on bilateral basis as mentioned in notes 17.1.2 to 17.1.9.

This facility is repayable up till September 30, 2016 in 24 unequal quarterly installments carrying markup @ 3 months KIBOR plus 0%. This facility is secured under ' First Joint Pari Passu Hypothecation Agreement' as mentioned in note 17.2.12.

Notes to the Financial Statements

For the year ended June 30, 2014

Various proposals for rescheduling are under consideration by the bank and the management of the Company is confident that these will be rescheduled in due course of time; and in anticipation of this, the Company did not make overdue payments of principals as well as current and deferred markup amounting to Rs.604.934 million (FY2013 : Rs. 368.152 million).

17.2.2 During the year, this loan has been rescheduled and as a result of which the principal is payable in 96 equal monthly installments till June 30, 2022 carrying markup @ 3 months KIBOR plus 2.5% p.a. w.e.f. December 01, 2013 payable quarterly in arrear. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.3 The principal will be repaid in 35 unequal quarterly installments till December 31, 2020. Markup is charged @ 3 months KIBOR plus 0%. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.4 The principal will be repaid in 40 equal monthly installments till September 30, 2015. Markup is charged @ 1 month KIBOR plus 0% (up to March 31, 2012 @ 3 months KIBOR plus 0%). This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.5 The principal will be repaid in 115 unequal monthly installments till July 31, 2022. Markup is charged @ 3 month KIBOR plus 0% with floor of BOP’s cost of fund. Current markup accrued from January 01, 2013 will be payable on quarterly basis. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.6 The principal will be repaid in 84 unequal monthly installments till December 20, 2019. Markup is charged @ 3 month KIBOR plus 0%. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.7 The principal will be repaid in 24 equal quarterly installments till September 30, 2018. Markup is charged @ 3 month KIBOR plus 0%. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.8 The principal will be repaid in 108 equal monthly installments till February 28, 2022. Markup will be charged @ 3 month KIBOR plus 0%. This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.9 The principal will be repaid in 14 unequal semi annual installments till December 30, 2019. Markup will be charged @ 6 month KIBOR plus 0% (up to December 31, 2012 : 3 months KIBOR plus 0%). This facility is secured under the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.10 This facility is obtained under Musharakah arrangement which will be redeemed on monthly basis till March 30, 2017 in 55 unequal monthly installments. Profit is charged @ 3 months KIBOR plus 0%. This facility is secured against the ‘ First Joint Pari Passu Hypothecation Agreement’ as mentioned in note 17.2.12.

17.2.11 This facility is obtained under Musharakah arrangement which will redeemed on quarterly basis till July 05, 2017 in 16 equal quarterly installment. Profit is charged @ 3 months KIBOR plus 1.5% and is payable on quarterly basis. This facility is secured against first pari passu charge to the extent of Rs. 120 million over all present and future movable and operating fixed assets.

17.2.12 The Company has entered into a First Joint Pari Passu Hypothecation Agreement with the members of syndicates and banks and financial institutions as mentioned in note 17.2.1. As a result of this agreement, the consolidated term finance, frozen markup, deferred markup, lease finances for gas based power generators, long term loans and short term loans are secured by way of first pari passu charge over the fixed assets of the Company to the extent of Rs. 10,019.157 million. In addition to this, Bank of Punjab has exclusive charge to the extent of Rs. 600.000 million on three dual fuel Wartsila Generators.

17.2.13 This facility was settled during the financial year 2011 under sale and repurchase arrangement of the Company’s land as mentioned in Note 5.22.1. This facility carried markup @ 3 months KIBOR plus 3.5% p.a. During the year the whole amount of principal and the accrued markup had been paid off.

		Note	2014	2013
			(Rupees in 000s)	
17.3	**Borrowings from related parties - Unsecured**			
	Mr. Muhammad Tousif Peracha - Sponsoring Director	17.3.1	**125,000**	724,785
	Mr. Abdur Rafique Khan - Sponsoring Director	17.3.2	**125,000**	205,109
	GCL Employees' Gratuity Fund Trust	17.3.3	**12,727**	36,816
	Mr. Daniyal Jawaid Paracha	17.3.4	**65,099**	155,709
			327,826	1,122,419

17.3.1 Markup is charged @ 3 months KIBOR plus 4% (FY2013 : @ 3 month KIBOR + 2% p.a). Rs.125.000 million was transferred from Dandot Cement Company Limited as mentioned in note 17.4.

17.3.2 Markup is charged @ 3 months KIBOR + 0% (FY2013 : @ 3 months KIBOR + 0%). Rs.125.000 million was transferred from Dandot Cement Company Limited as mentioned in note 17.4.

17.3.3 This amount will be repaid after 12 months from the balance sheet date and carries interest @ 13% p.a payable on quarterly basis.

