

# Power Behind Construction

Third Quarter Report March 31, 2016



**POWER CEMENT**

# Contents

**04** Corporate Information

---

**07** Condensed Interim  
Balance Sheet

---

**09** Condensed Interim  
Cash Flow Statement  
(Un-audited)

---

**11** Condensed Interim  
Statement of Changes in  
Equity (Un-audited)

---

**05** Directors' Review

---

**08** Condensed Interim  
Profit and Loss Account  
(Un-audited)

---

**10** Condensed Interim  
Statement of Comprehensive  
Income (Un-audited)

---

**12** Notes to the Condensed  
Interim Financial Information  
(Un-audited)

---



## Corporate Information

### Board of Directors

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

### Audit Committee

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

### HR & Remuneration Committee

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

### Chief Financial Officer & Company Secretary

Tahir Iqbal

### External Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

### Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants

### Legal Advisor

Usmani & Iqbal  
Advocate & Solicitors

### Tax Advisor

Sharjeel Ayub & Co.  
Chartered Accountants

### Share Registrar

Technology Trade (Private) Limited

### Principal Bankers

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

### Registered Office

Arif Habib Centre, 23 M.T Khan Road, Karachi

### Website

[www.powercement.com.pk](http://www.powercement.com.pk)

### Contact Number

021-32468231-32  
021-32468351-52

### Factory

Nooriabad Industrial Area, Deh Kalo Kohar  
District, Jamshoro, Sindh.

## Directors' Review

The Directors of your Company present herewith the financial statements of your Company for the third quarter and nine months period ended 31st March 2016.

### INDUSTRY OVERVIEW

The Cement industry surged to 23.9 million tons during the last nine months in the domestic market which reflects an increase of 3.6 million tons (17.69%) from the same period last year. This is on the strength of heavy growth in domestic consumption while exports reported a decline of 1.03 million tons from the same period last year.

Cement companies in the south zone supplied 4.26 million tons of cement to the local market as against 3.4 million tons in the same period last year (24% increase) while a decline of 0.54 million tons in export sales for the period was reported by the zone. The decline in Pakistan's exports can be mainly attributed to improved domestic consumption and demand, with a relative price advantage as compared with the international market. Going forward as manufacturers in Pakistan are likely to replace the less lucrative export sales with better priced domestic sales, it is expected that share of export sales will further reduce.

### Financial Performance:

The financial performance of your Company for the nine months period ended 31st March 2016 compared to the same period last year is presented below:

PARTICULARS	Nine Months Ended	
	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
	Rs. '000	
Sales revenue	2,979,555	2,894,609
Gross profit	721,353	658,116
Operating profit	534,760	423,250
Profit before tax	653,452	415,459
Profit after tax	456,999	335,823
Earnings per share (Rupee)	1.25	0.92

### Business performance

During the period, the gross profit margin has increased to 24% as compared to 23 % in the same period last year primarily attributable to low input costs due to declining coal and electricity costs.

Production details during the period are as follows:

PARTICULARS	Nine Months Ended	
	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
	In Tons	
Cement production	434,508	425,872
Clinker production	375,335	409,523

Dispatch details during the period are as follows:

PARTICULARS	Nine Months Ended	
	31 <sup>st</sup> March 2016	31 <sup>st</sup> March 2015
	In Tons	
Local Dispatches	425,369	384,820
Export Dispatches	18,408	36,839
<b>Total Dispatches</b>	<b>443,777</b>	<b>421,659</b>

#### FUTURE OUTLOOK

It is anticipated that owing to political maturity and the improved law and order situation in the country, the economic activity will continue to improve. The government having had success on macro-economic stability is likely to now focus on growth. We are already witnessing the development of housing projects in large cities, especially in Karachi and Nawabshah. The power projects and the infrastructure projects under the China-Pakistan Economic Corridor (CPEC) as well as those outside it are likely to give further boost to cement consumption in the country.

The Company's improved financial position and the improving cash generating ability should help the Company in investing in improved facilities and the expansion of its capacity, so as to bring further efficiencies and benefits from the improvement in local demand. In addition, the stable energy prices in the international markets are likely to be contributors towards improved profitability going forward.

#### ACKNOWLEDGEMENT

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of all the members of the Company in their respective area of expertise. We would also like to express our thanks to our customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institutions for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the years ahead.

