Attock Cement Pakistan Limited

FALCON CEMENT

First Quarter Report September 30, 2013

CONTENTS

COMPANY INFORMATION

Board of Directors
Dr. Ghaith R. Pharaon (Chairman)
Laith G. Pharaon
Wael G. Pharaon
Shuaib A. Malik
Abdus Sattar
Fakhrul Islam Baig
Babar Bashir Nawaz

Chief Executive
Babar Bashir Nawaz

Alternate Directors
Shuaib A. Malik
Irfan Amanullah

Audit Committee of the Board

Abdus Sattar	Chairman
Shuaib A. Malik	Member
Fakhrul Islam Baig	Member

HR & Remuneration Committee

Shuaib A. Malik	Chairman
Abdus Sattar	Member
Babar Bashir Nawaz	Member

Company Secretary
Irfan Amanullah

Auditors
A.F. Ferguson & Co.
Chartered Accountants

Cost Auditors
Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor
Sattar & Sattar
Attorneys at Law

Bankers
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan Ltd.
Allied Bank Ltd.
Bank Al-Habib Ltd.
JS Bank Limited
NIB Bank Limited
United Bank Limited
Meezan Bank Limited
Barclays Bank PLC, Pakistan
The Bank of Punjab
Habib Bank Limited
Askari Bank Limited

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Website: www.attockcement.com

Plant
Hub Chowki, Lasbella
Baluchistan

Share Registrar
Technology Trade (Pvt) Limited
Dagia House, 241-C, Block-2
PECHS, Off: Shahrah-e-Quaideen,
Karachi.
Tel: (92-21) 34391316-17
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DIRECTORS’ REVIEW

DIRECTORS' REVIEW

The Directors are pleased to announce the results of the Company for the quarter ended September 30, 2013.

OPERATIONAL RESULTS

Production and sales figures for the quarter ended September 30, 2013 are as follows:

	July - Sept 2013		July - Sept 2012
		Tons	
Clinker Production	**461,349**		403,624
Cement Production	**457,721**		402,184
Cement Despatch - Local	**291,441**		299,541
- Export	**160,064**		97,935
	451,505		397,476
Clinker Capacity Utilization	**108%**		94%

The overall capacity utilization remained at 108%, significantly high compared to same period last year because of the planned shutdown undertaken during the same period last year. The overall plant performance remained smooth and trouble free.

INDUSTRY REVIEW

During the first quarter, the cement industry remained under pressure and witnessed a very meager growth of 1% as compared to same period last year. Local demand grew by 2% and export sales decreased by 1% over the corresponding period. Local sales were badly affected due to monsoon rains, seasonal effects and extended festival holidays. Furthermore during the period under review the Federal Government introduced certain vital amendments in the fiscal laws which also affected the business activities in general at wholesale and retail levels.

SALES REVIEW

During the quarter under review, overall cement sales of the Company improved by 14% as compared to same period last year. However, local sales decreased by almost 3% as compared to same period last year. Company, as a part of its strategy to maximize its sales, made additional exports which increased by 63% as compared to same period last year. The Company's efforts to diversify its sales played a vital role and now the company has become an established player in the markets of South Africa and Sri Lanka.

FINANCIAL REVIEW

The overall net sales revenue increased by 15% over corresponding period mainly due to significant increase in cement despatches. Net retention during the period improved slightly by 1% as compared to same period last year due to change in export market mix. Production cost per ton of cement sold has decreased by Rs. 149 per ton mainly due to continuous decrease in coal prices in the international markets. However, the decrease in fuel cost, Rs. 355 per ton, was partially offset by increase in power cost, which is increased by Rs. 223 per ton net of WHRS savings. Gross margins improved from 26% to 29% however, operating margins remained stagnant due to increase in distribution cost owing to higher exports. Consequently the company recorded profit after tax of Rs. 423 million, an increase of 18% as compared to the same period last year.