17.3.4 This loan was obtained for payment of Excise Duty and Sales Tax under Amnesty Scheme. It is payable after 12 months from the balance sheet date, therefore reclassified as long term borrowing and comparative figures have also been rearranged accordingly. Out of the loan outstanding at the balance sheet date, Rs. 48.065 million (FY2013: Rs. 34.300 million) has to be repaid to him by purchasing the shares of listed companies which were sold by him to arrange the loan amounting to this extent, along with bonus shares and dividend accrued during the period from injection to the date of repayment of this loan. Accordingly, the inflated price along with the value of dividend / bonus shares has been worked out to that extent and added to his loan amount at the balance sheet date, being the finance cost on such loan.

17.4 This loan was interest free and unsecured and was subordinated to the counter balances payable by Dandot Cement Company Limited (DCCL) to the Company's sponsoring directors. This loan has been transferred in the name of the sponsoring directors of the Company at the balance sheet date as they required DCCL to adjust in its books the loan owed to them by DCCL against the loan owed to DCCL by the Company. Refer to note 17.3.1 and 17.3.2 above.

		Note	2014	2013
			(Rupees in 000s)	
18	**DEFERRED LIABILITIES**			
	Deferred taxation	18.1	**904,660**	–
	Employees' benefits	18.2	**20,787**	21,470
	Retention money		**135,705**	135,705
	Deferred markup and profit	20.1	**1,144,152**	1,151,319
	Deferred Excise Duty and Sales Tax	23	**463,683**	706,690
			2,668,987	2,015,184

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in 000s)	
18.1	**Deferred taxation**			
	Taxable temporary differences due to accelerated depreciation for tax purposes		3,160,936	2,393,676
	Deductible temporary differences due to provisions for retirement benefits		(5,915)	(5,754)
			3,155,021	2,387,922
	Deferred tax on unused tax losses		(1,915,326)	(2,667,717)
	Available tax credits		(335,035)	(78,431)
	Net deferred tax liabilities/(assets)		904,660	(358,226)
	Deferred tax assets not recognized in the financial statements		–	215,465
	Deferred tax liabilities/(assets) recognized for the year	18	904,660	(142,761)
	Opening balance of deferred tax asset		142,761	–
	Deferred tax attributed to incremental revaluation surplus	16	(772,133)	–
	Deferred tax attributed to revaluation surplus due to change in tax rates	16	54,272	142,761
	Net deferred tax expense recognized for the year	32	329,560	–
18.2	**Employee benefits**			
	Accumulated Compensation Absences	18.2.1	20,211	20,894
	Frozen Termination Benefits	18.2.2	576	576
			20,787	21,470
18.2.1	**Accumulated compensation absences**			
	Net liability - opening balance		20,894	19,811
	Expense for the year		3,515	2,587
	Payments made during the year		(4,198)	(1,504)
	Net liability - closing balance		20,211	20,894
	Reconciliation of the present value of defined benefit obligation			
	Present value of defined benefit obligations-opening		20,894	19,812
	Current service cost		3,034	2,173
	Interest cost		2,089	2,575
	Benefits paid		(4,198)	(1,504)
	Actuarial (gain) / loss		(1,608)	(2,162)
	Present value of defined benefit obligations-closing		20,211	20,894
	Expense recognized in Profit and Loss account			
	Current service cost		3,034	2,174
	Interest cost		2,089	2,575
	Actuarial (gain) / loss		(1,608)	(2,162)
			3,515	2,587

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2014 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate	**12% p.a.**	10% p.a.
Expected rate of future salary increase	**11% p.a.**	9% p.a.
Average number of leaves accumulated per annum by the employees	**13 days**	12 days

18.2.2 Frozen termination benefits

These are termination benefits of two employees payable under golden handshake scheme and are frozen on their reappointment. These shall be paid when they leave the Company.

	Note	2014	2013
		(Rupees in 000s)	
19 TRADE AND OTHER PAYABLES			
Trade creditors	19.1	**522,273**	426,624
Bills payable	19.2	**517,977**	264,768
Accrued liabilities		**289,061**	240,653
Ijarah payable	19.3	**30,576**	55,004
Advances from customers		**60,881**	74,305
Workers' Profit Participation Fund - related party	19.4	**116,160**	56,106
Employees' Provident Fund Trust - related party		**437**	1,086
Employees' Gratuity Fund Trust - related party	19.5	**71,161**	66,046
Other payables	19.6	**9,542**	39,826
		1,618,068	1,224,418

19.1 These include a balance payable to Pak Hy-Oils Limited (an associated company) for Rs. 4.947 million (FY 2013: Rs. 4.496 million).

19.2 These are bills of exchange in relation to inland letters of credit under vendor financing arrangement for purchase of coal and due in 90-120 days. Total available facilities aggregated to Rs. 579.000 million (FY 2013: Rs. 476.000 million) available from commercial banks. These facilities are secured against lien on import/local L/C documents, accepted draft/bill of exchange, 1st pari passu charge over all present and future fixed assets, to some extent, and personal guarantees of the sponsoring directors.

	Note	2014	2013
		(Rupees in 000s)	
19.3 Ijarah Rentals Payable			
Askari Bank Limited	19.3.1	**5,864**	8,716
First Punjab Modaraba	19.3.2	**–**	5,472
Meezan Bank Limited	19.3.3	**24,712**	40,816
		30,576	55,004

19.3.1 This represents the Ijarah finance facility obtained for Rs. 120.000 million for import of cement packing (stationery machine), wagon loading machines, belt conveyors and associated equipment.