For and on behalf of the Board



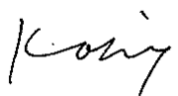
**Muhammad Kashif Habib**  
Chief Executive Officer  
27th April 2016

# Condensed Interim Balance Sheet

As at 31<sup>st</sup> March 2016

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
Note	----- ( Rupees in '000 ) -----	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6 4,435,320	4,422,961
Intangible assets	7 9,057	413
Long term deposits	19,635	19,635
	<u>4,464,012</u>	<u>4,443,009</u>
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	536,104	562,409
Stock-in-trade	198,231	284,975
Trade debts	286,056	259,722
Advances and other receivables	172,409	96,306
Trade deposits and prepayments	11,814	7,256
Tax refunds due from government	9 336,351	287,265
Cash and bank balances	58,188	47,267
	<u>1,599,153</u>	<u>1,545,200</u>
	<u><u>6,063,165</u></u>	<u><u>5,988,209</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital 400,000,000 (30 June, 2015: 400,000,000) Ordinary shares of Rs. 10/- each	<u>4,000,000</u>	<u>4,000,000</u>
Issued, subscribed and paid-up capital 365,689,968 (30 June, 2015: 365,689,968) Ordinary shares of Rs. 10/- each	10 3,656,900	3,656,900
Discount on issuance of right shares	(914,225)	(914,225)
General reserve	-	80,000
Accumulated loss	(423,506)	(960,505)
	<u>2,319,169</u>	<u>1,862,170</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long-term financing	11 360,000	360,000
Deferred accrued markup	12 383,038	545,397
Loan from related parties - unsecured & non-interest bearing	13 890,001	1,169,055
Deferred taxation	401,667	205,214
Deferred liabilities	42,921	39,559
	<u>2,077,627</u>	<u>2,319,225</u>
<b>CURRENT LIABILITIES</b>		
Loan from previous sponsors	14 735	735
Trade and other payables	15 575,760	608,019
Mark-up accrued - short term borrowing	11,080	15,655
Short-term borrowings	16 570,299	687,297
Current portion of long term financing	11 -	250,000
Current portion of deferred accrued markup	12 508,495	245,108
	<u>1,666,369</u>	<u>1,806,814</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	<u><u>6,063,165</u></u>	<u><u>5,988,209</u></u>

The annexed notes from 1 to 28 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

# Condensed Interim Profit and loss Account (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Note	Nine months ended		Quarter ended	
		31 March		31 March	
		2016	2015	2016	2015
----- (Rupees in '000) -----					
<b>Sales - net</b>	18	2,979,555	2,894,609	1,335,201	1,160,489
Cost of sales	19	(2,258,202)	(2,236,493)	(996,742)	(864,199)
<b>Gross profit</b>		721,353	658,116	338,459	296,290
Distribution cost	20	(84,258)	(147,208)	(37,253)	(50,824)
Administrative expenses	21	(44,522)	(40,249)	(15,932)	(15,400)
Other operating income	22	2,848	1,362	652	184
Other operating expenses	23	(60,661)	(48,771)	(15,684)	(12,200)
		(186,593)	(234,866)	(68,217)	(78,240)
<b>Operating profit</b>		534,760	423,250	270,242	218,050
Finance income	13.1	333,792	275,061	-	-
Finance cost:					
On unwinding of discount on loan from related parties	13.2	(54,738)	(85,821)	(18,500)	(15,902)
On unwinding of discount on deferred accrued markup	12	(116,695)	(140,893)	(20,856)	(46,279)
On short term borrowings		(43,667)	(56,138)	(26,082)	(19,312)
Finance income - net		118,692	(7,791)	(65,438)	(81,493)
<b>Profit before taxation</b>		653,452	415,459	204,804	136,557
Taxation		(196,453)	(79,636)	(49,830)	(45,191)
<b>Profit after taxation</b>		456,999	335,823	154,974	91,366
----- (Rupee) -----					
<b>Earnings per share - basic and diluted</b>		1.25	0.92	0.42	0.25

The annexed notes from 1 to 28 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

# Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Note	Nine months period ended	
		31 March 2016	31 March 2015
-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24	639,371	188,248
Gratuity paid		(7,900)	(6,048)
Income tax paid		(90,647)	(39,312)
Financial charges paid		(63,909)	(56,012)
		<u>(162,456)</u>	<u>(101,372)</u>
Cash generated from operations		476,915	86,876
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(99,796)	(114,871)
Proceeds from sale of fixed assets		800	435
Net cash (used) in investing activities		<u>(98,996)</u>	<u>(114,436)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans received from related parties		-	180,000
Repayment of long term liability		(250,000)	(250,000)
Net cash (used in) financing activities		<u>(250,000)</u>	<u>(70,000)</u>
Net increase / (decrease) in cash and cash equivalents		127,919	(97,560)
Cash and cash equivalents at beginning of the period		(640,030)	(528,706)
<b>Cash and cash equivalents at end of the period</b>	25	<u><u>(512,111)</u></u>	<u><u>(626,266)</u></u>

The annexed notes from 1 to 28 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR

# Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Nine months ended		Quarter ended	
	31 March		31 March	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Profit after taxation	456,999	335,823	154,974	91,366
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>456,999</b>	<b>335,823</b>	<b>154,974</b>	<b>91,366</b>

The annexed notes from 1 to 28 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR

Power Cement Limited

## Condensed Interim Statement of Changes in Equity (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Capital reserve		Revenue Reserve		Total
	Share Capital	Discount on issuance of right shares	General	Accumulated loss	
	(Rupees in '000)				
<b>Balance as at 1st July 2014</b>	3,656,900	(914,225)	80,000	(1,394,133)	1,428,542
<i>Total comprehensive income for the nine months period ended 31 March 2015</i>	-	-	-	-	-
Profit after taxation	-	-	-	335,823	335,823
<b>Balance as at 31st March 2015</b>	<b>3,656,900</b>	<b>(914,225)</b>	<b>80,000</b>	<b>(1,058,310)</b>	<b>1,764,365</b>
<b>Balance as at 1st July 2015</b>	3,656,900	(914,225)	80,000	(960,505)	1,862,170
Transfer of general reserves	-	-	(80,000)	80,000	-
<i>Total comprehensive income for the nine months period ended 31 March 2016</i>	-	-	-	-	-
Profit after taxation	-	-	-	456,999	456,999
<b>Balance as at 31st March 2016</b>	<b>3,656,900</b>	<b>(914,225)</b>	<b>-</b>	<b>(423,506)</b>	<b>2,319,169</b>

The annexed notes from 1 to 28 form an integral part of this condensed interim financial information.

  
CHIEF EXECUTIVE

  
DIRECTOR

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

## 1. STATUS AND NATURE OF BUSINESS

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information of the Company for the nine months period ended 31 March 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and the provisions of and directives issued under Companies Ordinance, 1984. In case where requirements differ, the provisions and directives issued under the Companies Ordinance, 1984 have been followed."

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulation of Karachi and Lahore Stock exchanges. This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the company as at and for the year ended 30 June 2015.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended 30 June 2015, whereas the comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement are extracted from the un-audited condensed interim financial information for the nine months period ended 31 March 2015.

### 2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee except where stated otherwise.

## 3. ACCOUNTING POLICIES

- 3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the annual audited financial statements as at and for the year ended 30 June 2015.
- 3.2 Certain amendments and interpretation to approved accounting standards became effective during the period which were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

## 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information is in conformity with approved accounting standards which requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2015.