CHANGES IN SALES TAX REGIME

Through the Finance Act 2013-14, the government has made significant changes in the sales tax structure for cement manufacturers, who are now required to charge sales tax on Maximum Retail Price which will also be printed on the cement bags. Beside this the sales tax rate has also been increased from 16% to 17% and withholding taxes @ 0.1% and 0.5% of sales value have been imposed on the supply chain i.e. from manufacturer to retailers network.

INCREASE IN POWER TARIFF

On August 05, 2013, NEPRA issued SRO # 697 through which the power tariff for Industrial consumers was increased by around 60%. This abnormal jump in tariff has significantly impacted on the production cost of those cement plants who are totally dependent on the national grid.

CHANGE IN ACCOUNTING POLICIES-IAS 19 EMPLOYEE BENEFITS (REVISED)

With effect from July 1, 2013, the company is required to adopt IAS 19, (Revised) Employee Benefits. The amendments in the revised standard require the Company to eliminate the corridor approach and recognize all actuarial gains and losses (now called "re-measurements" that result from the re-measurement of defined benefits obligations and fair value of plan assets at balance sheet date) under the head other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

Accordingly the financial statements have been re-stated where required and details are mentioned in Note 2.2 to the condensed interim financial statements.

FUTURE OUTLOOK

The year 2013-14 has started with some serious challenges towards the industry as a whole. Additional revenue measures taken by the government have significantly curbed the local despatches. Not only the recent changes in sales tax structure i.e. sales tax on retail prices affected the despatches but also the latest abnormal hike in power tariff by almost 52% has adversely affected the production cost of the company. The significant devaluation of PKR against US$ has posed another serious business risk along with recent hike in interest rates. These changes would definitely affect the margins of the company as the cost of imported materials both revenue and capital related would increase significantly. The Federal and Provincial Governments have undertaken much awaited stringent measures to control the prevailing poor law and order situation in Karachi and if these actions succeed then definitely demand of cement may improve in the South market.

The company is closely monitoring the situation and efficiently maximizing its despatches by change in sales mix between local and export sales. The company is also planning to install a Captive Power Plant based on coal to produce power at cheaper rate as compared to national grid.

On behalf of the Board

BABAR BASHIR NAWAZ
Chief Executive

October 21, 2013
Islamabad, Pakistan

Condensed Interim Financial Statements

First Quarter Ended September 30, 2013

Condensed Interim Balance Sheet
As at September 30, 2013

	Note	(Unaudited) Sept. 30, 2013	(Audited) June 30, 2013
		----------Rupees '000----------	
Non-current assets			(Re-stated)
Fixed assets - property, plant and equipment	3	5,949,435	5,998,663
Long-term investment		4,500	4,500
Long-term loans and advances		28,653	28,653
Long-term deposits		42,980	42,980
		6,025,568	6,074,796
Current assets			
Stores, spares and loose tools	4	1,512,685	956,276
Stock-in-trade		671,331	564,899
Trade debts - considered good		183,859	349,283
Loans and advances		33,210	35,434
Short-term deposits and prepayments		69,688	19,423
Investments		2,523,355	2,282,729
Accrued interest		4,298	4,298
Other receivables		23,714	22,594
Cash and bank balances		552,389	389,014
		5,574,529	4,623,950
Total assets		11,600,097	10,698,746
Share Capital and reserves			
Share capital		1,145,225	995,848
Unappropriated profit		6,130,215	6,852,908
		7,275,440	7,848,756
Non-current liabilities			
Liability against asset subject to finance lease		6,517	6,517
Deferred taxation		1,020,952	1,041,952
		1,027,469	1,048,469
Current liabilities			
Trade and other payables	5	3,155,798	1,740,716
Current maturity of liability against asset subject to finance lease		1,862	1,862
Taxation - provision less payments		139,528	58,943
		3,297,188	1,801,521
Total liabilities		4,324,657	2,849,990
Contingency and commitments	6		
Total equity and liabilities		11,600,097	10,698,746

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Condensed Interim Profit and Loss Account
For the first quarter ended September 30, 2013 - Unaudited