This facility was rescheduled during the financial year 2011 and has to be repaid in quarterly installments till June 2014; profit rate is also revised at 3 months KIBOR plus 1% p.a. w.e.f. June 2011. This facility is secured against the exclusive ownership of the bank on such machinery & equipment to the extent of Rs. 120.000 million and personal guarantees of the sponsoring directors.

Notes to the Financial Statements

For the year ended June 30, 2014

19.3.2 This includes three trenches of Ijarah facility amounting to Rs. 12.598 million obtained for transport vehicles, carrying profit @ 6 months KIBOR plus 4.25%. This facility is secured against the exclusive ownership of the First Punjab Modaraba on the transport vehicles. This also includes an overdue ijarah facility of rotary kiln fan, which is secured against the exclusive ownership of such machinery.

19.3.3 During the financial year 2006, the Company had imported two gas-based power generators from Wartsila Finland and its import value of Rs. 283.486 million was financed by the company and consortium of various banks, financial institutions, and leasing companies. Out of this finance, Rs. 170 million was contributed in the form of finance leases, and Rs. 80 million was contributed by the Meezan Bank Limited in the form of Ijarah facility.

Ijarah facility provided by Meezan Bank Limited was presented as a part of finance leases along with finance lease portion of the Consortium till the previous published accounts. The same is now rectified along with its accrued markup and reclassified as ijara rental payable under trade and other payables. This facility became fully overdue during FY2011 , therefore there is no financial impact on the financial statements except for reclassification.

19.3.4 The total of future Ijarah payments are as under:

	2014		2013	
	within 1 year	between 1 - 5 year	within 1 year	between 1 - 5 year
	(Rupees in 000s)			
Askari Bank Limited	–	–	45,895	–
First Punjab Modaraba	9,496	536	6,140	13,954

	Note	2014	2013
		(Rupees in 000s)	
19.4 Due to workers' profit participation fund			
Opening balance		56,106	–
Allocation for the year	29	74,207	56,106
		130,313	56,106
Payment made during the year		(14,153)	–
Closing balance		116,160	56,106
19.5 Gratuity Fund			
The amounts recognized in the balance sheet on this account are as follows:			
Movement in the liability recognized in the balance sheet			
Net liability - opening balance		66,046	58,517
Expense charged to profit and loss account		18,266	17,887
Expense charged to other comprehensive income		(240)	187
Payments made by the company		(12,911)	(10,545)
Net liability - closing balance		71,161	66,046
Reconciliation of the liability as at 30th June:			
Present value of defined benefit obligations as at close of year		71,626	66,511
Fair value of plan assets		(465)	(465)
		71,161	66,046

	Note	2014	2013
		(Rupees in 000s)	
Reconciliation of the present value of defined benefit obligation			
Present value of defined benefit obligations at opening of period		66,511	58,983
Current service cost		11,661	10,280
Interest cost		6,651	7,667
Benefits paid		(12,911)	(10,545)
Actuarial loss / (gain)		(286)	126
Present value of defined benefit obligations at close of period		71,626	66,511
Expense recognized in profit and loss account			
Current service cost		11,661	10,280
Interest cost		6,605	7,607
		18,266	17,887
Salaries, wages and benefits include the following amounts on account of gratuity:			
Cost of sales		14,247	15,545
General and Administrative expenses		3,288	1,916
Selling and distribution		731	426
		18,266	17,887
Amount chargeable to Other Comprehensive Income			
Actuarial losses / (gains)		(286)	126
Return on plan assets		46	61
Effect of changes in assets ceiling		–	–
		(240)	187
Reconciliation of fair value of plan assets			
Fair value of plan assets - as at July 01,		465	465
Contribution to the fund by the company		12,911	10,545
Benefits paid		(12,911)	(10,545)
Expected return on plan assets		47	60
Actuarial (gain)/loss		(47)	(60)
Fair value of plan assets - as at June 30,		465	465
Plan assets comprise of :			
Debt instrument		465	465
Cash and bank		–	–
		465	465
Actual return on plan assets			
Expected return on plan assets		47	61
Actuarial (gain)/loss		(47)	(61)
		–	–

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For the year ended June 30, 2014

Principal actuarial assumptions

The latest actuarial valuation was carried out as at June 30, 2014 under the 'Projected Unit Credit Method'. The main assumptions used for actuarial valuation are as follows:

	2014	2013
Discount rate	**12% p.a.**	10% p.a.
Expected rate of future salary increase	**11% p.a.**	9% p.a.
Expected rate of return	**13% p.a.**	13% p.a.
Average working life time of employees	**10 years**	11 years

