



A Subsidiary of
ARIF HABIB GROUP

Power Cement Limited

(Formerly: Al-Abbas Cement Industries Limited)

Arif Habib Centre,
23 M.T. Khan Road, Karachi
Ph: 021-32468231- 23
www.powercement.com.pk



POWER CEMENT

مضبوطی۔ چٹانوں جیسی



Half Yearly Report 31 December 2013



A Subsidiary of
ARIF HABIB GROUP

Contents

02	Corporate Information
04	Directors' Report
06	Auditor's Report
08	Condensed Interim Balance Sheet
09	Condensed Interim Profit and Loss Account (Un-audited)
10	Condensed Interim Statement of Comprehensive Income (Un-audited)
11	Condensed Interim Cash Flow Statement (Un-audited)
12	Condensed Interim Statement of Changes in Equity (Un-audited)
13	Notes to the Condensed Interim Financial Information (Un-audited)

Corporate Information

Board of Directors

Nasim Beg	Chairman
Kashif A. 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
Kashif A. Habib	Member
Samad A. Habib	Member
Syed Salman Rashid	Member

Chief Financial Officer & Company Secretary

Basit Habib

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor

Usmani & Iqbal
Advocate & Solicitors

Tax Advisor

Hyder Bhimji & Co.
Chartered Accountants

Share Registrar

Technology Trade (Private) Limited

Principal Bankers

Al-Baraka Islamic Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan 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

Email Address

corporate@powercement.com.pk

Contact Number

021-32468231-32

Factory

Nooriabad Industrial Area,
Kalo Kohar District, Jamshoro, Sindh

Directors' Report

The Directors of the Company present herewith reviewed financial statements of your company for the six months period ended 31 December 2013.

OVERVIEW

A comparison of the key financial results and operational performance of the Company for the six months period ended 31 December 2013 along with corresponding period is as under:

Financial Results

A comparison of the key financial results of your Company for the six months period ended 31 December 2013 is as under:

PARTICULARS	Six Months Period	
	31 December 2013	31 December 2012
	Rs. in '000	Rs. in '000 (Restated)
Net sales	1,686,411	1,455,179
Gross profit	83,955	216,594
Operating profit	67,422	442,965
(Loss) / profit before tax	(144,748)	237,934
Net (loss) / profit after tax	(136,558)	284,665
(Loss) / earning per share (Rupee)	(0.37)	0.78

SALES REVENUE ANALYSIS

During the period under review your Company has achieved an increase of 15.9 % in net sales revenue with an increase in sale volume to 270,641 compared to 253,886 MT in the same period last year. The increase in revenue is mainly attributable to rising selling prices in the industry and high retention rates. The gross profit margin of the Company has decreased to 4.9% compared to 14.9% in the same period last year. The decrease in gross profit margins is attributable to increase in electricity prices, exchange rate variations and lower capacity utilization.

OPERATIONAL PERFORMANCE

During the half year ended 31 December 2013 your Company has produced 220,247 MT Clinker and 269,840 MT Cement compared to 271,471 MT Clinker and 247,673 MT Cement in the same period last year achieving a decrease of 18.9 % in Clinker production and increase of 8.9 % in Cement production.

Local sales of your Company increased to 221,296 M.T compared to 211,036 M.T from the same period last year. Export Sales increased to 49,345 M.T compared to 42,850 M.T in the corresponding period.

EMPHASIS OF MATTER PARAGRAPH IN THE AUDITORS' REVIEW REPORT

"We draw attention to note 10.1 and 13 to the condensed interim financial information which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs.182.604 million and reversal of loan from previous sponsors amounting to Rs.115.193 million. Our conclusion is not qualified in respect of these matters."

Note 10.1 to the condensed interim financial information is reproduced as under:

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

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

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the Company, the Company during the year ended 30 June 2013 recorded the refund claim receivable with a corresponding credit to the profit & loss account. The matter has been challenged by the Tax department in the High Court. However, the management based on legal advisor's opinion is confident of a favourable outcome. The Company is actively pursuing the matter for the settlement of the said refund claim.