	Note	Sept. 30, 2013	Sept. 30, 2012
		----------Rupees '000----------	
Net sales	7	**2,921,977**	2,546,021
Cost of goods sold		**(2,067,416)**	(1,879,205)
Gross Profit		**854,561**	666,816
Distribution cost	8	**(227,838)**	(157,532)
Administrative expenses		**(75,131)**	(71,131)
Other operating expenses		**(41,500)**	(33,000)
Other operating income		**54,046**	87,689
Profit from opreations		**564,138**	492,842
Finance cost		**(4,606)**	(2,020)
Profit before taxation		**559,532**	490,822
Taxation		**(137,000)**	(133,201)
Profit after taxation		**422,532**	357,621
Earnings per share (diluted)	Rs.	**3.69**	3.12

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Condensed Interim Cash Flow Statement

For the first quarter ended September 30, 2013 - Unaudited

	Note	Sept. 30, 2013	Sept. 30, 2012
		-------Rupees '000-------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	**573,809**	845,372
Finance cost paid		**(4,606)**	(2,020)
Income tax paid		**(77,415)**	(85,139)
Net cash from operating activities		**491,788**	758,213
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(40,200)**	(410,252)
Proceeds from disposal of fixed assets		**525**	446
Proceeds from sale of open ended mutual fund units		**846,858**	583,364
Purchase of open ended mutual fund units		**(1,046,988)**	(951,900)
Interest received		**7,741**	4,722
Net cash used in investing activities		**(232,064)**	(773,620)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend Paid		**(96,349)**	(21)
Net increase / (decrease) in cash and cash equivalents		**163,375**	(15,428)
Cash and cash equivalents at the beginning of the period		**389,014**	219,762
Cash and cash equivalents at the end of the period		**552,389**	204,334

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

Condensed Interim Statement of Changes in Equity
For the first quarter ended September 30, 2013 - Unaudited

PARTICULARS	Share capital	Unappropriated profit	Total
	Rs. '000		
Balance as at July 01, 2012 (as reported earlier)	865,955	5,762,938	6,628,893
Effect of change in accounting policy with respect to accounting for retirement benefits obligations - net of tax (note 2.2)	-	(16,005)	(16,005)
Balance as at July 01, 2012 (Re-stated)	865,955	5,746,933	6,612,888
Profit after taxation for the quarter ended September 30, 2012	-	357,621	357,621
Balance as at September 30, 2012 (Re-stated)	865,955	6,104,554	6,970,509
Balance as at July 01, 2013	995,848	6,950,803	7,946,651
Effect of change in accounting policy with respect to accounting for retirement benefits obligations - net of tax (note 2.2)	-	(97,895)	(97,895)
Balance as at July 01, 2013 (Re-stated)	995,848	6,852,908	7,848,756
Final dividend for the year ended June 30, 2013 @ Rs. 10.00 per share	-	(995,848)	(995,848)
Issue of bonus shares @ 15% for the year ended June 30, 2013	149,377	(149,377)	-
Profit after taxation for the quarter ended September 30, 2013	-	422,532	422,532
Balance as at September 30, 2013	1,145,225	6,130,215	7,275,440

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

1 THE COMPANY AND ITS OPERATION

The company was incorporated in Pakistan on October 14, 1981 as a public limited company and is listed on Karachi Stock Exchange. Its main business activity is manufacturing and sale of cement. The company's cement manufacturing plant is located in Tehsil Hub, District Lasbella, Balochistan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The condensed interim financial statement has been prepared in accordance with the requirements of the International Accounting Standard No. 34 ‘Interim Financial Reporting’ and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange.

2.2 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statement are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2013 except as described below:

With effect from July 01, 2013 the Company has adopted IAS 19, (Revised) 'Employee Benefits'. The amendments in the revised standard require the company to eliminate the corridor approach and recognize all actuarial gains and losses (now called 'remeasurements', that result from the remeasurement of defined benefits obligations and fair value of plan assets at the balance sheet date) in other comprehensive income as they occur, immediately recognize all past service costs and replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefits liability / asset.

The change in accounting policy has been accounted for retrospectively as required under Internation Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been restated.