19.6 This includes unpresented cheques amounting to Rs. NIL (FY2013: Rs. 22.026 million) until the balance sheet date.

		Note	2014 (Rupees in 000s)	(Restated) 2013 (Rupees in 000s)
20	**MARKUP AND PROFIT PAYABLE**			
	Long term borrowings	20.1	**554,506**	542,753
	Short term borrowings		**53,822**	43,845
			608,328	586,598
	Mian Nazeer Ahmed Peracha - related party		**539**	687
			608,867	587,285
20.1	**Markup and Profits on Long Term Borrowings**			
	Redeemable Capital	20.1.1	**135,328**	231,354
	National Bank of Pakistan	20.1.2	**406,117**	342,438
	Saudi Pak Industrial & Agricultural Investment Co. Ltd	20.1.3	**100,827**	104,964
	NIB Bank Limited	20.1.4	**102,351**	67,618
	KASB Bank Limited	20.1.5	**11,858**	6,272
	Bank of Punjab	20.1.6	**586,465**	622,517
	Bank of Khyber	20.1.7	**113,478**	101,676
	Silk Bank Limited	20.1.8	**41,853**	37,902
	First Credit Investment Corporation	20.1.9	**35,735**	32,113
	Faysal Bank Limited	20.1.10	**59,178**	50,427
	Bank Islami Pakistan Limited	20.1.11	**104,411**	87,989
	Pak Brunei Investment Bank Limited		**–**	7,703
	Askari Bank Limited		**1,057**	1,099
			1,698,658	1,694,072
	Less: payable after 12 months shown as deferred markup and profit under deferred liabilities	18	**(1,144,152)**	(1,151,319)
			554,506	542,753

20.1.1 It includes profit accrued till March 31, 2010 amounting to Rs. 51.861 million and profit accrued from April 01, 2010 to March 31, 2011 amounting to Rs. 34.927 million which is deferred. The former is payable in unequal quarterly installments till September 30, 2016; whereas the latter is payable in unequal quarterly installments till June 2015.

20.1.2 It includes markup accrued till March 31, 2010 amounting to Rs. 83.551 million and markup accrued from April 01, 2010 to March 31, 2011 amounting to Rs. 87.027 million which is deferred. The former is payable in unequal quarterly installments till September 30, 2016; whereas the latter is payable in unequal quarterly installments till June 2015.

20.1.3 It includes markup accrued till November 30, 2013 amounting to Rs. 98.920 million which is deferred. This deferred markup is payable as a bullet payment on June 30, 2022.

20.1.4 It is payable in unequal quarterly installments till December 31, 2021.

20.1.5 It is payable in equal monthly installments till September 30, 2017.

20.1.6 It includes markup accrued till December 31, 2012 amounting to Rs. 347.285 million which is deferred and payable in equal monthly installments till December 31, 2022. Accrued markup amounting to Rs. 212.004 million will be waived off at tail end after successful payments of all the installments as per terms of agreement.

20.1.7 It includes markup accrued till December 31, 2012 amounting to Rs. 95.243 million which is deferred and payable during FY2019 as a bullet payment, whereas markup accrued from January 01, 2013 is also deferred and is payable in unequal monthly installments till December 20, 2019

20.1.8 It includes markup accrued till September 30, 2011 amounting to Rs. 16.375 million which is deferred and is payable in equal quarterly installments till September 30, 2018, whereas markup accrued from October 01, 2011 is also deferred and is payable in equal quarterly installments till September 30, 2020.

20.1.9 It includes markup accrued till February 28, 2013 amounting to Rs. 30.736 million which is deferred and is payable in unequal monthly installments till February 28, 2023; whereas markup accrued from March 01, 2013 is also deferred and is payable in equal monthly installments till February 28, 2022.

20.1.10 This markup is deferred and is payable in unequal quarterly installments till December 30, 2020.

20.1.11 This profit is deferred and is payable in equal monthly installments till March 30, 2019.

		Note	2014	2013
			(Rupees in 000s)	
21	SHORT TERM BORROWINGS			
	National Bank of Pakistan	21.1	137,847	141,838
	Mian Nazeer Ahmed Peracha - related party	21.2	29,170	37,170
			167,017	179,008

21.1 This is the overdue portion of PDA facility which shall be treated along with term loan as mentioned in Note 16.2.1.

21.2 This loan carries mark-up at the rate of 22.5% p.a. The Company intends to pay this loan on priority basis.

		Note	2014	2013
			(Rupees in 000s)	
22	CURRENT PORTION OF NON-CURRENT LIABILITIES			
	Redeemable Capital	17.1	117,853	189,180
	Borrowings from banks and financial institutions	17.2	721,258	548,740
			839,111	737,920

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in 000s)	
23	**TAXES AND DUTIES PAYABLE**			
	Excise duty payable		**321,221**	383,361
	Sales tax payable		**320,903**	260,930
	Provision for default surcharge		**282,383**	225,390
			924,507	869,681
	Less: Payable after 12 months shown as deferred taxes and duties payable	18	**(463,683)**	(706,690)
			460,824	162,991
	Current income tax		**(7,073)**	(25,557)
	Withholding tax payable		**103,753**	92,693
	Excise duties		**36,213**	28,464
	Royalty on raw material		**30,114**	27,466
	Import tax payable		**12,719**	12,719
	Other local taxes		**7,534**	7,534
			644,084	306,310

24 CONTINGENCIES AND COMMITMENTS

24.1 District Council - Chakwal served notices dated 25-07-1998 & 05-08-1998, whereby the Company had been directed to deposit an amount of Rs. 5.400 million being 'exit tax' pertaining to the year 1996-97 plus 0.108 million as Talkana / Revenue Commission (2% of total revenue) and also for the deposit of such tax on the prescribed rate in future. The Supreme Court of Pakistan had issued a stay order in respect of the payment of Rs.5.400 million as demanded by the District Council.

