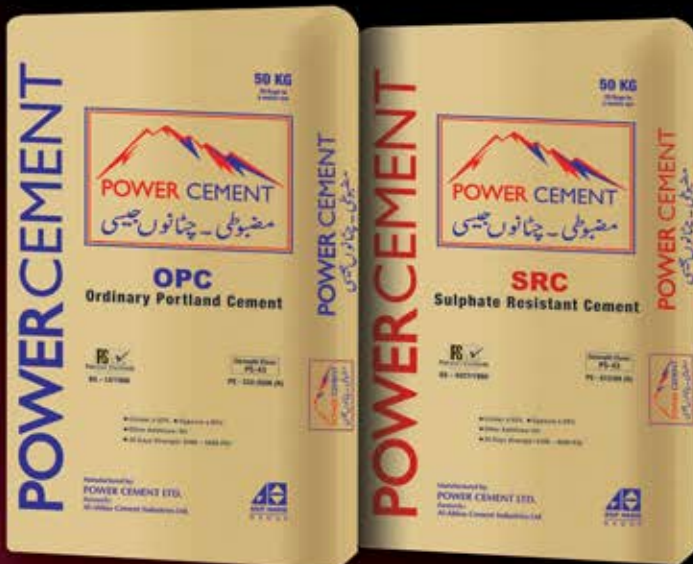


Half Yearly Report
December 2014

Power Behind Construction





Contents

02 Corporate Information

04 Director's 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

13 Notes to the Condensed Interim Financial Information

Corporate Information

Board of Directors

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

Chairman
CEO
Director
Director
Director
Director
Director

External Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Cost Auditors

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Audit Committee

Muhammad Yousuf Adil
Nasim Beg
Muhammad Yahya Khan
Syed Salman Rashid

Chairman
Member
Member
Member

Legal Advisor

Usmani & Iqbal
Advocate & Solicitors

HR & Remuneration Committee

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

Chairman
Member
Member
Member

Tax Advisor

Hyder Bhimji & Co.
Chartered Accountants

Share Registrar

Technology Trade (Private) Limited

Principal Bankers

Allied Bank Limited
Al Baraka Bank Pakistan Limited
Bank Alfalah 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

Email Address

corporate@powercement.com.pk

Contact Number

021-32468231-32
021-32468251-52

Factory

Nooriabad Industrial Area,
Kalo Kohar District, Jamshoro, Sindh

Director's Report

The Directors of the Company present herewith the half yearly report of your Company together with the half yearly financial statements for the period ended 31st December 2014.

OVERVIEW

A comparison of the key financial results and operational performance of the Company for six months period ended 31st December 2014 with corresponding period is as under:

Financial Results

Particulars	Six months ended 31 st December	
	2014	2013
	Rs. in '000	
Sales - net	1,734,120	1,686,411
Gross profit	361,826	83,955
Operating profit	480,261	39,530
Profit / (loss) before taxation	278,903	(144,748)
Profit / (loss) after taxation	244,458	(136,558)
Earnings / (loss) per share (Rupee)	0.67	(0.37)

Sales Revenue and Gross Profit Margins

During the period under review, Your Company noticed minor increase of 2.81% in net sales revenue despite of decrease in sale volume to 251,667 tons compared to 270,641 tons in the same period last year which only pertains to exports. The increase in revenue is attributable to increased prices of cement in local market and also a favorable shift in territory mix of sales. Local dispatches have increased by 2.25%, whereas exports have decreased by 23,949 tons as compared to the comparative period. The gross profit margin of the Company has increased to 21 % compared to 4.9 % in the same period last year; increase in gross margin is attributable to the increase in cement prices, local-export sales, plant efficiencies and better productivity.

Operational Performance

Particulars	Six months ended 31 st December	
	2014	2013
	Tons	
Cement production	255,983	269,840
Clinker production	293,697	220,247

During the period under review, clinker production increased by 73,450 tons and cement production has shown minor decrease of 13,857 tons as compared to same period last year, resulting in capacity utilization of 65% as compared to 49% for the same six months period last year. (78% for second quarter this year as compared to 57% last year).

