BESTWAY CEMENT LIMITED
UNCONSOLIDATD BALANCE SHEET
AS AT 30 JUNE 2015

	Note	2015	2014		Note	2015	2014
		….Rupees in thousands….				….Rupees in thousands….	
SHARE CAPITAL AND RESERVES				**NON CURRENT ASSETS**			
Issued, subscribed and paid up share capital	4	**5,793,849**	5,793,849	Property, plant and equipment	11	**24,658,980**	24,224,367
Share premium		**3,225,770**	3,225,770	Intangible asset	12	**27,518**	32,374
Unappropriated profit		**16,392,557**	13,524,545	Investment property	13	**345,905**	345,785
		25,412,176	22,544,164	Long term investments	14	**27,804,701**	1,862,803
				Long term advance		**4,003**	8,006
NON CURRENT LIABILITIES				Long term deposits	15	**90,073**	90,323
						52,931,180	26,563,658
Long term financing - secured	5	**13,200,000**	-				
Long term musharaka - secured	6	**8,800,000**	-				
Long term advance		**1,996**	5,988				
Deferred liabilities	7	**4,661,847**	4,798,556				
		26,663,843	4,804,544				
CURRENT LIABILITIES				**CURRENT ASSETS**			
Trade and other payables	8	**5,772,574**	4,899,142	Stores, spare parts and loose tools	16	**3,242,478**	4,044,671
Markup accrued		**416,546**	12,324	Stock in trade	17	**1,768,488**	1,932,612
Short term borrowings - secured	9	**835,809**	2,373,832	Trade debts - considered good	18	**746,333**	571,981
Current portion of long term financing	5	**1,800,000**	-	Advances	19	**393,711**	400,784
Current portion of long term musharaka	6	**1,200,000**	-	Deposits and prepayments	20	**12,056**	21,518
Provision for taxation - net		**138,860**	160,738	Interest accrued		**3,150**	704
		10,163,789	7,446,036	Other receivables	21	**80,506**	1,820
				Due from Government agencies	22	**693,161**	1,040,735
				Bank balances	23	**2,368,745**	216,262
						9,308,628	8,231,087
		62,239,808	34,794,745			**62,239,808**	34,794,745

CONTINGENCIES AND COMMITMENTS 10

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

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2015

	Note	**2015**	2014
		….(Rupees in thousands)….	
Turnover - net	24	**30,509,548**	28,950,528
Cost of sales	25	**17,955,055**	17,570,204
Gross profit		**12,554,493**	11,380,324
Administrative expenses	26	**384,994**	302,155
Distribution cost	27	**746,302**	706,974
Other expenses	28	**732,265**	596,702
Finance cost	29	**386,682**	462,030
Other income	30	**(1,296,585)**	(1,121,693)
		953,658	946,168
Profit before taxation		**11,600,835**	10,434,156
Taxation	31	**(2,932,910)**	(2,562,419)
Profit for the year		**8,667,925**	7,871,737
Earnings per share - basic and diluted	35	**14.96**	14.76