The Company also filed a writ petition in the Lahore High Court (the Court) against imposition of export tax on raw materials by District Council, Chakwal (the Council) and claimed refund of amounts already paid on this account. The Court vide its judgment dated 18-02-1997 directed the Council to refrain from collecting export tax on raw materials brought by the Company from its quarries to its factory. The Court further directed the Council to refund to the Company the sum of Rs.45.948 million recovered from it during the period from 1985-86 to 1996-97.

The Lahore High Court Rawalpindi Bench vide its order dated 17-03-1997 on a revision application by the District Council, suspended the operation of the judgment dated 18-02-1997. The matter is still pending for adjudication with the Lahore High Court - Rawalpindi Bench.

24.2 The Competition Commission of Pakistan (the CCP) took suo moto action under the Competition Ordinance, 2007 and issued Show Cause Notice on 28 October 2008 for increase in the prices of cement across the country. The similar notices were also issued to All Pakistan Cement Manufacturers Association (APCMA) and its member cement manufacturers. The Company has filed a Writ Petition in the Lahore High Court. The Lahore High Court, vide its order dated August 24, 2009 allowed the CCP to issue the final order. The CCP accordingly passed an order on August 28, 2009 and imposed a penalty amounting to Rs 39.126 million which has been challenged in the Court of law.

The Company's legal counsel is confident that the Company has a good case and there are reasonable chances of success to avoid the penalty, Hence, no provision for the above has been made in these financial statements.

24.3 The Pakistan Standards and Quality Control Authority (PSQCA) charged a marking fee @ 0.15% of the total production of cement to manufacturer for the renewal of license and imposed liability amounting to Rs. 24.000 million but management disagreed with this amount of liability. Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the pending Petition in the court.

24.4 Lahore High Court has granted stay order against the impugned order of the Member (Colonies), Board of Revenue, Government of Punjab for cancelling registered sales deed in respect of 400 kanals land purchased by the Company from the Government of Punjab to set up its new plant and converting this into long term lease. Adjudication in this appeal is pending. Based on the legal opinion, the management is confident that the Company has good case and there are reasonable chances of success in the Petition pending before the Lahore High Court.

24.5 The Income Tax Department passed amended assessment order u/s 122(5A) for the Tax Year 2008 by adding back expenses amounting to Rs. 1,231.921 million and creating tax demand of Rs. 84.292 million. This order was annulled by the Commissioner (Appeals) being barred by time limitation. The department has filed appeal before the Appellate Tribunal against the order of the Commissioner (Appeals), and the Company has also filed an appeal before the Appellate Tribunal against the order of the Commissioner (Appeals) for not deciding the case on merit.

The Income Tax Department passed amended assessment order u/s 122(1)/122(5) for the Tax Year 2009 by adding back expenses amounting to Rs.1,069.990 million. The Commissioner (Appeals) allowed partial relief to the Company. The Company as well as the department has filed appeal before the Appellate Tribunal against the order of the Commissioner (Appeals).

Both the appeals are pending for adjudication at the balance sheet date. The management and the tax advisor of the Company firmly believe that these appeals will be decided in favour of the Company.

24.6 During the period under review, the commercial banks have issued bank guarantees aggregating to Rs. 155 million to SNGPL on behalf of the Company.

		2014	2013
		(Rupees in 000s)	
25	**SALES - net**		
	Local sales	10,360,290	7,190,991
	Export sales	419,861	457,809
		10,780,151	7,648,800
	Less:		
	Sales tax	(1,692,312)	(997,833)
	Federal Excise Duty	(472,808)	(368,013)
	Discount to dealers	(67,768)	(52,738)
		(2,232,888)	(1,418,584)
		8,547,263	6,230,216

Notes to the Financial Statements

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		Note	2014	2013
			(Rupees in 000s)	
26	COST OF SALES			
	Raw materials consumed		907,980	309,019
	Packing materials consumed		525,491	385,279
	Stores and spares consumed		405,680	296,738
	Salaries, wages and benefits	26.1	193,075	170,553
	Fuel and power consumed		4,014,379	2,844,116
	Rent, rates and taxes		123,942	42,792
	Repair and maintenance		160,157	130,806
	Insurance		9,108	15,855
	Vehicle running and travelling		8,311	6,930
	Other expenses		14,373	13,320
	Depreciation	6.1.5	590,217	310,952
			6,952,713	4,526,360
	Adjustment of work-in-process inventory			
	Opening balance		48,100	57,751
	Closing balance		(744,525)	(48,100)
			(696,425)	9,651
	Cost of goods manufactured		6,256,288	4,536,011
	Adjustment of finished goods inventory			
	Opening balance		14,698	12,792
	Closing balance		(73,962)	(14,698)
			(59,264)	(1,906)
			6,197,024	4,534,105

26.1 Salaries, wages and benefits include contribution to provident fund aggregating Rs. 2.099 million (FY2013: Rs. 2.094 million).