FUTURE OUTLOOK

Domestic demand for cement industry has shown overall growth of 9.1%, whereas south zone, where your company is situated, showed growth of 2.4%. This growth has been admired in spite of the political impasse.

Going forward, higher allocation for public programmes, aggressive road network projects like Karachi-Hyderabad motorway and Karachi-Lahore motorway, coupled with the power projects being taken up and the growing housing needs, the cement industry is expected to maintain a high growth rate in foreseeable future.

ACKNOWLEDGEMENT

The Company strongly believes that its success is driven by the commitment and declaration of its employees. We acknowledge the contribution of each and every member of the Company in their respective area of expertise. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, financial partners, Securities and Exchange Commission of Pakistan, Karachi and Lahore Stock Exchanges, State Bank of Pakistan, Competition Commission of Pakistan, Central Depository Company of Pakistan Limited for their support, guidance and confidence reposed in our enterprises.

For and on behalf of the Board



Kashif A. Habib
Chief Executive Officer
26th February 2015



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

Auditors' 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 ("the Company") as at 31 December 2014 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 the 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
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Emphasis of Matter

We draw attention to note 8.1 and 11 to the condensed interim financial information which state the reason 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 2014 and 31 December 2013 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.

Date: 26 February 2015

Karachi

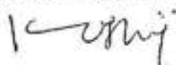
KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Condensed Interim Balance Sheet

As at 31 December 2014

	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014
------(Rupees in '000)-----			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	4,431,280	4,402,670
Long term deposits		19,635	19,635
		<u>4,450,915</u>	<u>4,422,305</u>
CURRENT ASSETS			
Stores, spares and loose tools		551,408	642,543
Stock-in-trade	7	388,188	177,302
Trade debts		225,493	143,038
Advances and other receivables		122,882	141,603
Trade deposits and prepayments		13,549	7,818
Tax refunds due from government	8	287,265	245,730
Cash and bank balances		4,613	5,476
		<u>1,593,398</u>	<u>1,363,510</u>
		<u><u>6,044,313</u></u>	<u><u>5,785,815</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 400,000,000 (30 June 2014: 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 2014: 365,689,968) Ordinary shares of Rs. 10/- each	9	3,656,900	3,656,900
Discount on issuance of right shares		(914,225)	(914,225)
General reserve		80,000	80,000
Accumulated loss		<u>(1,149,675)</u>	<u>(1,394,133)</u>
		<u>1,673,000</u>	<u>1,428,542</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing	10	2,185,985	2,096,795
Deferred taxation		57,537	27,985
Deferred liabilities		37,716	33,164
		<u>2,281,238</u>	<u>2,157,944</u>
CURRENT LIABILITIES			
Loan from previous sponsors	11	735	735
Trade and other payables	12	795,804	935,441
Mark-up accrued		14,363	13,019
Short-term borrowings	13	892,939	544,182
Current portion of long term financing	10	386,234	705,952
		<u>2,090,075</u>	<u>2,199,329</u>
CONTINGENCIES AND COMMITMENTS			
	14	<u>6,044,313</u>	<u>5,785,815</u>

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



CHIEF EXECUTIVE



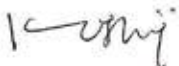
DIRECTOR

Condensed Interim Profit and Loss Account (Un-audited)

For the six months period ended 31 December 2014

	Note	Six months ended 31 December		Quarter ended 31 December	
		2014	2013	2014	2013
----- (Rupees in '000) -----					
Sales - net	15	1,734,120	1,686,411	866,087	857,993
Cost of sales	16	(1,372,294)	(1,602,456)	(646,055)	(823,576)
Gross profit		361,826	83,955	220,032	34,417
Distribution cost	17	(96,384)	(156,063)	(43,412)	(59,179)
Administrative expenses		(24,849)	(39,439)	(11,221)	(15,352)
Other operating income	18	276,239	184,822	152,626	177,691
Other operating expenses		(36,571)	(33,745)	(23,424)	(5,853)
		118,435	(44,425)	74,569	97,307
		480,261	39,530	294,601	131,724
Finance cost		(201,358)	(184,278)	(134,242)	(121,931)
Profit / (loss) before taxation		278,903	(144,748)	160,359	9,793
Taxation	19	(34,445)	8,190	(25,765)	8,998
Profit / (loss) after taxation		244,458	(136,558)	134,594	18,791
----- (Rupee) -----					
Earnings / (loss) per share - basic and diluted		0.67	(0.37)	0.37	0.05