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

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

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

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

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		….(Rupees in thousands)….	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**11,600,835**	10,434,156
Adjustments for:			
Gain on disposal of operating fixed assets		**(12,347)**	(24,284)
Depreciation		**1,181,281**	1,061,031
Amortization		**4,856**	5,919
Rental income from investment property		**(26,705)**	(24,639)
Profit on deposit accounts		**(65,420)**	(51,794)
Gain on remeasurement of investment property to fair value		**(120)**	(31,791)
Finance cost		**386,682**	462,030
Provision for staff retirement benefits		**53,292**	38,752
		1,521,519	1,435,224
		13,122,354	10,886,058
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		**779,036**	(327,402)
Stock in trade		**164,124**	290,823
Trade debts		**(174,352)**	(283,309)
Advances		**7,073**	(186,741)
Deposits and prepayments		**9,462**	43,080
Other receivables		**(78,686)**	(499)
Due from Government agencies		**347,574**	(111,104)
Increase in current liabilities			
Trade and other payables		**(895,788)**	1,313,056
		158,443	737,904
Cash generated from operations		**13,280,797**	11,623,962
Finance cost paid		**(113,417)**	(518,533)
Staff retirement benefits paid		**(25,739)**	(13,962)
Income tax paid during the year		**(1,929,169)**	(694,882)
		(2,068,325)	(1,227,377)
Net cash generated from operating activities		**11,212,472**	10,396,585
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		**(1,476,026)**	(2,006,300)
Proceeds from sale of operating fixed assets		**26,593**	42,802
Rent received from investment property		**26,356**	30,945
Decrease in long term advance		**11**	4,003
Profit on deposit accounts received		**62,974**	51,230
Decrease/ (Increase) to long term deposits		**250**	(57)
Acquisition of subsidiary		**(25,941,898)**	-
Net cash (used in) / generated from investing activities		**(27,301,740)**	(1,877,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**15,000,000**	-
Repayment of long term financing		**-**	(5,868,750)
Long term shirkat-ul-melk - repayments		**-**	(200,000)
Liability against asset subject to finance lease - repayments		**-**	(59,061)
Proceeds from long term musharika		**10,000,000**	-
Repayment of long term musharika		**-**	(300,000)
Dividend paid		**(5,220,226)**	(3,618,991)
Net cash used in financing activities		**19,779,774**	(10,046,802)
Net decrease in cash and cash equivalents		**3,690,506**	(1,527,594)
Cash and cash equivalents at beginning of the year		**(2,157,570)**	(629,976)
Cash and cash equivalents at end of the year	36	**1,532,936**	(2,157,570)

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

CHIEF EXECUTIVE **DIRECTOR & CFO**

BESTWAY CEMENT LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

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

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

CHIEF EXECUTIVE **DIRECTOR & CFO**

1. THE COMPANY AND ITS OPERATIONS

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

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

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

2. BASIS OF PREPARATION

2.1 Separate financial statements

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

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

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

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

2.2 Statement of compliance

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

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

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

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

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

2.5.1 Property, plant and equipment

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

2.5.2 Provision for inventory obsolescence and doubtful receivables

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

2.5.3 Taxation

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

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

2.5.4 Provision of staff retirement gratuity

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

2.5.5 Provisions and contingencies

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

2.5.6 Impairment of assets

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

2.5.7 Fair value of investment property

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

2.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s unconsolidated financial statements.

- IFRS 10 ‘Consolidated unconsolidated financial statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate unconsolidated financial statements’. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate unconsolidated financial statements’ and will deal with only separate unconsolidated financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company’s unconsolidated financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company’s unconsolidated financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's unconsolidated financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's unconsolidated financial

- Amendments to IAS 27 'Separate unconsolidated financial statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate unconsolidated financial statements. The adoption of the amended standard is not likely to have an impact on Company's unconsolidated financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on Company's unconsolidated financial statements.

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Employees' Benefits

Gratuity - Defined benefit plan

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

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

Compensated absences

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

3.2 Taxation

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

Current

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

Deferred

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

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

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

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

3.3 Provisions

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

3.4 Borrowing cost

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

3.5 Property, plant and equipment

Tangible assets

Owned

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

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

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

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

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

Leased

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

3.6 Intangible assets

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

Amortization of intangible assets, having finite useful life, is charged by applying straight line method over their estimated useful lives, so as to write off the cost of assets at amortization rate as mentioned in note 13 to the unconsolidated financial statements.