		Note	2014	2013
			(Rupees in 000s)	
27	SELLING AND DISTRIBUTION EXPENSES			
	Salaries, wages and benefits		10,868	8,974
	Vehicle running and travelling		1,872	1,193
	Professional charges		6,440	4,218
	Advertisement and sale promotion		3,761	2,109
	Others		480	428
	Depreciation	6.1.5	427	218
			23,848	17,140

		Note	2014	2013
			(Rupees in 000s)	
28	**GENERAL AND ADMINISTRATION EXPENSES**			
	Directors' remuneration		27,000	–
	Salaries, wages and benefits		65,069	54,485
	Vehicle running and travelling		13,283	12,627
	Legal and professional charges		11,374	13,542
	Auditors' remuneration	28.1	1,725	1,715
	Communication expenses		9,203	7,202
	Insurance		–	849
	Rent, rates and taxes		4,555	3,264
	Fee and subscription		3,192	3,363
	Utilities		1,513	1,279
	Repair and maintenance		4,202	4,508
	Miscellaneous		5,371	5,395
	Amortization	7	297	–
	Depreciation	6.1.5	2,671	32,289
			149,455	140,518
28.1	**Auditors' remuneration**			
	Hyder Bhimji & Co.			
	Audit fee		1,000	1,000
	Half year review fee		500	500
	Certification fee		75	–
	Out-of-pocket expenses		150	215
			1,725	1,715
29	**OTHER EXPENSES**			
	Workers' Profit Participation Fund	19.4	74,207	56,106
	Provision for slow moving stores items	9 & 6.2.2	35,127	–
	Provision for doubtful debts	11	(2,584)	4,032
	Provision for balances doubtful of recovery	12.2	27,579	22,146
	Loss on disposal of property, plant and equipment		–	470
			134,329	82,754
30	**OTHER INCOME**			
	Income from financial assets			
	Profit on bank deposits		2,135	1,395
	Old credit balances written back - net		–	4
	Waiver of markup		–	95,000
	Waiver of default surcharge on excise duty and sales tax arrears paid under Amnesty Scheme		–	281,754
			2,135	378,153

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			(Rupees in 000s)	
31	**FINANCE COST**			
	Redeemable capital		36,932	39,932
	Banks and financial institutions:			
	Long term borrowings		298,998	314,819
	Short term borrowings		82,466	91,092
	Ijarah rentals		43,170	55,921
			461,566	501,764
	Related parties:			
	Directors' loan		66,483	105,555
	Mr. Daniyal Jawaid Paracha		21,378	–
	Workers' Profit Participation Fund Trust		247	–
	GCL Employees' Gratuity Fund Trust		3,797	–
			91,905	105,555
	Foreign exchange loss		423	(40)
	Late payment surcharge - utilities bills		204	251
	Commission on Letter of guarantees		2,035	–
	Provision for Default Surcharge on taxation		68,528	140,803
	Bank charges and others		10,149	8,990
			634,810	757,323
32	**TAXATION**			
	Current tax			
	Current period	32.1	232,120	9,600
	Prior period		(346)	5,875
			231,774	15,475
	Deferred taxation	18.1	329,560	–
			561,334	15,475

32.1 This represents higher of alternative corporate tax and corporate tax as well as tax on income chargeable under Final Tax Regime (FTR) - net off tax credits u/s 65B of the Income Tax Ordinance, 2001, if any. For the year, provision is made for alternative corporate tax, therefore, no numerical tax reconciliation is required.

		2014	2013
33	**EARNINGS PER SHARE - Basic and diluted**		
	Weighted average number of ordinary shares	400,273,960	400,273,960
	Profit after tax (Rupees in thousands)	848,838	1,060,867
	Earnings per share - after tax (Rupees)	2.12	2.65

There is no dilutive effect on the basic earning per share of the company.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price / equity risk, credit risk and liquidity risk. The company's principal financial liabilities comprise long term borrowings, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finance for company's operations. The company has various financial assets such as deposits, trade debts and other receivables and cash and bank balances, which are directly related to its operations. The company's finance department oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company's policies and risk appetite. No changes were made in the objectives, policies, procedures and assumptions during the year ended June 30, 2014. The policies for managing each of these risks are summarized below:

34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk i.e. currency risk, and other price risk, such as equity risk. Financial instruments susceptible to / affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2014.

34.1.1 Yield/Mark-up rate risk:

Yield/mark-up rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatch of financial assets and liabilities that mature or reprice in a given period. Significant interest rate risk exposure are primarily managed by a mix of borrowings at fixed and variable interest rates.

The effective yield/mark-up rate on the financial assets and liabilities to which the company is exposed to are disclosed in their respective notes to the financial statements.