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



CHIEF EXECUTIVE



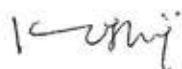
DIRECTOR

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended 31 December 2014

	Six months ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Profit / (loss) for the period	244,458	(136,558)	134,594	18,791
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	244,458	(136,558)	134,594	18,791

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



CHIEF EXECUTIVE



DIRECTOR

Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2014

	Note	Six months ended	
		31 December 2014	31 December 2013
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	20	(75,280)	9,033
Taxes paid - net		(34,155)	(4,535)
Financial charges paid		(35,481)	(62,368)
Gratuity paid		(2,798)	(3,649)
		(72,434)	(70,552)
Cash used in operating activities		(147,694)	(61,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(82,361)	(121,773)
Sale proceeds from sale of fixed assets		435	460
Net cash used in investing activities		(81,926)	(121,313)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received from related parties		565,000	434,000
Repayment of long term liability		(380,000)	(250,000)
Net cash generated from financing activities		185,000	184,000
Net increase in cash and cash equivalents		(44,620)	1,168
Cash and cash equivalents at the beginning of the period		(528,706)	(554,770)
Cash and cash equivalents at the end of the period	21	(573,326)	(553,602)

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



CHIEF EXECUTIVE



DIRECTOR

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

For the six months period ended 31 December 2014

	Capital Reserve		Revenue Reserve		Total
	Share capital	Discount on issuance of right shares	General reserve	Accumulated loss	
----- (Rupees in '000) -----					
Balance as at 1 July 2013	3,656,900	(914,225)	80,000	(1,327,304)	1,495,371
<i>Total comprehensive income for the six months period ended 31 December 2013</i>					
Loss after taxation	-	-	-	(136,558)	(136,558)
<i>Transactions with owners recorded directly in equity</i>					
Tenderable gain from Parent Company	-	-	-	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>
Balance as at 1 July 2014	3,656,900	(914,225)	80,000	(1,394,133)	1,428,542
<i>Total comprehensive income for the six months period ended 31 December 2014</i>					
Profit after taxation	-	-	-	244,458	244,458
Balance as at 31 December 2014	<u>3,656,900</u>	<u>(914,225)</u>	<u>80,000</u>	<u>(1,149,675)</u>	<u>1,673,000</u>

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



CHIEF EXECUTIVE



DIRECTOR

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

1. STATUS AND NATURE OF BUSINESS

Power Cement 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 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 Kalo Kohar, Nooriabad Industrial Area, 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 2014 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 2014 and 31 December 2013 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 2014.

The comparative balance sheet presented in this condensed interim financial information as at 31 December 2014 has been extracted from the audited financial statements of the Company for the year ended 30 June 2014, 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 2013.

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 2014.

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information is in conformity with approved accounting standards 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 2014.

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 2014.

6. FIXED ASSETS	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014
------(Rupees in '000)-----			
Property, plant and equipment	6.1	4,311,906	4,275,940
Intangible assets	6.2	637	862
Capital work in progress	6.3	20,562	83,260
Capitalisable stores and spares	6.4	98,175	42,608
		<u>4,431,280</u>	<u>4,402,670</u>
6.1 Property, plant and equipment			
Opening written down value		4,275,940	4,250,159
Additions during the period / year - at cost			
- Lease hold improvement		-	1,507
- Plant and machinery		87,092	115,014
- Factory and laboratory equipment		1,795	115
- Computers and peripherals		386	3,692
- Office equipment		45	3,088
- Furniture and fixtures		174	393
- Vehicles		-	1,294
		89,492	125,103
Written down value of deletions during the period / year		(65)	(257)
Depreciation for the period / year		(53,461)	(99,065)
		(53,526)	(99,322)
Closing written down value		<u>4,311,906</u>	<u>4,275,940</u>