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

3.7 Investment property

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

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

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

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

3.8 Impairment

Non-financial assets

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

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

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Financial assets

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

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

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

3.9 Foreign currency

Foreign currency transactions

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

3.10 Investments

Investments in subsidiary

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

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

Investments in associate

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

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

3.11 Stores, spare parts and loose tools

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

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

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

3.12 Stock in trade

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

3.13 Revenue recognition

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

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

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

3.14 Markup bearing borrowings

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

3.15 Financial instruments

Non-derivative financial assets

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

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

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

Trade debts, other receivables and other financial assets

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

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

Offsetting of financial assets and financial liabilities

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

3.16 Dividend

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

3.17 Earnings per share

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

4 Issued, subscribed and paid up share capital

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

Authorised share capital

700,000,000 (2014: 700,000,000) ordinary shares of Rs.10 each	**7,000,000**	7,000,000

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

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

5.1 Syndicate term finance facilities

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

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

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

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

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

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

		2015	2014
Taxable temporary differences			
Accelerated depreciation		**4,399,531**	4,571,911
Accelerated amortization		**7,096**	7,348
	7.1.1	**4,406,627**	4,579,259

7.1.1 Movement of deferred tax liability is as follows:

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

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

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

Actuarial Assumptions

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

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

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

Sensitivity analysis

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

	30 June 2015		30 June 2014	
	Increase	**Decrease**	Increase	Decrease
		….(Rupees in thousands)….		
Discount rate (1% movement)	**220,276**	**255,352**	185,748	216,685
Future salary growth (1% movement)	**256,364**	**219,144**	216,685	185,509
Future mortality (1 year change)	**236,546**	**236,420**	200,119	199,451
Withdrawal rate (10% movement)	**236,863**	**236,085**	200,383	198,730

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

Expected maturity profile

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

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

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

Risk associated with defined benefit plan

Longevity Risks

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

Salary Increase Risk

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

Withdrawal Risk

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

Historical information
Present value of the defined benefit obligation

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

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

8 Trade and other payables

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

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

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

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

9 Short term borrowings - secured

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

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

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

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

9.4 Unavailed facilities

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

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

10 Contingencies and commitments		**2015**	2014
	Note	**….(Rupees in thousands)….**	
In respect of bank guarantees	10.1.1	**32,627**	40,457
In respect of letters of credits		**546,103**	1,024,567

10.1 Contingencies and commitments

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

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

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

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

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

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

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

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

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

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

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

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

11	**Property, plant and equipment**	**Note**	**2015**	2014
			….(Rupees in thousands)….	
	Operating fixed assets	11.1	**24,591,328**	23,731,903
	Capital work in progress	11.2	**67,652**	492,464
			24,658,980	24,224,367

BESTWAY CEMENT LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11.1 Operating fixed assets