34.1.2 Currency risk / Foreign Exchange risk:

Currency risk arises due to fluctuation in foreign exchange rates. The company also has transactional currency exposure. Such exposure arises mainly on sales and purchases of certain materials by the company that are denominated in a currency other than the functional currency i.e. Pakistani Rupee, primarily U.S. Dollars (USD). Payables exposed to foreign currency are not covered through any forward foreign exchange contracts or through hedging.

34.1.3 Other price risk / Equity Price risk:

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

34.2 Credit risk and concentration of credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts amounting to Rs. 252.013 million (FY 2013: Rs. 188.929 million). Company seeks to minimize the credit risk exposure through having exposure only to customers and suppliers considered credit worthy and also by obtaining advance against sales from customers. The carrying values of financial assets which are neither past due nor impaired are as under:

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in 000s)	
FINANCIAL ASSETS			
Long term deposits	8	82,806	70,308
Trade debts	11	252,013	188,929
Advances, deposits and other receivables	12	41,339	94,808
Cash and bank balances	13	32,964	22,718
		409,122	376,763

Credit quality of financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

34.3 Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The Company's production remained below its installed normal capacity. Due to this situation the working capital of the Company is negative as at the balance sheet date. The Company's Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer. As a result of these efforts, the working capital improved over the last year. Management also foresees that the said negative working capital position will become favourable in the period to come due to increased revenues from the continuous operation of plant and increase in demand and price of the cement and rescheduling of borrowings.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2014 based on contractual undiscounted payments date and present market interest rates.

	Overdue	Within 6 months	More than 6 months and up to 12 months	More than 1 year and up to 5 years	More than 5 years and up to 10 years	Total
	(Rupees in 000s)					
June 30, 2014						
Redeemable capital	22,929	44,964	49,960	104,916	–	222,769
Long term financing	304,866	197,755	218,635	1,497,632	721,091	2,939,979
Deferred liabilities	–	–	–	1,110,905	653,421	1,764,327
Trade and other payables	162,618	1,445,908	9,542	–	–	1,618,068
Markup and profits payable	440,367	83,676	84,825	–	–	608,867
Short term borrowings	137,847	–	29,170	–	–	167,017
	1,068,627	1,772,303	392,132	2,713,453	1,374,513	7,321,027

	Overdue	Within 6 months	More than 6 months and up to 12 months	More than 1 year and up to 5 years	More than 5 years and up to 10 years	Total
	(Rupees in 000s)					
June 30, 2013						
Redeemable capital	109,244	39,968	39,968	199,840	–	389,020
Long term financing	185,536	174,071	242,483	2,950,996	802,977	4,356,063
Deferred liabilities	–	–	–	1,265,936	749,248	2,015,184
Trade and other payables	195,355	989,237	39,826	–	–	1,224,418
Markup and profits payable	475,807	53,098	58,380	–	–	587,285
Short term borrowings	184,967	–	–	–	–	184,967
	1,150,910	1,256,374	380,657	4,416,772	1,552,225	8,756,937

34.4 Fair value of financial instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

34.5 Capital risk Management:

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for shareholders thereby maximizing their wealth, benefits for other stakeholders and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may return capital to shareholders or issue new shares. No changes were made in the capital structure during the year ended June 30, 2014.

The Company monitors capital by using a debt equity ratio, which is net debt divided by total capital plus debt. Net debt includes interest bearing borrowings and equity comprises of share capital, revenue reserves and surplus on revaluation of property, plant & equipment. The gearing ratios as at June 30, 2014 were as follows:

	Note	2014	2013
		(Rupees in 000s)	
Long term borrowings	17	2,847,654	3,409,480
Short term borrowings	21	167,017	179,008
Debts		3,014,671	3,588,488
Equity		6,310,118	1,609,501
Total capital (equity + debt)		9,324,789	5,197,989
Debt to equity ratio		0.32	0.69

Notes to the Financial Statements

For the year ended June 30, 2014

The Company finances its operations / expansion projects through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The sponsoring directors, being the majority shareholder of the Company, has extended their commitments to support and assist the company in ensuring that it remains viable in achieving its objectives in the long run, accordingly, they had already allowed their loan for conversion into equity and rendered their personal properties for repayment of company's obligations towards banking companies and financial institutions. In order to improve liquidity and profitability of the Company, the management is planning to take certain appropriate steps such as increase sales through export of cement to African countries.

35 As per latest available audited accounts (2009) of the Employees' Provident Fund Trust, the total size of the fund is Rs. 81.6 million, whereas the breakup of cost and fair value of the investment amounting to Rs. 57.1 million is held in National Savings Schemes Rs. 20 million (35%), due from GCL Rs. 26.6 million (46.6%), and cash and bank balances Rs. 10.5 million (18.4%). The Trust, having been managed by CBA, is in process of completing its accounts and audit to comply with the provisions of section 227 of the Companies Ordinance, 1984.

36 Total number of the Company's employees at the end of the financial year is 408 (FY2013: 408); whereas average number of employees for the financial year was 408 (FY2013: 400).