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

6.2 Intangible assets	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014	
----- (Rupees in '000) -----				
Opening written down value		862	21	
Additions during the period / year		-	899	
		<u>862</u>	<u>920</u>	
Amortization for the period / year		(225)	(58)	
Closing written down value		<u>637</u>	<u>862</u>	
6.3 Capital work in progress	Cost as at 1 July 2014	Additions during the period	Transferred to operating fixed assets	Cost as at 31 December 2014
----- (Rupees in '000) -----				
Packing plant	62,698	19,746	(82,444)	-
Slag feeding system	3,451	-	-	3,451
Refuse derived fuel system	17,111	-	-	17,111
	<u>83,260</u>	<u>19,746</u>	<u>(82,444)</u>	<u>20,562</u>
6.4 Capitalisable stores and spares	Note	(Unaudited) 31 December 2014	(Audited) 30 June 2014	
----- (Rupees in '000) -----				
Opening balance		42,608	64,218	
Additions during the period		74,229	81,531	
Transferred to property, plant and equipment		(5,740)	(103,141)	
Transferred to capital work in progress		(12,922)	-	
Closing balance		<u>98,175</u>	<u>42,608</u>	
7. STOCK-IN-TRADE				
Raw material		16,379	33,306	
Packing material		45,173	49,834	
Work-in-process		275,548	67,732	
Finished goods		51,088	26,430	
		<u>388,188</u>	<u>177,302</u>	
8. TAX REFUNDS DUE FROM GOVERNMENT				
Income tax refundable		94,809	53,274	
Sales tax refundable		2,989	2,989	
Excise duty receivable	8.1 & 8.2	189,467	189,467	
		<u>287,265</u>	<u>245,730</u>	

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

- 8.1 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 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 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.

- 8.2 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.

9. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

(Un-audited) 31 December 2014	(Audited) 30 June 2014		(Un-audited) 31 December 2014	(Audited) 30 June 2014
------(Number of Shares)-----		Fully paid ordinary shares of Rs. 10 each issued:	------(Rupees in '000)-----	
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

For the six months period ended 31 December 2014

9.1 Shares held by the associated companies as at the balance sheet date were 232,795,030 (30 June 2014: 237,842,913).

9.2 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.

10. LONG TERM FINANCING	Note	(Un-audited)	(Audited)
		31 December 2014	30 June 2014
		----- (Rupees in '000) -----	
Syndicated term finance - secured	10.1 & 10.2	1,474,371	1,629,757
Loan from related parties - unsecured	10.3	1,097,848	1,172,990
		<u>2,572,219</u>	<u>2,802,747</u>
Current maturity shown under current liability		<u>(386,234)</u>	<u>(705,952)</u>
		<u>2,185,985</u>	<u>2,096,795</u>

10.1 This represents syndicated term finance facility arranged by the Company with a syndicate of local commercial banks (the Syndicate). In 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 i.e. from 23 June 2010 to 22 December 2013 is 6 month KIBOR + 0% and after 3.5 years i.e. 23 December 2013 to 23 December 2018, 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 four (4) half yearly installments commencing from 23 June 2016.

During the period, the Company again entered into a revised restructuring agreement with the Syndicate dated 26 December 2014. As per the revised restructuring agreement, principal installment aggregating Rs. 360 million has been deferred as following:

- Rs. 250 million falling due on 23 December 2014 will be repaid on 23 June 2018.

- Rs. 110 million out of Rs. 250 million falling due on 23 June 2015 will be repaid on 23 December 2018.

The outstanding principal other than deferred principal will be paid as per the existing repayment terms.

The loan is secured by way of mortgage over property worth PKR 3.33 billion and hypothecation charge over assets worth PKR 3.33 billion.

10.2 The facility contains a covenant that company can not pay dividend to its shareholders until it is upto date to its debt obligation including mark-up payments to syndicate.