Note 13 to the condensed interim financial information is reproduced as under:

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

During the year ended 30 June 2013, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. Accordingly, the management sent the award to the Registrar High Court of Sindh for making the award a rule of Court and reversed the liability amounting to Rs. 115.193 million with a corresponding credit in the profit & loss account. However, previous sponsors have filed objections to the award. 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. The matter has been disclosed as contingent liability in these condensed interim financial information.

FUTURE OUTLOOK

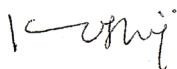
Domestic consumption is expected to show strong volumes during the second half of the year. The major disbursements in PSDP and other developmental projects are expected to start during the second half of the financial year which will positively affect industry volumes. Alongside the expected developmental activities, the recent increase in cement prices will also contribute to your Company's margins. Nonetheless, the Company's profitability is dependent on stable coal prices in the international market, power tariff and Pak Rupee standing against USD.

The management of your Company, fully aware of the challenges ahead, is putting efforts towards further improvement of the processes and material management policies in order to reduce the cost of production.

ACKNOWLEDGEMENT

We would like to thank all financial institutions having business relationship with us, our suppliers and customers for their continued support, cooperation and trust they have reposed on us. We record our appreciation and thanks to the Securities and Exchange Commission of Pakistan, the management of Karachi and Lahore Stock Exchanges for their support and guidance. We would also like to share our deepest appreciation for all of our employees for their dedication, loyalty and hard work.

For and on behalf of the Board



Kashif A. Habib
Chief Executive Officer
27 February 2014



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

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

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)** ("the Company") as at 31 December 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



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

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

Emphasis of matter

We draw attention to note 10.1 and 13 to the condensed interim financial information which state the reasons for recording an asset in relation to a refund claim of excise duty amounting to Rs.182.604 million and reversal of loan from previous sponsors amounting to Rs.115.193 million. Our conclusion is not qualified in respect of these matters.

Other matters

The figures for the three months period ended 31 December 2013 and 31 December 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 27 February 2014

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Condensed Interim Balance Sheet

As at 31 December 2013

	Note	Un-audited 31 December 2013	Audited 30 June 2013
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	4,323,173	4,250,180
Long term deposits		19,635	19,635
		4,342,808	4,269,815
CURRENT ASSETS			
Stores, spares and loose tools	7	623,610	496,839
Stock-in-trade	8	176,530	324,979
Trade debts		164,575	138,445
Advances and other receivables	9	106,877	138,716
Trade deposits and prepayments		12,752	7,436
Tax refunds due from government	10	245,730	238,862
Cash and bank balances		21,426	4,052
		1,351,500	1,349,329
		5,694,308	5,619,144
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 400,000,000 (30 June 2013: 400,000,000) Ordinary shares of Rs. 10/- each		4,000,000	4,000,000
Issued, subscribed and paid-up capital 365,689,968 (30 June 2013: 365,689,968) Ordinary shares of Rs. 10/- each	11	3,656,900	3,656,900
Discount on issuance of right shares		(914,225)	(914,225)
General reserve		80,000	80,000
Accumulated loss		(1,457,802)	(1,327,304)
		1,364,873	1,495,371
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	12	2,059,769	1,867,062
Deferred taxation		85,711	93,901
Deferred liabilities		33,161	30,810
		2,178,641	1,991,773
CURRENT LIABILITIES			
Loan from previous sponsor	13	735	735
Trade and other payables		902,359	857,898
Mark-up accrued		39,371	15,248
Short-term borrowings	14	900,528	958,322
Current portion of long term financing	12	307,801	299,797
		2,150,794	2,132,000
CONTINGENCIES AND COMMITMENTS			
	15	5,694,308	5,619,144

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Profit and Loss Account (Un-audited)