	Owned									Leased	
	Free hold land	**Lease hold land**	**Buildings on free hold land**	**Plant and machinery**	**Quarry equipment**	**Other equipment**	**Furniture and fixtures**	**Vehicles**	**Office equipment**	**Plant and machinery**	**Total**
	….(Rupees in thousands)….										
<u>Tangible assets</u>											
Cost											
Balance at 01 July 2013	1,178,447	39,517	6,189,587	20,142,199	1,031,090	129,550	94,698	206,578	105,749	227,054	29,344,469
Additions during the year	7,528	-	3,570	323,809	564,962	5,089	7,991	33,933	12,856	-	959,738
Transfers	-	-	4,048	1,137,638	-	-	-	-	-	(227,054)	914,632
Transfer from investment property	-	-	33,889	-	-	-	-	-	-	-	33,889
Adjustments	-	-	-	(249,406)	-	-	-	-	-	-	(249,406)
Disposals	-	-	-	(7,255)	(28,001)	-	-	(15,624)	-	-	(50,880)
Balance at 30 June 2014	1,185,975	39,517	6,231,094	21,346,985	1,568,051	134,639	102,689	224,887	118,605	-	30,952,442
Balance at 01 July 2014	1,185,975	39,517	6,231,094	21,346,984	1,568,051	134,639	102,689	224,887	118,605	-	**30,952,441**
Additions during the year	21,771	-	7,020	2,006	38,069	13,891	7,355	62,277	16,754	-	**169,143**
Transfers	-	-	279,093	1,583,559	-	-	-	-	-	-	**1,862,652**
Disposals	-	-	-	-	-	-	-	(57,843)	-	-	**(57,843)**
Balance at 30 June 2015	**1,207,746**	**39,517**	**6,517,207**	**22,932,549**	**1,606,120**	**148,530**	**110,044**	**229,321**	**135,359**	**-**	**32,926,393**
Depreciation											
Balance at 01 July 2013	-	19,681	1,413,757	3,868,837	627,345	61,214	43,088	110,624	52,401	37,841	6,234,788
Charge for the year	-	1,351	207,950	714,007	84,774	9,900	5,565	21,070	8,846	7,568	1,061,031
Transfer	-	-	-	45,409	-	-	-	-	-	(45,409)	-
Adjustments	-	-	-	(42,919)	-	-	-	-	-	-	(42,919)
Disposals	-	-	-	(1,884)	(22,205)	-	-	(8,273)	-	-	(32,362)
Balance at 30 June 2014	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-	7,220,538
Balance at 01 July 2014	-	21,032	1,621,707	4,583,450	689,914	71,114	48,653	123,421	61,247	-	**7,220,538**
Charge for the year	-	1,251	210,199	787,799	134,551	9,307	5,623	22,768	9,783	-	**1,181,281**
Transfer	-	-	-	(23,157)	-	-	-	-	-	-	**(23,157)**
Disposals	-	-	-	-	-	-		(43,597)	-	-	**(43,597)**
Balance at 30 June 2015	-	22,283	1,831,906	5,348,092	824,465	80,421	54,276	102,592	71,030	-	**8,335,065**
Carrying value - 2015	**1,207,746**	**17,234**	**4,685,301**	**17,584,457**	**781,655**	**68,109**	**55,768**	**126,729**	**64,329**	**-**	**24,591,328**
Carrying value - 2014	1,185,975	18,485	4,609,387	16,763,535	878,137	63,525	54,036	101,466	57,358	-	23,731,904
Life in years / rates of depreciation per annum		30yrs	30yrs	30yrs - 10%	15%	10-15%	10%	20%	15%	30yrs	

11.1.2 Disposal of property, plant and equipment

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

		Note	2015	2014
			….(Rupees in thousands)….	
11.1.3	**Depreciation charge for the year has been allocated as follow:**			
	Cost of sales	25	**1,165,814**	1,047,644
	Administrative expenses	26	**9,649**	8,151
	Distribution cost	27	**5,818**	5,236
			1,181,281	1,061,031
11.2	**Capital work in progress**			
	Opening balance		**492,464**	360,533
	Additions during the year	11.2.1	**1,437,840**	1,046,563
			1,930,304	1,407,096
	Transferred to operating fixed assets:			
	Plant and machinery		**(1,583,559)**	(910,584)
	Buildings on freehold land		**(279,093)**	(4,048)
			(1,862,652)	(914,632)
		11.2.2	**67,652**	492,464

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

		Note	2015	2014
			….(Rupees in thousands)….	
11.2.2	Break up of capital work in progress is as follows:			
	Plant and machinery and other equipment		**28,340**	477,223
	Advances for capital work in progress		**39,312**	15,241
			67,652	492,464
12	**Intangible asset - computer softwares**			
	Cost			
	Opening balance		**53,411**	53,411
	Additions during the year		**-**	-
	Closing balance		**53,411**	53,411
	Amortization			
	Opening balance		**21,037**	15,118
	Charge for the year	26	**4,856**	5,919
	Closing balance		**25,893**	21,037
	Carrying value		**27,518**	32,374
	Amortisation rate		**15%**	15%
13	**Investment property**			
	Opening balance		**345,785**	347,883
	Surplus on remeasurement of investment property to fair value	13.1	**120**	31,791
	Transfer to property, plant and equipment	13.2	**-**	(33,889)
	Closing balance		**345,905**	345,785

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

14 Long term investments

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

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

14.2 This represents 88.2% share in the equity of Pakcem Limited (formerly Lafarge Pakistan Cement Limited) (PCL), a company having its principal place in Islamabad, acquired at an average price of Rs. 20.20 per share during the year . Market value of investment in PCL as at 30 June 2015 was Rs. 24,993,319 thousand. (2014: Nil). Management of the Company has carried out an impairment analysis for this investment, based on future expected cash flows for the next five years and theron cash flows on terminal values. The future cash flows have been discounted at Weighted Average Cost of Capital of 17%. Based on this analysis management believes that investment in subsidiary Company is not impaired.