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

10.3 Loan from related parties - unsecured :	Note	(Un-audited)	(Audited)
		31 December 2014	30 June 2014
		------(Rupees in '000)-----	
Opening balance		1,172,990	-
Loan amount	10.3.1	130,000	1,325,500
Gain on derecognition during the period	10.3.2	(240,050)	(230,836)
Gain on initial recognition during the period	10.3.1	(35,011)	-
Unwinding of discount during the year		69,919	78,326
Closing balance		<u>1,097,848</u>	<u>1,172,990</u>

This represents mark up free long term loan of Rs. 1,455 million (30 June 2014: Rs. 1,325 million) obtained from related parties, recorded at fair value at the mark-up rate of 6 months KIBOR plus 1.75% (30 June 2014: 6 months KIBOR plus 1.75%) repayable on 2 July 2017.

10.3.1 During the period the company has obtained a mark up free loan of Rs. 130 million from a related party on 19 September 2014 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 tenor of the loan. This loan is repayable on 2 July 2017.

10.3.2 On 1 November 2014, the management entered into a revised restructuring agreement in respect of loan from related party. The terms of the revised agreement are as under:

Previous Terms

The loan was repayable on 9 July 2015

New Terms

The loan is repayable on 2 July 2107

The revised restructuring as mentioned above has resulted in substantial modification of the financing terms, 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.

11. 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 conditions 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 have filed objections to the award, the matter has been disclosed as a contingent liability in these financial statements.

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

12. TRADE AND OTHER PAYABLES	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014
----- (Rupees in '000) -----			
Trade creditors		186,405	177,573
Bills payable		359,099	444,933
Accrued liabilities		69,152	99,510
Royalty payable		13,613	18,044
Excise duty payable		6,547	6,176
Advances from customers		57,902	101,835
Retention money payable		1,382	1,312
Sales tax and federal excise duty payable		32,321	36,719
Workers' Welfare Fund		14,229	8,867
Workers' Profit Participation Fund		40,082	25,530
Unclaimed dividends		127	126
Withholding tax payable		4,564	2,011
Leave encashment payable		9,657	11,407
Others		724	1,398
		<u>795,804</u>	<u>935,441</u>
13. SHORT TERM BORROWINGS			
From banking companies:			
Running finances	13.1	398,511	384,050
Foreign currency Loan	13.2	49,428	20,132
Istisna	13.3	130,000	130,000
		<u>577,939</u>	<u>534,182</u>
From related parties:			
Short term finance from associated company	13.4	165,000	10,000
Loan from a related party	13.5	150,000	-
		<u>892,939</u>	<u>544,182</u>

- 13.1 This represents short-term running finance facilities from various banks amounting to Rs. 400 million (30 June 2014: 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 2014: 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 2015 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. 0.846 million (30 June 2014: Rs. 45.817 million). The facility is secured by first pari passu charge against fixed assets (excluding land and building) of the Company.

- 13.2 This represents foreign currency loan facility from Habib Metropolitan Bank amounting to Rs. 50 million (30 June 2014: Rs.50 million). The amount is repayable in 180 days from the date of disbursement and carries various mark-up at the rates of LIBOR plus 2% - 5%. The facility is secured by first pari passu charge against present and future fixed assets of the Company.

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

- 13.3 The amount is repayable in 90 days from the date of disbursement and carries profit at the rate of 3 months KIBOR plus 3%. The facility will mature on 19 April 2015 and is renewable.
- 13.4 The amount represents unsecured short term finance availed from Arif Habib Corporation Limited (parent company) amounting to Rs.140 million (30 June 2014: Rs. 10 million) and Arif Habib Limited Rs.25 million (30 June 2014: Nil). This carries mark-up at the rate of 3 months KIBOR + 2.5% per annum. The principal is repayable on demand whereas mark up is payable semi annually.
- 13.5 This represent mark-up free loan obtained from Mr. Arif Habib amounting to Rs. 150 million repayable on demand.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There are no changes in the status of contingencies as disclosed in the annual financial statements for the year ended 30 June 2014 except for the contingency of Sales tax and Central Excise Duty as mentioned below:

The Company received an order from Central Excise and Land Custom on 28 October 1992 alleging that the Sales tax and CED amounting to Rs. 15.210 and Rs. 30.312 million respectively, were not paid on certain sales. Penalty of the Rs. 45.524 million was also levied in the said order on account of non payment of above amount. The company has however disputed the same on grounds of lack of jurisdiction as well as on the merits, the matter is sub-judice. The Honourable High Court of Sindh has granted stay against the said order and the case is currently pending with the Appellate Tribunal Inland Revenue, Karachi.