For the six months period ended 31 December 2013

	Note	Six months ended 31 December		Quarter ended 31 December	
		2013	2012 (Restated)	2013	2012 (Restated)
------(Rupees in '000)-----					
Sales - net	16	1,686,411	1,455,179	857,993	861,710
Cost of sales	17	(1,602,456)	(1,238,585)	(823,576)	(727,538)
Gross profit		83,955	216,594	34,417	134,172
Distribution cost	18	(156,063)	(46,973)	(59,179)	(29,183)
Administrative expenses		(39,439)	(24,836)	(15,352)	(12,679)
Other operating income	19	184,822	298,180	177,691	137,742
Other operating expenses		(5,853)	-	(5,853)	-
		(16,533)	226,371	97,307	95,880
Operating profit		67,422	442,965	131,724	230,052
Finance cost		(212,170)	(205,031)	(121,931)	(105,473)
(Loss) / profit before taxation		(144,748)	237,934	9,793	124,579
Taxation	20	8,190	46,731	8,998	50,198
(Loss) / profit after taxation		(136,558)	284,665	18,791	174,777
------(Rupee)-----					
(Loss) / earning per share - basic and diluted		(0.37)	0.78	0.05	0.48

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 31 December 2013

	Note	Six months ended 31 December		Quarter ended 31 December	
		2013	2012 (Restated)	2013	2012 (Restated)
------(Rupees in '000) -----					
(Loss) / profit after taxation		(136,558)	284,665	18,791	174,777
Other comprehensive loss					
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>					
Remeasurement of defined benefit liability	3.1.1	-	(186)	-	(186)
Recognition of deferred tax	3.1.1	-	55	-	55
		-	(131)	-	(131)
Total comprehensive (loss) / income for the period		(136,558)	284,534	18,791	174,646

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2013

	Note	Six months ended 31 December 2013	31 December 2012 (Restated) (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	21	9,033	(2,230)
Taxes paid - net		(4,535)	(5,911)
Financial charges paid		(62,368)	(37,204)
Gratuity paid		(3,649)	(2,450)
Net cash used in operating activities		<u>(70,552)</u>	<u>(45,565)</u>
		<u>(61,519)</u>	<u>(47,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(121,773)	(46,828)
Sale proceeds from sale of fixed assets		460	300
Net cash used in investing activities		<u>(121,313)</u>	<u>(46,528)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received from related parties - net		434,000	447,000
Repayment of long term liability		(250,000)	(250,000)
Net cash generated from financing activities		<u>184,000</u>	<u>197,000</u>
Net increase in cash and cash equivalents		1,168	102,677
Cash and cash equivalents at the beginning of the period		<u>(554,770)</u>	<u>(600,682)</u>
Cash and cash equivalents at the end of the period	22	<u><u>(553,602)</u></u>	<u><u>(498,005)</u></u>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

For the six months period ended 31 December 2013

	Note	Share capital	Discount on issuance of right shares	General reserve	Accumulated loss	Total
------(Rupees in '000)-----						
Balance as at 1 July 2012		3,656,900	(914,225)	80,000	(1,697,265)	1,125,410
Total comprehensive income for the six months period ended 31 December 2012						
Profit after taxation		-	-	-	284,665	284,665
Other comprehensive income		-	-	-	(131)	(131)
		-	-	-	284,534	284,534
Balance as at 31 December 2012		<u>3,656,900</u>	<u>(914,225)</u>	<u>80,000</u>	<u>(1,412,731)</u>	<u>1,409,944</u>
Balance as at 1 July 2013		<u>3,656,900</u>	<u>(914,225)</u>	<u>80,000</u>	<u>(1,327,304)</u>	<u>1,495,371</u>
Total comprehensive income for the six months period ended 31 December 2013						
Loss after taxation		-	-	-	(136,558)	(136,558)
Other comprehensive income		-	-	-	-	-
		-	-	-	(136,558)	(136,558)
Transactions with owners recorded directly in equity						
Tenderable gain from Parent Company	9	-	-	-	6,060	6,060
Balance as at 31 December 2013		<u>3,656,900</u>	<u>(914,225)</u>	<u>80,000</u>	<u>(1,457,802)</u>	<u>1,364,873</u>

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

For the six months period ended 31 December 2013

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This Condensed interim financial information of the Company for the six months period ended 31 December 2013 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. However, a limited scope review has been carried out by the auditors. Further, the figures in the condensed interim financial information for the quarter ended 31 December 2013 and 31 December 2012 have not been reviewed by the auditors. 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 2013.