Effects of this change in accounting policy have been summarised below:

Impact on Balance Sheet	June 30, 2013 ----Rs '000----
Increase in trade and other payables	127,171
Decrease in deferred tax liability	36,126
Decrease in unappropriated profit	97,895
Decrease in other receivables	6,850

	(Unaudited) Sept. 30, 2013	(Audited) June 30, 2013
	-------Rs. in '000-------	
3 FIXED ASSETS		
Operating assets	5,474,658	5,557,713
Capital work-in-progress	64,311	2,692
Stores held for capital expenditure	410,466	438,258
	5,949,435	5,998,663
3.1 Additions to property, plant and equipment		
Buildings and roads on freehold land	803	214,120
Plant and Machinery	1,307	796,189
Quarry transport and equipment	246	-
Furniture and fittings	-	1,815
Office equipment	720	8,479
Vehicles	3,695	24,548
	6,771	1,045,151
Disposals during the period - Net book value	525	3,440
Transfers to stores during the period - Net book value	5,085	26,244
4 STORES, SPARES AND LOOSE TOOLS		
Bricks	84,182	61,159
Coal (includes in transit Rs. 570.9 million (June 30, 2013 : Rs.NIL))	928,246	453,334
Stores & spares (include in transit Rs. 57 million (June 30, 2013: Rs.127.9m))	497,646	439,247
Loose tools	2,611	2,536
	1,512,685	956,276
5 TRADE AND OTHER PAYABLES		
Creditors	160,676	161,453
Accrued Liabilities	1,105,394	638,612
Electricity charges payable	223,000	219,358
Advances from customers	177,171	42,007
Royalty payable	32,562	68,350
Retention money	59,541	61,002
Sales tax payable & excise duty payable	96,907	122,272
Dividend payable	902,804	3,305
Others	397,743	424,357
	3,155,798	1,740,716

6 CONTINGENCY AND COMMITMENTS

6.1 There has been no change in the status of contingency as reported in financial statements for the year ended June 30, 2013.

6.2 Commitments in respect of capital expenditure outstanding as at September 30, 2013 amounted to Rs. 241 million (June 30, 2013: Rs. 416.60 million).

	Sept. 30, 2013	Sept. 30, 2012
	----------Rs. in '000-------	
7 NET SALES		
Gross Sales - Local	**2,581,316**	2,472,667
- Exports	**877,037**	537,180
	3,458,353	3,009,847
Less: Excise duty and sales tax	**(536,376)**	(463,826)
	2,921,977	2,546,021

8 DISTRIBUTION COST

Distribution cost includes Rs. 196.6 million (September 30, 2012: Rs. 137.8 million) in respect of export and commission expenses.

	Sept. 30, 2013	Sept. 30, 2012
	----------Rs. in '000-------	
9 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**559,532**	490,822
Adjustment for non cash charges and other items:		
Depreciation	**88,905**	90,174
Gain on sale of open ended mutual fund units	**(40,496)**	(40,873)
Mark up income	**(7,741)**	(5,260)
Finance cost	**4,606**	2,020
	45,274	46,061
	604,806	536,883

	Sept. 30, 2013	Sept. 30, 2012
	----------Rs. in '000-------	
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets :		
Stores, spares and loose tools	(556,409)	638,040
Stock-in-trade	(106,433)	(104,394)
Trade debts - considered good	165,424	4,004
Loans and advances	2,223	(31,671)
Short - term deposits and prepayments	(50,266)	(40,358)
Other receivables	5,730	24,615
	(539,731)	490,236
Increase / (decrease) in current liabilities:		
Trade and other payables	508,734	(181,747)
	(30,997)	308,489
Cash generated from operations	573,809	845,372
10 SUMMARY OF TRANSACTIONS WITH RELATED PARTIES		
Recovery of expenses from holding company	750	272
Other related parties		
Purchase of goods	79,354	62,802
Reimbursement of expenses to related parties	1,037	1,159
Recovery of expenses from related parties	441	1,798
10.1 Key management compensation		
-salaries and other short-term benefits	31,947	21,043

11 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial statement was authorised for issue on October 21, 2013 by the Board of Directors of the company.

Babar Bashir Nawaz
Chief Executive

Abdus Sattar
Director

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