Subsequent to the period end, the Company has received a demand notice from FBR reference # DCIR/Unit-01/E&C/Zone-II/LTU/2015 demanding to pay Rs 60.624 million and Rs. 15.210 million under CED and Sales Tax respectively. The Honorable High Court of Sindh has granted the stay against the said demand notice. The management in consultation with its legal advisor is confident that the outcome of the case would be in favour of the Company and hence no provision is made in this condensed interim financial information.

14.2 Commitments	(Un-audited) 31 December 2014	(Audited) 30 June 2014
	------(Rupees in '000)-----	
Commitment against open letter of credit for:		
- Coal	107,216	-
- Stores and spares	30,604	98,651
Other commitments - Ijarah rentals	1,908	2,557
	<u>139,728</u>	<u>101,208</u>

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

		(Un-audited)	
		Six months ended	
15. SALES - NET	Note	31 December 2014	31 December 2013
------(Rupees in '000)-----			
Local		2,008,964	1,727,572
Export		154,421	347,053
		<u>2,163,385</u>	<u>2,074,625</u>
Less :			
Sales tax		332,077	300,624
Federal excise duty		97,188	87,590
		<u>429,265</u>	<u>388,214</u>
		<u>1,734,120</u>	<u>1,686,411</u>
16. COST OF SALES			
Salaries, wages and other benefits including retirement benefits		111,425	95,241
Raw materials consumed	16.1	114,587	85,723
Packing material consumed	16.2	111,704	117,387
Stores, spares and loose tools		80,534	73,189
Fuel and power		1,093,019	998,347
Insurance		4,638	5,320
Repairs and maintenance		24,682	20,314
Depreciation		47,833	42,996
Other production overheads		16,346	17,971
		<u>1,604,768</u>	<u>1,456,488</u>
Work in process			
Opening		67,732	220,453
Closing	7	(275,548)	(59,239)
		<u>(207,816)</u>	<u>161,214</u>
Cost of goods manufactured		<u>1,396,952</u>	<u>1,617,702</u>
Finished goods			
Opening		26,430	36,313
Closing	7	(51,088)	(51,559)
		<u>(24,658)</u>	<u>(15,246)</u>
		<u>1,372,294</u>	<u>1,602,456</u>

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

16.1 Raw materials consumed	Note	(Un-audited)	
		Six months period ended	
		31 December 2014	31 December 2013
		----- (Rupees in '000) -----	
Opening stock of raw material		33,306	17,080
Purchases		97,660	95,114
		130,966	112,194
Closing stock of raw material	7	(16,379)	(26,471)
		<u>114,587</u>	<u>85,723</u>
16.2 Packing materials consumed			
Opening stock of packing material		49,834	51,133
Purchases		107,043	105,515
		156,877	156,648
Closing stock of packing material	7	(45,173)	(39,261)
		<u>111,704</u>	<u>117,387</u>
17. DISTRIBUTION COST			
Salaries, wages and other benefits including retirement benefits		11,720	9,581
Export expenses		36,633	98,497
Travelling and conveyance		64	38
Depreciation		1,346	1,405
Marking fee		1,433	1,342
Incentives and commission on local sales		43,196	43,639
Others		1,992	1,561
		<u>96,384</u>	<u>156,063</u>
18. OTHER OPERATING INCOME			
Gain on disposal of fixed assets		370	335
Gain on derecognition during the period	10.3	240,050	-
Gain on initial recognition during the period	10.3	35,011	182,968
Rebate income		796	1,201
Scrap sales		-	33
Others		12	285
		<u>276,239</u>	<u>184,822</u>
19. TAXATION			
Current year			
- Current tax		-	-
- Prior		4,893	-
- Deferred		29,552	(8,190)
		<u>34,445</u>	<u>(8,190)</u>

19.1 Minimum tax liability of Rs. 17.341 million and Alternate Corporate Tax of Rs. 48.383 million have 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 tax liability would be adjusted.