The comparative balance sheet presented in this condensed interim financial information as at 31 December 2013 has been extracted from the audited financial statements of the Company for the year ended 30 June 2013, 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 unaudited condensed interim financial information for the six months period ended 31 December 2012.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Company's functional currency.

3. ACCOUNTING POLICIES

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 2013 except as described below:

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

For the six months period ended 31 December 2013

3.1 Changes in accounting policies

3.1.1 Defined Benefit Plan

IAS 19 (revised) ' Employee Benefits' amends the accounting for employment benefits which became effective to the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standards requires past service cost to be recognised immediately in profit or loss;
- (b) The standards replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Previously, actuarial gains or losses were recognized in profit and loss in the year in which they arise.

The management believes that the effects of these changes would not have significant effect on these condensed interim financial information except for the changes referred to in (d) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods. The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence the effect on the condensed interim profit and loss account and condensed interim comprehensive income statement for the current year is not quantifiable and is also considered immaterial.

Had there been no change in the accounting policy, the profit after tax and other comprehensive income for the six months period ended 31 December 2012 would have been lower / higher by Rs. 0.131 million and earnings per share would have been lower by Re. 0.0004.

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

For the six months period ended 31 December 2013

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information is in conformity with approved accounting standards as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and the 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 2013.

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 2013.

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013
(Rupees in '000)			
6. FIXED ASSETS			
Property, plant and equipment	6.1	4,264,327	4,250,159
Intangible assets	6.2	-	21
Capital work in progress	6.3	58,846	-
		<u>4,323,173</u>	<u>4,250,180</u>

6.1 Property, plant and equipment

Opening written down value		4,250,159	4,226,302
Additions during the period / year - at cost			
- Lease hold improvement		1,296	26,741
- Plant and machinery		58,401	91,426
- Factory and laboratory equipment		115	9,286
- Computers and peripherals		2,784	2,657
- Office equipment		40	579
- Quarry equipment		-	375
- Furniture and fixtures		203	49
- Vehicles		88	1,560
		62,927	132,673
Written down value of deletions during the period / year		(125)	(147)
Depreciation for the period / year		(48,634)	(108,669)
		(48,759)	(108,816)
Closing written down value		<u>4,264,327</u>	<u>4,250,159</u>

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

For the six months period ended 31 December 2013

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013
6.2 Intangible assets			
		(Rupees in '000)	
Opening written down value		21	314
Amortization for the period / year		(21)	(293)
Closing written down value		<u>-</u>	<u>21</u>

6.3 This represents cost incurred on additional packing plant to be commenced in near future.

7. STORES, SPARES AND LOOSE TOOLS

Stores		169,128	153,933
Coal	7.1	273,112	167,251
Spare parts		191,885	186,170
Loose tools		3,004	3,004
		<u>637,129</u>	<u>510,358</u>
Provision for slow moving / obsolete stores and spares		(13,519)	(13,519)
		<u>623,610</u>	<u>496,839</u>

7.1 This includes coal in-transit of Rs. 186 million (30 June 2013: Nil).

8. STOCK-IN-TRADE

Raw material		26,471	17,080
Packing material		39,261	51,133
Work-in-process		59,239	220,453
Finished goods		51,559	36,313
		<u>176,530</u>	<u>324,979</u>

9. ADVANCES AND OTHER RECEIVABLES

This includes Rs. 6.060 million receivable from Arif Habib Corporation Limited (parent company) in respect of capital gain tendered by the parent company in accordance with section 224 of the Companies Ordinance 1984.

10. TAX REFUNDS DUE FROM GOVERNMENT

Income tax refundable		53,274	46,406
Sales tax refundable		2,989	2,989
Excise duty receivable	10.1	189,467	189,467
		<u>245,730</u>	<u>238,862</u>

10.1 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 15 February 2007. Accordingly, the Company filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million.

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

For the six months period ended 31 December 2013

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

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the Company, the Company during the year ended 30 June 2013 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.

11. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

(Un-audited) 31 December 2013 (Number of Shares)	(Audited) 30 June 2013		(Un-audited) 31 December 2013 (Rupees in '000)	(Audited) 30 June 2013
		Fully paid ordinary shares of 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
<u>11,339,588</u>	<u>11,339,588</u>	Bonus shares	<u>113,396</u>	<u>113,396</u>
<u>365,689,968</u>	<u>365,689,968</u>		<u>3,656,900</u>	<u>3,656,900</u>

11.1 Shares held by the associated companies as at the balance sheet date were 275,428,913 (30 June 2013: 306,499,413).

11.2 During the year ended 30 June 2013, the Company in its Extra Ordinary General Meeting, held on 4 June 2013, approved capital restructuring through reduction of share capital of the Company to the extent of 50% i.e. from 365,689,968 shares to 182,844,984 shares of Rs. 10 each amounting to Rs. 1,828,449,840, subject to the approval of regulatory authorities and completion of all statutory and legal formalities. The proposed reduction in share capital will be done through cancellation of one share for every two shares held in the Company. Fraction shares arising as a result of capital restructuring will be consolidated and disposed off through stock exchange.

During the period, a petition has been filed with the High Court decision of which is awaited.

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

For the six months period ended 31 December 2013

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013
12. LONG TERM FINANCING			
Syndicated Term finance - secured	12.1 & 12.2	1,525,752	1,666,859
Loan from related party - unsecured		-	500,000
Loans from a related party (at fair value) - unsecured	12.3	841,818	-
		2,367,570	2,166,859
Current maturity shown under current liability		(307,801)	(299,797)
		2,059,769	1,867,062

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

The mark up charged during first 3.5 years (23 June 2010 - 22 December 2013) was at 6 month KIBOR + 0% and after 3.5 years (23 December 2013 - 23 June 2016), the mark up will be charged at 6 month KIBOR + 1.75%. Mark-up outstanding at the time of restructuring and mark up accrued from restructuring date till the date of final settlement of principal will then be paid in half yearly instalments of Rs. 250 million each commencing from 23 June 2016. The loan is secured by way of mortgage over property worth Rs. 3.33 billion and hypothecation charge over assets worth Rs. 3.33 billion.

- 12.2** The revised restructuring mentioned above resulted in substantial modification of the financing terms, accordingly the original liability was extinguished and new liability was recognised at fair value. The difference between the carrying amount of the liability extinguished and the fair value of the new liability was recognised in profit and loss account which is being amortised on effective interest rate over the remaining tenor of the loan.
- 12.3** This represents mark up free long term loans of Rs.1,008 million (2013: Nil) obtained from a related party, these loans have been recorded at fair value. The difference between the carrying value of the liability and the fair value is recognized in profit and loss account which is being amortized on effective interest rate over the remaining tenure of the loan.

13. LOAN FROM PREVIOUS SPONSOR

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.

During the year ended 30 June 2013, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the Company. Accordingly, the management sent the award to the Registrar High Court of Sindh for making the award a rule of Court and reversed the

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

For the six months period ended 31 December 2013

liability amounting to Rs. 115.193 million with a corresponding credit in the profit & loss account. However, previous sponsors have filed objections to the award. 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. The matter has been disclosed as contingent liability in these condensed interim financial information.

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013
14. SHORT TERM BORROWINGS			
From banking companies:			
Running finances	14.1	445,028	428,822
Istisna	14.2	130,000	130,000
		<u>575,028</u>	<u>558,822</u>
From related parties:			
Short term finance from related party	14.3	325,500	87,500
Loan from a related party		-	312,000
		<u>900,528</u>	<u>958,322</u>

- 14.1** This includes short-term running finance facilities from various banks amounting to Rs. 450 million (30 June 2013: Rs.550 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 2013: 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 May 2014 and are secured by first pari passu charge against current / fixed assets of the Company.

The aggregate amount of aforementioned facilities which have not been availed as at the balance sheet date amounts to Rs. 4.972 million (30 June 2013: Rs. 121.178 million). The facility is secured by first pari passu charge against fixed assets (excluding land and building) of the Company.