15 Long term deposits

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

16 Stores, spare parts and loose tools

	Note	2015	2014
		….(Rupees in thousands)….	
Stores, spare parts and loose tools		**2,935,339**	3,174,169
Stores and spare parts in transit		**307,139**	870,502
		3,242,478	4,044,671

17 Stock in trade

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

			2015	2014
17	**Stock in trade**		**….(Rupees in thousands)….**	
	Raw and packing material		**228,646**	231,037
	Work in process		**1,294,339**	1,303,695
	Finished stock	17.1	**245,503**	397,880
			1,768,488	1,932,612

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

18 Trade debts - considered good

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

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

		2015	2014
19	**Advances**	**….(Rupees in thousands)….**	
	Advances to executives and employees- considered good	**3,206**	2,666
	Advances to suppliers and contractors - considered good	**386,502**	394,115
	Current portion of long term advance	**4,003**	4,003
		393,711	400,784

20	**Deposits and prepayments**		
	Security deposits	**4,626**	4,875
	Prepayments	**7,430**	16,643
		12,056	21,518

21 Other receivable

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

			2015	2014
22	**Due from Government agencies**	**Note**	**….(Rupees in thousands)….**	
	Customs duty	22.1	**28,373**	28,373
	Capital value tax	22.1	**11,729**	11,729
	Excise duty	22.2	**615,146**	615,146
	Sales tax - net		**37,913**	385,487
			693,161	1,040,735

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

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

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

The Company has filed a claim for Rs. 615.15 million (2014: 615.15 million) relating to duty paid during the period June 1998 to April 1999 which pursuant to the above decision was otherwise not leviable and payable under the law. Commissioner Appeals rejected the claim of the Company pertaining to BCL of Rs. 211.15 million, and the Company has filed an appeal with Appellate Tribunal against unlawful rejection of refund claims. A number of hearings were conducted during the year but the case is yet to be discussed.

Further on Mustehkam Cement Limited refund claim (before merger) of Rs. 404 million tax authorities held the proceedings in abeyance due to awaiting result of litigation on BCL refund claim.

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

23	**Bank balances**	**Note**	**2015**	2014
			….(Rupees in thousands)….	
	Current accounts	23.1	**97,725**	146,326
	Deposit accounts	23.2 & 23.3	**2,271,020**	69,936

2,368,745	216,262

23.1 This includes Rs.53.37 million (2014: Rs. 62.22 million) held in current accounts maintained with United Bank Limited, a related party.

23.2 Deposit accounts carry interest rates ranging from 1% to 8.6 % (2014: 1% to 10%) per annum. This includes investment of Rs. 2.2 billion in 15 days term deposit with Allied Bank Limited carrying markup at 7% per annum.

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

24 Turnover - net

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

25 Cost of sales

	Note	2015	2014
Raw and packing materials consumed	25.1	**2,990,925**	2,680,760
Fuel and power		**11,360,154**	11,718,999
Stores, spare parts and loose tools consumed		**976,890**	803,265
Repairs and maintenance		**165,589**	91,240
Salaries, wages and benefits	25.2	**683,687**	584,279
Support services		**288,091**	250,354
Insurance		**29,985**	29,767
Equipment rental		**16,783**	17,434
Utilities		**10,026**	9,454
Travelling, conveyance and subsistence		**54,871**	59,227
Communication		**4,217**	3,930
Printing and stationery		**6,027**	5,756
Entertainment		**6,534**	4,268
Depreciation	11.1.3	**1,165,814**	1,047,644
Amortization	12.1	**4,856**	5,919
Other manufacturing expenses		**28,873**	18,426
		17,793,322	17,330,722
Opening work in process		**1,303,695**	1,470,344
Closing work in process		**(1,294,339)**	(1,303,695)
Cost of goods manufactured		**17,802,678**	17,497,371
Opening finished stock		**397,880**	470,713
Closing finished stock		**(245,503)**	(397,880)