## 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2015.

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
Note	----- (Rupees in '000) -----	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets	6.1 4,361,483	4,337,651
Capitalisable stores and spares	6.2 70,983	55,452
Capital work in progress	6.3 2,854	29,858
	<u>4,435,320</u>	<u>4,422,961</u>
<b>6.1 Operating assets</b>		
<b>Opening written down value</b>	4,337,651	4,275,940
Additions during the period / year - at cost		
Plant and Machinery	99,096	165,515
Factory and laboratory equipment	364	2,376
Computers and peripherals	1,036	826
Office equipment	-	96
Furniture and fixtures	138	338
Vehicles	1,654	134
	<u>102,288</u>	<u>169,285</u>
Written down value of deletions during the period / year	(156)	(65)
Depreciation for the period / year	(78,300)	(107,509)
	<u>(78,456)</u>	<u>(107,574)</u>
<b>Closing written down value</b>	<u>4,361,483</u>	<u>4,337,651</u>
<b>6.2 Capitalisable stores and spares</b>		
Opening balance	55,452	42,608
Additions during the period / year	85,258	114,811
Transferred to operating assets	(69,727)	(101,967)
<b>Closing balance</b>	<u>70,983</u>	<u>55,452</u>
<b>6.3 Capital work in progress</b>		
Opening balance	29,858	83,260
Additions	12,371	29,042
Transferred to operating assets	(39,375)	(82,444)
<b>Closing balance</b>	<u>2,854</u>	<u>29,858</u>
<b>7. Intangible assets</b>		
Opening written down value	413	862
Additions during the period / year	8,981	-
Amortization for the period / year	(337)	(449)
<b>Closing written down value</b>	<u>9,057</u>	<u>413</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Note	(Un-audited) 31 March 2016	(Audited) 30 June 2015
----- (Rupees in '000) -----			
<b>8. STOCK-IN-TRADE</b>			
Raw material		50,211	8,621
Packing material		63,942	58,205
Work-in-process		37,262	175,962
Finished goods		46,816	42,187
		<u>198,231</u>	<u>284,975</u>
<b>9. TAX REFUND DUE FROM GOVERNMENT</b>			
Income tax refundable		143,895	94,809
Sales tax refundable		2,989	2,989
Excise duty receivable	9.1 & 9.2	189,467	189,467
		<u>336,351</u>	<u>287,265</u>

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

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

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

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

## 10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

(Un-audited) 31 March 2016	(Audited) 30 June 2015		(Un-audited) 31 March 2016	(Audited) 30 June 2015
----- (Number of Shares) -----			----- ( Rupees in '000 ) -----	
		Fully paid ordinary shares of Rs. 10 each issued:		
353,510,380	353,510,380	For cash	3,535,104	3,535,104
840,000	840,000	For consideration other than cash	8,400	8,400
11,339,588	11,339,588	Bonus shares	113,396	113,396
<u>365,689,968</u>	<u>365,689,968</u>		<u>3,656,900</u>	<u>3,656,900</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

**10.1** Shares held by the associated companies as at the balance sheet date were 108,875,030 (30 June 2015: 208,295,030).

**10.2** During the year ended 30th Jun 2014, the Company filed a petition with the High Court to confirm reduction of its share capital to the extent of 50%, however, during the current period the said petition was withdrawn by the Company under the authority of a special resolution passed by the members of the Company in an Extraordinary General Meeting held on 28th November 2015.

## 11. LONG TERM FINANCING

**11.1** This represents syndicated term finance facility of Rs. 2.5 billion arranged in the year 2008 by the Company from a syndicate of local commercial banks. Till December 2015 a total amount of Rs. 2.140 billion has been repaid.

In December 2014, the Company requested a term loan of Rs.360 million to partly finance the Balancing and Modernization (BMR) which was acceded to by deferring the installment of Rs. 250 million due on 23 December 2014 and Rs. 110 million due on 23 June 2015. The outstanding amount of Rs 360 million is repayable as following:

- Rs. 250 million will be repaid on 23 June 2018.

- Rs. 110 million will be repaid on 23 December 2018

**11.2** The applicable markup rate is 6 months' Kibor plus 1.75% per annum. The loan is secured by way of mortgage over property and hypothecation charge over other non current assets of the Company.

## 12. DEFERRED ACCRUED MARKUP

This represents the present value of the outstanding markup on the aforesaid syndicated term finance facility accrued till the date of final settlement and is payable in four half yearly installments commencing from June 23, 2016.

## 13. LOAN FROM RELATED PARTIES - Unsecured & non-interest bearing

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
Note	----- (Rupees in '000) -----	
Opening balance	1,515,500	1,325,500
Loan amount received	-	130,000
Transferred from short term borrowings	-	60,000
Outstanding sponsors' loan	1,515,500	1,515,500
Opening wound up discount	(346,445)	(152,510)
Gain on de recognition during the period	(333,792)	(274,242)
Gain on intial recognition during the period	-	(35,011)
Unwinding of discount during the year	54,738	115,318
Closing wound up discount	(625,499)	(346,445)
<b>Closing balance at fair vlaue</b>	<b>890,001</b>	<b>1,169,055</b>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

**13.1** During the period, the financing terms of these sponsorial loan amounts were substantially modified, accordingly the previous liability has been extinguished and new liability has been recognized at fair value. The difference between the carrying amount of the liability extinguished and the fair value of the new liability has been recognized in profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.