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

- 19.2 The return of income have been filed up to tax year 2014 (corresponding to financial year ended 30 June 2014), while the income tax assessment have been finalized up to and including tax year 2014.

		(Un-audited)	
		Six months ended	
20. CASH GENERATED FROM / (USED IN) OPERATIONS	Note	31 December 2014	31 December 2013
------(Rupees in '000)-----			
Profit / (loss) before taxation		278,903	(144,748)
Adjustment for:			
Depreciation and amortization		53,686	48,655
Gain on derecognition during the period		(240,050)	-
Gain on initial recognition during the period		(35,011)	(182,968)
Provision for gratuity		7,350	6,000
Gain on disposal of fixed assets		(370)	(335)
Finance cost		201,358	212,170
		(13,037)	83,522
Operating profit / (loss) before working capital changes		265,866	(61,226)
Decrease / (Increase) in current assets			
Stores, spares and loose tools		91,135	(126,771)
Stock-in-trade		(210,886)	148,449
Trade debts		(82,455)	(26,130)
Advances and other receivables		6,448	35,566
Trade deposits and prepayments		(5,731)	(5,316)
		(201,489)	25,798
Increase / (decrease) in trade and other payables		(139,637)	44,461
Cash generated / (used in) from operations		(75,260)	9,033

21. CASH AND CASH EQUIVALENTS

Cash and bank balances		4,613	21,426
Short term borrowings	13	(577,939)	(575,028)
		(573,326)	(553,602)

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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:

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

(Un-audited)	
Six months ended	
31 December 2014	31 December 2013
----- (Rupees in '000) -----	

Transactions with related parties

Aisha Steel Mills Limited

- Sale of goods	-	867
- Payment received	-	243

Safe Mix Concrete Products Limited

- Sale of goods	8,322	23,368
- Payment received	6,604	19,439

Javedan Corporation Limited

- Sale of goods	6,143	5,058
- Payment received	9,783	2,185

Rotocast Engineering Company (Private) Limited

- Services received	2,082	1,973
---------------------	-------	-------

Arif Habib Corporation Limited

- Loan received	260,000	993
- Loan repaid	130,000	1,255
- Mark-up accrued during the period	5,762	24,125
- Tenderable gain	-	6,060

Arif Habib Limited

- Loan received	25,000	-
- Mark-up accrued during the period	53	-

Sponsors

- Loan received	280,000	696,000
-----------------	---------	---------

Key management personnel

- Remuneration and other benefits	28,522	18,944
- Advances disbursed to employees	6,274	1,336
- Advances repaid by employees	6,192	540

Balances with related parties

Aisha Steel Mills Limited

- Trade receivable	165	165
--------------------	-----	-----

Rotocast Engineering Company (Private) Limited

- Rent payable	273	390
----------------	-----	-----

Javedan Corporation Limited

- Trade receivable	3,258	6,898
- Trade payable	375	375

Safe Mix Concrete Products Limited

- Trade receivable	9,754	8,036
--------------------	-------	-------

Arif Habib Corporation Limited

- Loan payable	140,000	10,218
----------------	---------	--------

Arif Habib Limited

- Loan payable (including mark-up)	25,053	-
------------------------------------	--------	---

Sponsors

- Loan payable	1,605,500	1,325,500
----------------	-----------	-----------

Key management personnel

- Advances to employees	5,699	6,657
-------------------------	-------	-------

Notes to the Condensed Interim Financial Information

For the six months period ended 31 December 2014

23. 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	Amount Rs. In 000
Finance Cost	Other Operating Expense	27,892

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue on 26 February 2015 by the Board of Directors.



CHIEF EXECUTIVE



DIRECTOR



A Subsidiary of
ARIF HABIB GROUP

Power Cement Limited

Arif Habib Centre,
23, M.T.Khan Road, Karachi
Ph: 021-32468231-8
www.powercement.com.pk