	17,955,055	17,570,204

25.1 Raw and packing materials consumed	**2015**	2014
	….(Rupees in thousands)….	
Opening balance	**231,037**	282,378
Purchases made during the year	**2,988,534**	2,629,419
Closing balance	**(228,646)**	(231,037)
	2,990,925	2,680,760

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

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

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

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

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

None of the trustees or their spouses have a beneficial interest in the Foundation.

		Note	2015	2014
26.3	**Auditors' remuneration**		….(Rupees in thousands)….	
	Annual audit fee		**1,500**	1,500
	Audit fee for audit of consolidated financial statements		**600**	-
	Fee of half year review		**500**	500
	Statutory certifications		**910**	75
	Taxation services		**150**	603
	Transaction advisory services		**5,608**	-
	Out of pocket expenses		**378**	75
			9,646	2,753
27	**Distribution cost**			
	Salaries, wages and benefits	27.1	**54,584**	45,780
	Support services		**1,111**	1,153
	Rent, rates and taxes		**11,009**	10,900
	Repairs and maintenance		**2,719**	1,280
	Utilities		**1,068**	850
	Travelling, conveyance and subsistence		**5,887**	6,520
	Communication		**1,037**	1,097
	Printing and stationery		**1,817**	1,627
	Entertainment		**1,329**	1,301
	Advertising and promotion		**5,126**	6,052
	Depreciation	11.1.3	**5,818**	5,236
	Fees and subscription		**37,804**	32,086
	Freight and handling - Local		**68,532**	83,128
	- Export		**546,450**	500,937
	Other		**2,011**	9,027
			746,302	706,974

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

		2015	2014
28	**Other expenses**	….(Rupees in thousands)….	
	Workers' (Profit) Participation Fund	**180,440**	101,244
	Workers' Welfare Fund	**551,825**	495,458
		732,265	596,702

		2015	2014
29	**Finance cost**	**….(Rupees in thousands)….**	
	Markup on long term financing	**117,567**	398,544
	Markup on long term musharaka	**164,909**	21,984
	Markup on liability against assets subject to finance lease	**-**	4,230
	Markup on short term borrowings	**65,602**	22,245
	Bank charges and commissions	**38,604**	15,027
		386,682	462,030

30	**Other income**		
	Income from financial assets		
	Profit on deposit accounts	**65,420**	51,794
	Exchange gain - net	**6,491**	1,682
		71,911	53,476
	Income from non financial assets		
	Gain on disposal of operating fixed assets	**12,347**	24,284
	Dividend income from United Bank Limited (Associate)	**1,123,797**	983,322
	Rental income from investment property	**26,705**	24,639
	Gain on remeasurement of investment property to fair value	**120**	31,791
	Management fee from related party	**58,734**	1,200
	Other	**2,971**	2,981
		1,224,674	1,068,217
		1,296,585	1,121,693

31	**Taxation**		
	Current	**3,105,542**	1,279,029
	Deferred	**(172,632)**	1,283,390
		2,932,910	2,562,419

31.1 Numerical reconciliation between tax expense and accounting profit multiplied by the applicable tax

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

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

- The assessment of the Company for the Tax Years 2003 through 2014 stood finalized under the self assessment scheme envisaged under the Income Tax Ordinance, 2001 [the Ordinance].