**13.2** This represents the amount of discount calculated @ 6 months Kibor plus 1.75% p.a to record the interest free sponsors' loan at fair value.

## 14. LOAN FROM PREVIOUS SPONSORS

During the year ended 30 June 2013, the Company reversed liability amounting to Rs. 115.927 million in respect of previous sponsors loan on the basis of arbitration award in favour of the Company.

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

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

## 15. TRADE AND OTHER PAYABLES

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
	----- (Rupees in '000) -----	
Trade creditors	209,517	182,485
Bills payable	713	228,282
Accrued liabilities	73,677	4,350
Royalty payable	1,123	-
Excise duty payable	3,537	7,511
Advances from customers	26,404	47,166
Retention money payable	1,632	1,522
Sales tax and federal excise duty payable	111,241	40,257
Workers' Welfare Fund	34,789	21,439
Workers' Profit Participation Fund	94,429	57,612
Unclaimed dividends	126	126
Withholding tax payable	4,787	3,539
Leave encashment payable	13,627	12,566
Others	158	1,164
	<u>575,760</u>	<u>608,019</u>

## 16. SHORT TERM BORROWINGS

From banking companies:

Running finances	16.1	251,542	361,942
Foreign currency Loan	16.2	9,156	45,355
Istisna	16.3	309,601	280,000
		<u>570,299</u>	<u>687,297</u>

## Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

- 16.1** This represents short-term running finance facilities from various banks amounting to Rs. 400 million (30 June 2015: Rs.400 million), which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These carry mark up at the rate ranging between 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5% (30 June 2015 : 3 months KIBOR plus 1.50% to 3 months KIBOR plus 2.5%) per annum calculated on daily product basis. Mark-up on these facilities is payable quarterly. These facilities have various maturity dates up to June 2016 and are secured by first pari passu charge against current / fixed assets of the Company.

The aggregate amount of aforementioned facilities which has not been availed as at the balance sheet date amounts to Rs. 148.458 million (30 June 2015: Rs. 38.058 million).

- 16.2** The Company has availed foreign currency loan facility from a bank amounting to Rs. 50 million (30 June 2015: Rs.50 million). The amount is repayable in 180 days from the date of disbursement and carries various mark-up rates ranges between 3.1% to 3.5%. The facility is secured by first pari passu charge against present and future fixed assets of the Company (excluding land and building).

- 16.3** The amount is repayable in 180 days from the date of disbursement and carries mark-up at the rate of 3 months KIBOR plus 1.75%.

During the period, the Company obtained additional istisna facility from a bank amounting to Rs.120 million . The amount is repayable in 90 days from the date of disbursement and carries mark-up at the rate of KIBOR plus 3.75% per annum.

### 17. CONTINGENCIES AND COMMITMENTS

#### Contingencies

There is no change in the status of the contingencies in note 19.1 to the financial statements of the company for the year ended 30 June 2015 except for the contingency disclosed in note 19.1.7 which has been decided in favour of the company vide order no. 17 of 2015 issued by Commissioner Inland Revenue (Appeals) on 10 September 2015.

#### Commitments

Commitment against open letter of credit for:

- Coal

- Stores and spares

Other commitments - Ijarah rentals

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
	----- Rupees in '000 -----	
	91,088	105,778
	370,489	33,718
	286	1,259
	<u>461,863</u>	<u>140,755</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Note	Nine months period ended	
		31 March 2016	31 March 2015
(Un-audited)			
----- (Rupees in '000) -----			
<b>18. SALES - NET</b>			
Local		3,652,098	3,388,304
Export		116,485	223,926
		<u>3,768,583</u>	<u>3,612,230</u>
Less :			
Sales tax		(612,788)	(555,696)
Federal excise duty		(176,240)	(161,925)
		<u>(789,028)</u>	<u>(717,621)</u>
		<u>2,979,555</u>	<u>2,894,609</u>
<b>19. COST OF SALES</b>			
Salaries, wages and other benefits including retirement benefits		181,044	167,003
Raw materials consumed	19.1	171,099	166,827
Packing material consumed	19.2	171,269	171,106
Stores, spares and loose tools		105,528	119,034
Fuel and power		1,345,759	1,539,280
Insurance		6,393	5,667
Repairs and maintenance		47,529	42,831
Depreciation		71,003	71,969
Other production overheads		24,507	24,740
		<u>2,124,131</u>	<u>2,308,457</u>
<b>Work in process</b>			
Opening		175,962	67,732
Closing	8	(37,262)	(100,170)
		<u>138,700</u>	<u>(32,438)</u>
Cost of goods manufactured		<u>2,262,831</u>	<u>2,276,019</u>
<b>Finished goods</b>			
Opening		42,187	26,430
Closing	8	(46,816)	(65,956)
		<u>(4,629)</u>	<u>(39,526)</u>
		<u>2,258,202</u>	<u>2,236,493</u>
<b>19.1 Raw materials consumed</b>			
Opening stock of raw material		8,621	33,306
Purchases		212,689	143,661
		<u>221,310</u>	<u>176,967</u>
Closing stock of raw material		(50,211)	(10,140)
		<u>171,099</u>	<u>166,827</u>
<b>19.2 Packing materials consumed</b>			
Opening stock of packing material		58,205	49,834
Purchases		177,706	169,097
		<u>235,211</u>	<u>218,931</u>
Closing stock of packing material		(63,942)	(47,825)
		<u>171,269</u>	<u>171,106</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Nine months period ended	
	31 March 2016	31 March 2015
	(Un-audited)	
	----- (Rupees in '000) -----	
<b>20. DISTRIBUTION COST</b>		
Salaries, wages and other benefits including retirement benefits	20,538	17,212
Export expenses	36,723	52,713
Travelling and conveyance	-	73
Depreciation	1,824	2,032
Marking fee	2,841	2,580
Incentives and commission on local sales	19,880	69,944
Others	2,452	2,654
	<u>84,258</u>	<u>147,208</u>
<b>21. ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and other benefits including retirement benefits	13,581	11,052
Travelling and conveyance	239	134
Printing and stationery	1,576	1,608
Repair and maintenance	1,613	1,592
Legal and professional charges	600	2,451
Auditor's remuneration	799	752
Rent, rates and taxes	3,784	3,721
Advertisement	5,698	2,307
Postage, telephone and telegram	1,554	1,639
Entertainment	804	285
Ujrah payments	973	909
Fees and subscription	3,395	951
Depreciation	5,810	6,432
Charity and Donation	978	949
Written off Advances	-	3,176
Miscellaneous	3,118	2,291
	<u>44,522</u>	<u>40,249</u>
<b>22. OTHER INCOME</b>		
Gain on disposal of fixed assets	644	370
Rebate income	-	967
Scrap sales	2,113	-
Others	91	25
	<u>2,848</u>	<u>1,362</u>
<b>23. OTHER OPERATING EXPENSES</b>		
Workers' Welfare Fund	14,058	8,935
Exchange gain / (loss)	11,471	17,499
Workers' Profit Participation Fund	35,132	22,337
	<u>60,661</u>	<u>48,771</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Nine months period ended	
	31 March 2016	31 March 2015
Note	(Un-audited) ----- ( Rupees in '000) -----	
<b>24. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	653,452	415,459
<b>Adjustment for:</b>		
Depreciation and ammortization	78,637	80,562
Gain on derecognition during the period	(333,792)	(240,050)
Exchange loss on bills payable	11,471	17,499
Gain on initial recognition during the period	-	(35,011)
Finance cost on short term borrowings	43,667	56,138
Finance cost on unwinding of discount on loan from related parties	54,738	85,821
Finance cost on unwinding of discount on deferred accrued markup	116,695	140,893
Gain on disposal of fixed assets	(644)	(370)
Provision for gratuity	11,262	11,025
	(17,966)	116,507
Operating profit before working capital changes	635,486	531,966
<b>Decrease / (Increase) in current assets</b>		
Stores, spares and loose tools	26,305	137,395
Stock-in-trade	86,744	(46,789)
Trade debts	(26,334)	(99,356)
Advances and other receivables	(34,542)	14,177
Trade deposits	(4,558)	(4,890)
	47,615	537
(Decrease) in trade and other payables	(43,730)	(344,255)
<b>Cash generated from operations</b>	<b>639,371</b>	<b>188,248</b>
<b>25. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	58,188	6,416
Short term borrowings	(570,299)	(632,682)
	(512,111)	(626,266)
<b>26. TRANSACTIONS WITH RELATED PARTIES</b>		

The related parties comprise of associated undertakings, other related group companies and persons, directors of the Company, staff retirement benefit fund and key management personnel. The Company carries out transactions with various related parties in the normal course of business. Amounts due to related parties are shown in under respective note to the financial statement. Details of transactions / balances with related parties other than those disclosed elsewhere in the condensed interim financial information are as follows:

	Nine months period ended	
	31 March 2016	31 March 2015
	(Un-audited) ----- ( Rupees in '000) -----	
<b>Transactions with related parties</b>		
<b>Aisha Steel Mills Limited</b>		
- Sale of goods	51	-
- Payments received	44	-

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	Nine months period ended	
	31 March 2016	31 March 2015
	(Un-audited)	
	----- ( Rupees in '000) -----	
<b>Safe Mix Concrete Products Limited</b>		
- Sale of goods	61,128	22,470
- Payments received	<u>58,793</u>	<u>18,272</u>
<b>Javedan Corporation Limited</b>		
- Sale of goods	48,264	13,810
- Payments received	<u>44,207</u>	<u>17,735</u>
<b>Rotocast Engineering Company (Private) Limited</b>		
- Services received	3,228	2,854
- Payments made	<u>3,272</u>	<u>2,936</u>
- Loan received	<u>100,000</u>	-
- Loan repaid	<u>100,000</u>	-
- Mark-up accrued during the period	<u>1,007</u>	-
<b>Arif Habib Corporation Limited</b>		
- Loan received	400,000	290,000
- Loan repaid	<u>400,000</u>	<u>300,000</u>
- Mark-up accrued during the period	<u>13,396</u>	<u>7,134</u>
- Mark-up repaid	<u>13,329</u>	-
<b>Sponsors</b>		
- Loan received	60,000	665,000
- Loan repaid	<u>60,000</u>	<u>475,000</u>
<b>Summit Bank Limited</b>		
- Loan received	75,000	100,000
- Loan repaid	<u>100,000</u>	<u>200,000</u>
- Mark-up accrued during the period	<u>2,185</u>	<u>5,026</u>
- Mark-up repaid	<u>2,133</u>	<u>6,468</u>
<b>Key management personnel</b>		
- Remuneration and other benefits	59,520	43,095
- Advances disbursed to employees	<u>6,876</u>	<u>6,412</u>
- Advances repaid by employees	<u>6,813</u>	<u>6,417</u>
	(Un-audited)	(Audited)
	31 March	30 June
	2016	2015
	----- ( Rupees in '000) -----	
<b>Balances with related parties</b>		
<b>Aisha Steel Mills Limited</b>		
- Trade receivable	<u>172</u>	<u>165</u>
<b>Safe Mix Concrete Products Limited</b>		
- Trade receivable	<u>14,336</u>	<u>12,001</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the nine months period ended 31<sup>st</sup> March 2016

	(Un-audited) 31 March 2016	(Audited) 30 June 2015
	----- (Rupees in '000) -----	
<b>Javedan Corporation Limited</b>		
- Trade receivable	11,431	7,374
- Trade payable	<u>375</u>	<u>375</u>
<b>Rotocast Engineering Company (Private) Limited</b>		
- Rent payable	320	363
- Mark-up payable	<u>1,007</u>	<u>-</u>
<b>Arif Habib Corporation Limited</b>		
- Mark-up payable	<u>67</u>	<u>-</u>
<b>Sponsors</b>		
- Loan payable	<u>1,515,500</u>	<u>1,515,500</u>
<b>Summit Bank Limited</b>		
- Loan payable	75,000	100,000
- Mark-up payable	<u>1,433</u>	<u>1,381</u>
<b>Key management personnel</b>		
- Advances to employees	<u>6,104</u>	<u>4,763</u>

## 27. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from Component	Reclassification to Component	(Rupees in '000)
Other Operating Income	Finance income	<u>275,061</u>

27.1 The above reclassification has no impact on previously reported profit / (loss) or equity.

## 28. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue on 27 April 2016 by the Board of Directors.

  
CHIEF EXECUTIVE

  
DIRECTOR

www.jamapunji.pk








 **Jama  
Punji**  
سرمایہ کاری سمجھداری کے ساتھ










**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

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

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



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

 jamapunji.pk

 @jamapunji\_pk

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