37 REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS & EXECUTIVES

The aggregated amounts charged in the financial statements as regard to the above stated remunerations:

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in 000s)					
Managerial Remuneration	18,000	–	9,000	900	30,100	19,963
Periquisites and benefits						
House rent	–	–	–	360	9,444	7,985
Entertainment	–	–	–	90	–	1,996
Medical	–	–	–	–	3,010	–
Utilities and other	–	–	–	150	–	9,982
Contribution to:						
Retirement benefits	–	–	–	200	–	4,513
	18,000	–	9,000	1,700	52,230	44,439
No. of employees	1	–	1	1	34	25

Managerial remuneraton includes basic salary, LFA, and bonus.

The chief executive, directors and executives are entitled to free use of the company's transport for business use.

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies/undertakings, directors of the Company, key management staff and staff retirement funds. Details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are stated below:

	2014	2013
	(Rupees in 000s)	
Balochistan Glass Limited (BGL) - associated undertaking		
Trade liability undertaken by BGL	–	(24,810)
Balance of BGL taken over by the CEO	–	(28,435)

All transactions were carried out on commercial terms and conditions at arm's length price using Comparable Uncontrollable Price method. Remuneration and benefits to key management personnel under the terms of their employment are given in note 37.

39 CAPACITY AND PRODUCTION - CLINKER

	2014	2013
	Tons	
Listed capacity	**2,010,000**	2,010,000
Production	**1,317,608**	953,966

Lower capacity utilization of cement plant is due to gap between demand and supply of cement in local market. The capacity figure of the plant is based on 300 days.

40 CORRESPONDING FIGURES

Correspondence figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Major reclassification made in the corresponding figures for better presentation are as under:

	30-06-2013	July 01, 2012	Reclassification	
	(Rupees in 000s)		From	To
Bills payable against inland letters of credit	264,767	284,366	Short term borrowings	Trade and other payables
Temporarily bank overdraft	22,026	–	Short term borrowings	Trade and other payables
Deferred income	212,004	6,810	Deferred income	Deferred markup and profit
Redeemable capital	199,840	–	Redeemable capital	Long Term Borrowings
Loan from Mr. Daniyal Jawaid Paracha	155,709	–	Short term borrowings	Long Term Borrowings
Meezan Bank Limited - Ijarah Rentals payable	32,871	38,271	Current maturity	Trade and other payables
Meezan Bank Limited - Ijarah Rentals payable	7,945	7,945	Markup payable	Trade and other payables
Ijarah Long term deposits	8,557	8,557	Lease finance	Ijarah facility
Legal and professional bills	15,845	28,067	Accrued liabilities	Trade and other payables

41 GENERAL

41.1 These financial statements have been authorized for issue by the Board of Directors of the Company in its meeting held on September 16, 2014.

41.2 Figures in these financial statements have been rounded off to the nearest of thousands rupees, unless otherwise stated.

Chief Executive Officer **Director**

Notes

Form of Proxy

The Secretary
Gharibwal Cement Limited
28-B/III, Gulberg III,
LAHORE

I/We ______________________________ of ______________________________ being a member of Gharibwal Cement Limited, and holder of ______________________ Ordinary Shares as per Shares Register Folio No. ______________________ hereby appoint Mr./Mrs./Ms. ______________________
of ____

Folio No. ______________ who is also a member of Gharibwal Cement Limited as my/our proxy to attend and vote for and on my / our behalf at the 54th Annual General Meeting of the Company to be held on Thursday, October 16, 2014 at 12:00 noon at the registeraed office of the Company (Gharibwal Cement Limited 28-B/III, Gulberg III, Lahore.) and at any adjournment thereof.

As witnessed given under my / our hand (s) ______________________ day of ________________ , 2014.

Signature

On five Rupees Revenue Stamp

Witness:

Signature________________
Name________________
Address________________

Note:

1. The Proxy in order to be valid must be signed across a Five Rupees Revenue Stamp and should be deposited in the Registered Office of the Company not later than 48 hours before the time of holding the meeting.

2. No person shall act as proxy unless he is a member of the Company.

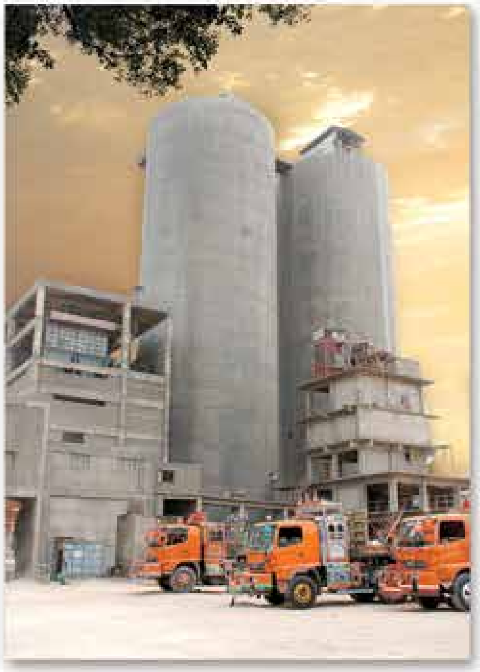
3. Signature should agree with the specimen signature registered with the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Gharibwal Cement Limited
28-B/III, Gulberg III,
Lahore.
UAN: +92 42 111 210 310

www.gharibwalcement.com



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