- 14.2** The Company has availed Istisna facility from a bank amounting to Rs. 130 million (30 June 2013: 130 million). The amount is repayable in 90 days from the date of disbursement and carries mark-up at the rate of 3 months KIBOR plus 3%. The facility will mature on 31 May 2014.
- 14.3** The amount represents unsecured short term finance availed from Arif Habib Corporation Limited (parent company) dated 24 November 2011 aggregating to Rs.500 Million (30 June 2013: Rs. 500 million). This carries mark-up at the rate of 3 months KIBOR + 2.5% per annum. The loan is repayable on demand whereas mark up is payable quarterly.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements for the year ended 30 June 2013 except for contingency of fuel price adjustment (FPA) and carry forward of minimum tax as mentioned below:

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

For the six months period ended 31 December 2013

15.1.1 The Hyderabad Electric Supply Corporation (HESCO) has charged an amount of Rs. 67,578 million as arrears on account of Fuel Price Adjustment (FPA) in the electricity bills for the month of December 2012, January 2013, June 2013 to November 2013 pertaining to the months from April 2012 to March 2013 and June 2013 to August 2013. The Company has challenged this claim in the Honourable Court of Sindh, Hyderabad, whereby stay orders have been granted in the Company's favour except for the month of November 2013. The management is actively pursuing the matter and is hopeful for its favourable outcome. Accordingly, no provision against the above demand has been made in the condensed interim financial information and no payment in respect of FPA has been made by the Company, except for the month of November 2013.

15.1.2 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The Company has carried forward minimum tax of current and previous years amounting to Rs. 53,921 million and the Company expect to adjust the amount against the future taxable profits. The Company's legal counsel is of the opinion that the Company has strong arguable case and at an appropriate stage the matter can be agitated before Supreme Court of Pakistan in case the adjustment is challenged by the tax authorities. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in these condensed interim financial statements.

15.2 Commitments

	(Un-audited) 31 December 2013	(Audited) 30 June 2013
	(Rupees in '000)	
Commitment against open letter of credit for:		
- Coal	351,178	77,271
- Stores and spares	103,975	69,919
Other commitments - ljarah rentals	3,205	3,918
	<u>458,358</u>	<u>151,108</u>

16. SALES - NET

	(Un-audited) 31 December 2013	31 December 2012
	(Rupees in '000)	
Local	1,727,572	1,498,284
Export	347,053	247,800
	<u>2,074,625</u>	1,746,084
Less :		
Sales tax	(300,624)	(206,660)
Federal excise duty	(87,590)	(84,245)
	<u>(388,214)</u>	<u>(290,905)</u>
	<u>1,686,411</u>	<u>1,455,179</u>

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

For the six months period ended 31 December 2013

	Note	Six months period ended	
		31 December 2013	31 December 2012
17. COST OF SALES			(Restated)
		(Un-audited)	
		(Rupees in '000)	
Salaries, wages and other benefits including retirement benefits		95,241	92,493
Raw materials consumed	17.1	85,723	90,691
Packing material consumed	17.2	117,387	89,909
Stores, spares and loose tools		73,189	51,879
Fuel and power		998,347	1,008,621
Insurance		5,320	4,233
Repairs and maintenance		20,314	18,194
Depreciation		42,996	46,112
Other production overheads		17,971	13,548
		<u>1,456,488</u>	<u>1,415,680</u>
Work in process			
Opening		220,453	117,901
Closing	8	(59,239)	(252,871)
		<u>161,214</u>	<u>(134,970)</u>
Cost of goods manufactured		<u>1,617,702</u>	<u>1,280,710</u>
Finished goods			
Opening		36,313	14,694
Closing	8	(51,559)	(56,819)
		<u>(15,246)</u>	<u>(42,125)</u>
		<u>1,602,456</u>	<u>1,238,585</u>
		Six months period ended	
		31 December 2013	31 December 2012
17.1 Raw materials consumed		(Un-audited)	
		(Rupees in '000)	
Opening stock of raw material		17,080	28,312
Purchases		95,114	78,014
		<u>112,194</u>	<u>106,326</u>
Closing stock of raw material	8	(26,471)	(15,635)
		<u>85,723</u>	<u>90,691</u>
17.2 Packing materials consumed			
Opening stock of packing material		51,133	41,068
Purchases		105,515	102,092
		<u>156,648</u>	<u>143,160</u>
Closing stock of packing material	8	(39,261)	(53,251)
		<u>117,387</u>	<u>89,909</u>