- The tax authority’s leveid tax of Rs. 99.08 million under section 161 of the Ordinance along with default surcharge of Rs.124.93 million for Tax year 2005 by rejecting the legal ground of time limitation raised by the Company. On Company's appeal the CIR(A) passed an order by setting aside the assessment order which was agitated by the Company before the ATIR which in pending for adjudication. The ATIR stayed the re-assessment proceedings till disposal of appeal by the ATIR.

- The tax authorities initiated audit proceedings for the Tax Years 2006 through 2008. The audit proceedings for the Tax Years 2006 and 2007 have been concluded, while the audit proceedings for the Tax Year 2008 are still pending.

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

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

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

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

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

- The tax authority has leveid tax of Rs. 9.59 million under section 161 of the Ordinance along with default surcharge of Rs. 14.76 million for tax year 2007 by rejecting the legal ground of time limitation raised by the Company. On Company's appeal the CIR(A) passed an order setting aside the assessment order which has been agitated by the Company before the ATIR which is pending for adjudication.

- For the Assessment Year 1998-99, the Taxation Officer charged additional tax amounting to Rs. 10.39 million in terms of section 87 of the repealed Income Tax Ordinance, 1979 for non-payment of advance tax. At that time, no appeal was filed with the CIR(A) against the impugned order on instructions of the Government of Pakistan [GoP] as MCL was a State owned Enterprise then, and GoP insisted to resolve the disputes with the Federal Board of Revenue through inter-ministerial consultations. After Company‘s privatization, it pursued it’s case before the appellate authorities and accordingly filed an appeal with the CIR (A) with the request for condonation of delay in time for filing of appeal within the prescribed time. This request for condonation of delay was not accepted. MCL filed appeal with the ATIR where the request for condonation in filling of appeal was also not entertained. Accordingly, MCL filed a reference with the High Court, which we understand is subjudice till to-date.

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

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

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

32 Remuneration of the chief executive, directors and executives

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

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

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

33 Transactions and balances with related parties

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

	Note	**2015**	2014
Transactions and balances with parent company		**….(Rupees in thousands)….**	
Management charges		**-**	550
Dividend paid		**2,334,226**	656,068
Payable balance at year end - unsecured		**965,749**	421,003
Transactions with subsidiary company			
Sale of coal		**75,289**	-
Tansfer of store items		**5,312**	-
Management fee		**57,534**	-
Purchase of tax losses		**825,000**	-
Transactions with associated undertakings under common directorship			
Management fee		**1,200**	1,200
Service / bank charges		**7,119**	6,097
Donations		**87,407**	85,507
Dividend received		**1,123,797**	983,322
Sale of cement		**5,704**	5,796
Utility expense paid		**54**	59
Transactions and balances with key management personnel			
	Note		
Remuneration, allowances and benefits	33.1	**607,348**	534,416
Advances given during the year		**-**	1,082
Repayments		**-**	2,069
Balance of advances at the year end - unsecured		**-**	1,379

	2015	2014
33.1 Remuneration, allowances and benefits	**….(Rupees in thousands)….**	
Dividend paid	**222,574**	222,574
Managerial remuneration and allowances	**294,944**	251,212
Bonus	**48,685**	35,247
Provision for gratuity	**26,069**	12,143
Provision for compensated absences	**15,077**	13,240
	607,349	534,416

34 Financial instruments

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

Credit risk
Liquidity risk
Market risk

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

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

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

34.1 Credit risk

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

	2015	2014
	….(Rupees in thousands)….	
Long term deposits	**90,073**	90,323
Long term advances	**4,003**	12,009
Trade debts	**746,333**	571,981
Advances	**3,206**	2,666
Deposits	**4,626**	4,875
Interest accrued	**3,150**	704
Other receivables	**80,506**	1,820
Bank balances	**2,368,745**	216,262
	3,300,642	900,640

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

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

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

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

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

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

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

Impairment losses

The aging of trade debts at the reporting date is:	**Gross 2015**	**Impairment 2015**	Gross 2014	Impairment 2014
		….(Rupees in thousands)….		
Past due 1-30 days	**739,463**	**-**	558,863	-
Past due 31-60 days	**98**	**-**	601	-
Past due 61-90 days	**-**	**-**	6,566	-
Over 90 days	**6,772**	**-**	5,951	-
	746,333	**-**	571,981	-

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

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

34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2015	**Carrying amount**	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**	**After five years**
				….(Rupees in thousands)….			
Financial liabilities							
Long term financing	**15,000,000**	**18,703,767**	**1,528,718**	**1,490,995**	**4,334,739**	**11,349,315**	**-**
Long term musharaka	**10,000,000**	**12,469,177**	**1,019,145**	**993,996**	**2,889,826**	**7,566,210**	**-**
Markup accrued	**416,546**	**416,546**	**416,546**	**-**	**-**	**-**	**-**
Trade and other payables	**3,833,578**	**3,833,578**	**3,833,578**	**-**	**-**	**-**	**-**
Short term borrowings	**835,809**	**835,809**	**835,809**	**-**	**-**	**-**	**-**
	30,085,933	**36,258,877**	**7,633,796**	**2,484,991**	**7,224,565**	**18,915,525**	**-**
2014							
Financial liabilities							
Markup accrued	12,324	12,324	12,324	-	-	-	-
Trade and other payables	3,962,314	3,962,314	3,962,314	-	-	-	-
Short term borrowings	2,373,832	2,373,832	2,373,832	-	-	-	-
	6,348,470	6,348,470	6,348,470	-	-	-	-

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

34.3 Market risk

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

34.3.1 Currency risk

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

The following significant exchange rates applied during the year	**2015**	2014	**2015**	2014
	Average rates		**Reporting date spot rates**	
Rupees / Dollars	**101.65**	99.05	**101.79**	98.75

Sensitivity analysis

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

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

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

34.3.2 Interest rate risk

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100 basis points decrease	**100 basis points increase**
Cash flow sensitivity (net)	**….(Rupees in thousands)….**	
Variable rate instruments	**254,706**	**(254,706)**
30 June 2015	**254,706**	**(254,706)**
Variable rate instruments	45,079	(45,079)
30 June 2014	45,079	(45,079)

Fair value of financial assets and liabilities

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

34.4 Fair value versus carrying amounts

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

	2015		2014	
Assets carried at amortized cost	**Carrying value**	**Fair value**	Carrying value	Fair value
	…….(Rupees in thousands)…….			
Long term advances	**8,006**	**8,006**	12,009	12,009
Long term deposits	**90,073**	**90,073**	90,323	90,323
Trade debts	**746,333**	**746,333**	571,981	571,981
Advances	**393,711**	**393,711**	2,666	2,666
Deposits	**12,056**	**12,056**	4,875	4,875
Interest accrued	**3,150**	**3,150**	704	704
Other receivables	**80,506**	**80,506**	1,820	1,820
Bank balances	**2,368,745**	**2,368,745**	216,262	216,262
	3,702,580	**3,702,580**	900,640	900,640
Liabilities carried at amortized cost				
Long term financing	**15,000,000**	**15,000,000**	-	-
Long term musharaka - secured	**10,000,000**	**10,000,000**	-	-
Trade and other payables	**5,772,574**	**5,772,574**	3,962,314	3,962,314
Markup accrued	**416,546**	**416,546**	12,324	12,324
Short term borrowings	**835,809**	**835,809**	2,373,832	2,373,832
	32,024,929	**32,024,929**	6,348,470	6,348,470

34.5 Determination of fair values

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

34.6 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

35 Earnings per share (basic and diluted)

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

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

36 Cash and cash equivalents

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

37 Plants capacity and production of clinker

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

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

38 General

38.1 Number of persons employed

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

38.2 Post Balance Sheet Events

38.2.1 The Board of Directors in their meeting held on ______ has proposed a final dividend of Rs. ___ per share.

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

CHIEF EXECUTIVE **DIRECTOR & CFO**