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

For the six months period ended 31 December 2013

Note	Six months period ended	
	31 December 2013	31 December 2012 (Restated)
18. DISTRIBUTION COST		
		(Un-audited) (Rupees in '000)
Salaries, wages and other benefits including retirement benefits	9,581	4,726
Export expenses	98,497	38,012
Travelling and conveyance	38	580
Depreciation	1,405	942
Marking fee	1,342	1,255
Incentives and commission on local sales	43,639	-
Others	1,561	1,458
	<u>156,063</u>	<u>46,973</u>

Note	Six months period ended	
	31 December 2013	31 December 2012
19. OTHER OPERATING INCOME		
		(Un-audited) (Rupees in '000)
Gain on disposal of fixed assets	335	161
Gain on initial recognition of loans from a related party	12.3 182,968	-
Rebate income	1,201	222
Scrap sales	33	-
Reversal of previous sponsors loan	-	115,193
Excise duty refundable	-	182,604
Others	285	-
	<u>184,822</u>	<u>298,180</u>

Note	Six months period ended	
	31 December 2013	31 December 2012 (Restated)
20. TAXATION		
		(Un-audited) (Rupees in '000)
Current year		
- Current tax	20.1 -	8,515
- Deferred	(8,190)	(55,246)
	<u>(8,190)</u>	<u>(46,731)</u>

20.1 Minimum tax liability of Rs. 13.39 million has not been recognized in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in next five years against which such liability would be adjusted.

20.2 The return of income have been filed up to tax year 2013 (corresponding to financial year ended 30 June 2013), while the income tax assessment have been finalized up to and including tax year 2012.

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

For the six months period ended 31 December 2013

	Six months period ended	
	31 December 2013	31 December 2012
Transactions with related parties	(Un-audited) (Rupees in '000)	
Aisha Steel Mills Limited		
- Sale of goods	867	1,077
- Payment received	243	1,600
Safe Mix Concrete Products Limited		
- Sale of goods	23,368	-
- Payment received	19,439	-
Thatta Cement Company Limited		
- Common expenses	-	40
Javedan Corporation Limited		
- Purchase of stores and spares	-	676
- Sale of goods	5,058	601
- Payment received	2,185	560
Rotocast Engineering Company (Private) Limited		
- Rent & maintenance	1,973	-
Arif Habib Corporation Limited		
- Loan repaid - net	262,000	-
- Mark-up accrued during the period	24,125	33,716
- Tenderable gain	6,060	-
Related party		
- Loan received - net	696,000	447,000
- Mark-up accrued	-	15,048
Key management personnel		
- Remuneration and other benefits	35,832	18,944
- Advances disbursed to employees	800	1,336
- Advances repaid by employees	729	540

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

For the six months period ended 31 December 2013


	<u>(Un-audited)</u> 31 December 2013	<u>(Audited)</u> 30 June 2013
Balances with related parties	(Rupees in '000)	
Aisha Steel Mills Limited		
- Advance from customers	-	458
- Trade receivable	166	-
Rotocast Engineering Company (Private) Limited		
- Advance against rent	-	2,264
- Rent and maintenance payable	314	-
Javedan Corporation Limited		
- Trade receivable	3,911	1,038
- Trade payable	375	375
Safe Mix Concrete Products Limited		
- Trade receivable	4,780	851
Thatta Cement Company Limited		
- Trade receivable	870	870
Arif Habib Corporation Limited		
- Loan payable (including mark-up)	349,625	588,077
- Tenderable gain receivable	9	6,060
Related party		
- Loan payable (recorded at fair value of Rs. 841.818 million)	12	1,008,000
Key management personnel		
- Advances to employees	9,022	4,204

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue on 27 February 2014 by the Board of Directors.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER