# annual report 2012




## Infinite Imagination

**LAFARGE PAKISTAN CEMENT Ltd.**

LAFARGE




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# The Group

## LAFARGE PROFILE

### KEY FIGURES
(at December 31, 2012)

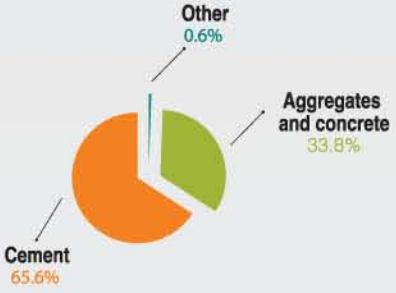
**64**
countries

**65,000**
employees

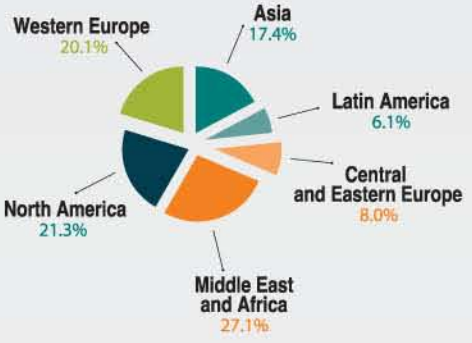
**15,816**
revenues
*in million euros*

**1,570**
production sites

### GROUP REVENUES BY DIVISION
(at December 31, 2012)




### GROUP REVENUES BY GEOGRAPHIC AREA
(at December 31, 2012)



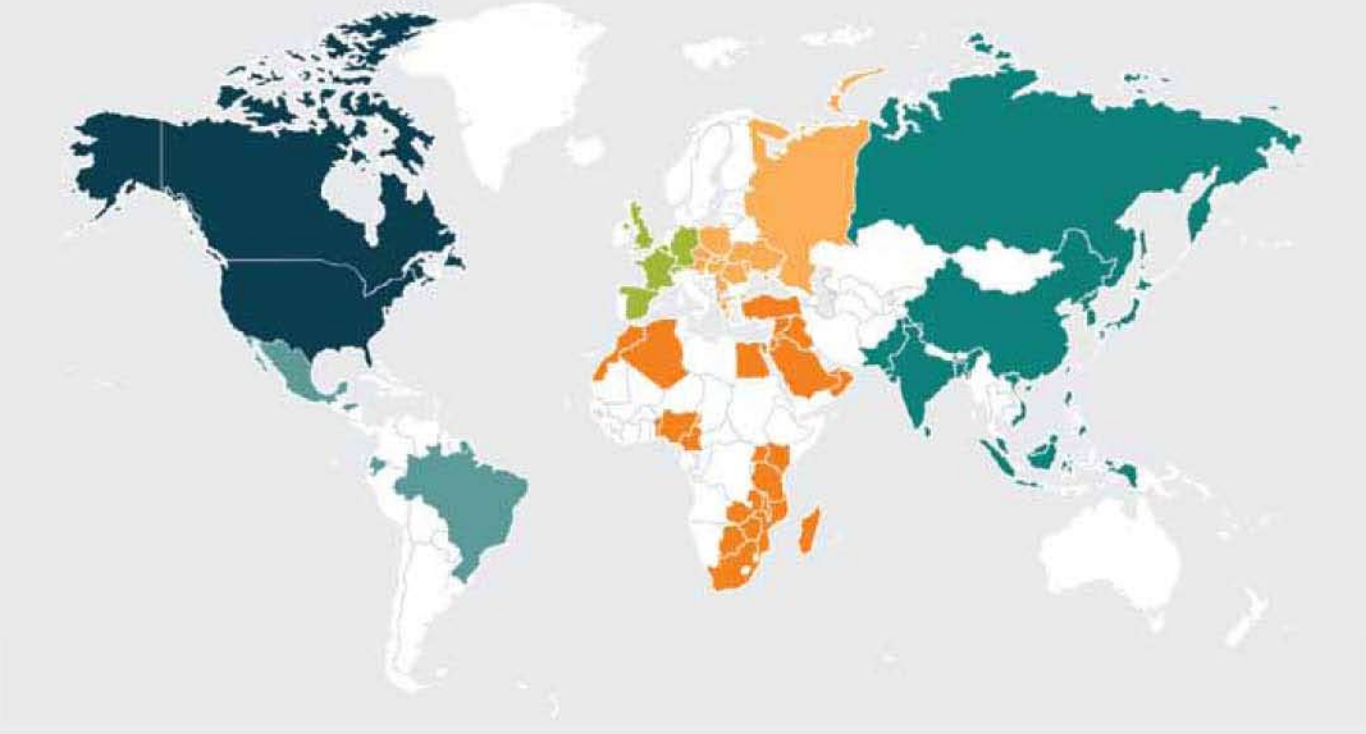

### NET INCOME GROUP SHARE

**432 M€**

## LAFARGE PROFILE

### LAFARGE WORLDWIDE (at December 31, 2012)

Western Europe · North America · Central and Eastern Europe · Middle East and Africa · Latin America · Asia



World map of lafarge's presence as of December 31, 2012 (plants and sales offices)

**CEMENT WORLD LEADER**

**58** countries

**41,200** employees

**10,373** revenues in million euros

**161** production sites

**N°2 AGGREGATES & N°4 CONCRETE**

**36** countries

**21,800** employees

**5,353** revenues in million euros

**1,395** production sites



# The Company

Lafarge Pakistan Cement, ISO 9001:2008 certified and the only Multinational Cement Manufacturer in Pakistan, which began its commercial operations in 2006 and has an annual production capacity of 2.4 million tons.

The state of the art cement plant is located at Kalar Kahar, District Chakwal in the province of Punjab, an area rich in limestone reserves. The quality of limestone in this area is considered to be the best in region. The plant location is close to M2 Motorway which gives a unique edge in reaching all corners of Pakistan and regional exports.



Ordinary Portland Cement (OPC) is available with packaging option of 50kg bags in 1.5 tons, 2 tons jumbo bags and bulk carriers. The advanced plant laboratory ensures consistent high quality of cement which is also our core business strategy.

The company complies with National and International Environmental Standards including the World Bank Environmental Standards. We have also embedded sustainable development into our daily business and also contribute for the least emissions of $CO_2$ helping to address climate change.

Lafarge Pakistan won the Lafarge Group Award for Best Fuel Mix Improvement along with an award for Best Project Management for its achievements during 2011.

We recognize that construction industry is shifting towards more cost effective methods, this inspires us to be more innovating in our business. The aim of being at the forefront in creating foundations for a prosperous tomorrow is backed by the Company's philosophy of providing outstanding value to its customers, a safe and stimulating work environment for its employees, superior returns for its shareholders and special focus on social responsibility and environment protection.

Lafarge Pakistan is committed to provide its customers with most reliable and comprehensive product PAKCEM, which is the leader on all quality scales. PAKCEM is the first cement in Pakistan to comply with European Standards (EN 197), British Standard (BS 12 – 1996) and with Indian Standard (IS 12269) also far exceeding requirements of Pakistan Standard (PS 232). The compressive strength of this cement is 10,000 PSI which best suits commercial & home construction, industrial, agricultural, renovation and other speciality applications.

Lafarge Pakistan has always provided and maintained the best working environment to its employees, with keen interest in their Health & Safety. It always maintains a close liaison with all its employees, with top priority given to their professional growth, development and periodic training programs at all levels. We are geared up towards satisfying the need of our customers and implementing best practices across our global network of plants and facilities.


Vision

# Vision Statement

"The preferred construction solution provider with sustainable leadership in Health & Safety, people development and commitment to all stakeholders through Lafarge values."

# Mission Statement

"We are committed to providing outstanding value to our customers, a safe and stimulating work environment for our employees and superior returns for our shareholders."





# Company Information



| | |
|---|---|
| Board of Directors | Maj. Gen. (R) Rehmat Khan - Chairman<br>Mr. Amr Ali Reda - Chief Executive Officer<br>Mr. Bilal Hamid Javaid<br>Mr. Fabrizio Angelo Olivares<br>Mr. Jean-Jerome Khodara<br>Mr. Dominique Brugier<br>Mr. Shahid Anwar (Nominee NIT) |
| Audit Committee | Mr. Shahid Anwar - Chairman<br>Maj. Gen. (R) Rehmat Khan<br>Mr. Fabrizio Angelo Olivares<br>Mr. Jean-Jerome Khodara |
| Human Resource & Remuneration Committee | Maj. Gen. (R) Rehmat Khan - Chairman<br>Mr. Amr Ali Reda<br>Mr. Fabrizio Angelo Olivares<br>Mr. Dominique Brugier |
| Chief Financial Officer | Mr. Bilal Hamid Javaid |
| Company Secretary | Mr. Wasim Ahmad Malik |
| Auditors | M/s Ernst & Young Ford Rhodes Sidat Hyder<br>Chartered Accountants |
| Legal Advisors | Haidermota & Co. Barristers at Law & Corporate Counsellors, Islamabad. |
| Bankers | Allied Bank Ltd.<br>Askari Bank Ltd.<br>Citibank N.A.<br>Habib Bank Ltd.<br>Habib Metropolitan Bank Ltd.<br>MCB Bank Ltd.<br>NIB Bank Ltd.<br>Soneri Bank Ltd.<br>Standard Chartered Bank (Pakistan) Ltd.<br>Faysal Bank Ltd.<br>United Bank Ltd. |
| Share Registrar | M/s THK Associated (Pvt.) Ltd.<br>Ground Floor, State Life Building No. 3<br>Dr. Ziauddin Ahmed Road, Karachi-75530.<br>UAN: +92(21) 111-000-322 Fax: +92(21) 35655595 |
| Registered Office | 18-B, Kaghan Road, F-8 Markaz,Islamabad, Pakistan.<br>UAN: (051) 111 111 722 Fax: (051) 2817300<br>Web: www.lafargepakistan.com.pk<br>E-mail: company.secretary@lafarge.com |
| Plant Site | Choie Mallot Road, Tehsil, Kalar Kahar,<br>Distt. Chakwal - Pakistan |



# Notice of 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the shareholders of Lafarge Pakistan Cement Limited will be held on Tuesday, April 23, 2013, at 11:00 a.m. at the Registered Office, 18-B, Kaghan Road, F-8 Markaz, Islamabad to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on January 21, 2013.

2. To receive and adopt the audited accounts of the Company for the year ended December 31, 2012 along with Directors' and Auditors' reports thereon.

3. To approve and declare cash dividend of Rs. 0.30 per share for the year ended December 31, 2012 as recommended by the Board of Directors.

4. To appoint Auditors for the year ending December 31, 2013 and to fix their remuneration. The retiring auditors namely M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Islamabad, being eligible, offer themselves for re-appointment.

5. To transact any other business which may be placed before the meeting with the permission of the chair.

By Order of the Board

Islamabad:
April 1, 2013

**Wasim Ahmad Malik**
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from 17-04-2013 to 23-04-2013 (both days inclusive) to determine entitlement for attending Annual General Meeting.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must be received by the Company not later than 48 hours before the meeting.

3. CDC shareholders entitled to attend and vote at this meeting, shall produce his/her original CNIC or passport to prove his/her identity. Representatives of corporate members should bring the usual documents required for such purpose. The members are requested to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

4. Shareholders are requested to immediately notify to M/s THK Associates (Pvt.) Limited, the Share Registrar of the Company, of change in their address, if any.

5. Members who have not yet submitted a photocopy of their computerized National Identity Cards to the Company are requested to send the same at the earliest to the Share Registrar.



Directors' Report

# Director's Report



## Directors' Report to the Shareholders

Your Directors are pleased to place before you the Annual Report of the Company for the year ended December 31, 2012 together with the audited accounts and Auditors' report thereon.

## Industry Overview

During the year under review the revenues of Cement Industry improved due to better volumes and prices in the domestic market. Land export prices showed significant improvement; however sea exports remained under pressure.

The industry managed to dispatch 24.8 million tons locally at 8.7% ahead of the 22.8 million tons last year, which helped the industry in maintaining its upward trend despite the difficulties faced on other fronts.

Industry exports continued their negative trend and declined by 9.6% to 8.3 million tons versus 9.2 million tons in 2011. This decline is mainly attributed to new capacities in the region, non-tariff barriers in India and sluggish demand in Afghanistan.

## Operating Highlights

For the first time since the start of commercial operations, the Company managed to post a strong positive bottom line. Net sales grew 23% to Rs. 9,624 million from Rs. 7,804 million. The Company continued its focus on using alternative fuel which reduced production cost by Rs. 411 million in 2012 as against Rs. 206 million in 2011. Resultantly the gross profit increased to Rs. 3,135 million from Rs. 1,656 million. Operating profit stood at Rs. 2,294 million versus Rs. 973 million in 2011 and net profit of the Company rose to Rs. 1,488 million from the loss of Rs. 118 million. During the year the Company also managed to reduce its debt by Rs. 1.8 billion from its operational cash flow.

## Production Review

Despite the overall market growth, the industry's over capacity influenced our capacity utilization which remained at 68% with local sales improving by 4% from 1.12 million tons to 1.17 million tons, while exports fell by 19% from 582 thousand tons to 472 thousand tons.

## Future Outlook

Current local demand driving forces are expected to continue based on strong housing requirement. We should also expect more infrastructure development once the Government allocates fund for PSDP (Public Sector Development Programme). The political setup after the general elections will determine the pace of market growth in the coming years. Current power shortage is considered as single most serious threat to the Cement Industry. The Company has started to work to secure future alternative sources of power.

## Election of Directors

The election of directors was held in the Extraordinary General Meeting held on January 21, 2013 in accordance with Section 178 of the Companies Ordinance, 1984 and the following Directors were elected for a period of three years w.e.f. January 21, 2013:

1. Maj. Gen. (R) Rehmat Khan
2. Mr. Amr Ali Reda
3. Mr. Bilal Hamid Javaid
4. Mr. Fabrizio Angelo Olivares
5. Mr. Jean-Jerome Khodara
6. Mr. Dominique Brugier
7. Mr. Shahid Anwar (Nominee NIT)

The Board constituted after election, appointed Maj. Gen. (R) Rehmat Khan as Chairman and Mr. Amr Ali Reda as Chief Executive Officer (CEO), in a meeting held on January 30, 2013. As per the agreed terms and conditions the CEO will be entitled to a net managerial remuneration of Egyptian Pound 137,136 per month or equivalent to Pakistani Rupees thereof in accordance with law, this will be in addition to the perquisites and other entitlements arising under his contract of employment with the Company, including bonus, transportation, medical expenses, retirement benefits and such other benefits as per Company's policies and service rules.

The Board also constituted following committees as required by Code of Corporate Governance:

## Audit Committee:

| | | |
|---|---|---|
| 1. | Mr. Shahid Anwar | Chairman |
| 2. | Maj. Gen. (R) Rehmat Khan | Member |
| 3. | Mr. Fabrizio Angelo Olivares | Member |
| 4. | Mr. Jean Jerome Khodara | Member |

## Human Resource & Remuneration Committee:

| | | |
|---|---|---|
| 1. | Maj. Gen. (R) Rehmat Khan | Chairman |
| 2. | Mr. Amr Ali Reda | Member |
| 3. | Mr. Fabrizio Angelo Olivares | Member |
| 4. | Mr. Dominique Brugier | Member |

## Holding Company

Pakistan Cement Holding Limited (PCH) holds 51.55% and Camden Holding PTE Limited (CHL) holds 21.67% ordinary shares of the Company at the balance sheet date. By virtue of indirect holding in PCH and CHL, through Lafarge Building Materials Holding, Lafarge SA France is the Company's "Ultimate Parent Company". Lafarge SA is the world leader in building materials, with top-ranking positions in all of its businesses of Cement, Aggregates & Concrete with 65,000 employees in 64 countries.

## Corporate Social Responsibility

The Company is fully aware of its obligations regarding Corporate Social Responsibility and is committed to protect environment and the communities in which it operates.

Following its core values of sustainability, the Company continuously seeks to indentify new ways of meeting present and future needs that are more socially and environmentally friendly.

## Community Development

The Company recognizes the importance of being a "good neighbor" to all of its communities and continued its support for various projects and activities with a spending of Rs. 1,326,636 during the year. Some of the projects and activities held were:

- Arrangement of transport for pensioners from nearby villages
- Awareness campaign about Dangue Fever
- Free Medical Camps
- The Company provided financial support to District Government for construction of water filtration plant for the general public living in the vicinity of the plant.
- Participation in sports event organized by District Administration, Chakwal.
- Providing free ambulance service to nearby villagers.

## Food Relief Donations

The Company donated Rs. 100,000/- for 'Sasta Dastarkhwan' scheme of Government of Punjab for provision of cooked food to the poorer.

## Health

The Company provided financial assistance of Rs. 600,000/- to The Kidney Centre Post Graduate Training Institute, Karachi. The Company also provided donation amounting to Rs. 250,000 to Pakistan Foundation Fighting Blindness. On the request of District Headquarters Hospital, Chakwal, the Company provided 100 bed sheets.

## Education

The Company donated Rs. 300,000/- to Heavy Industries Taxila Education City for building of new hostel for students. The Company also donated Rs. 100,000/- to Government Special Education Centre Kallar Kahar for hearing aids.

## Environment

The Company provided a Tractor & Trolley to TMA, Kallar Kahar for its solid waste management amounting to Rs. 907,499/- and also planted 5000 trees in the area.

## Occupational Health and Safety

Health and Safety is core value of Lafarge which the Company proudly carries in Pakistan. It was never an easy task to ensure safety for all employees of the Company. However, with determination, hard work and the engagement of everyone, from top management to the grass root level, the Company has established a Health & Safety oriented culture.

## National Exchequer

The Company contributed Rs. 1,842,040,019/- to the National Exchequer in the form of duties and taxes.

## Statement on Corporate & Financial Reporting Frame Work

In compliance with the provisions of the Code, the Directors are pleased to report the following:

- The financial statements for the year ended December 31, 2012 prepared by the management present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended December 31, 2012 and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of stock exchanges;
- Key operating and financial data of last six years is given below;

(Rs. '000)

| Particulars | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Issued, Subscribed and Paid up Capital | 11,345,149 | 13,126,445 | 13,126,445 | 13,126,445 | 13,126,445 | 13,126,445 |
| Capital reserve | 195,821 | 190,477 | 198,966 | 198,966 | 202,743 | 202,743 |
| Long term loan-secured | 5,702,369 | 4,388,800 | 3,075,232 | 1,761,663 | 5,361,851 | 5,006,056 |
| Current Liabilities | 3,122,289 | 5,268,865 | 6,865,083 | 8,927,252 | 3,560,745 | 4,332,812 |
| Property Plant & Equipment | 17,962,219 | 17,247,914 | 16,687,998 | 16,291,971 | 15,792,184 | 15,313,382 |
| Long term advance | 92,966 | 82,636 | 77,869 | 61,977 | 54,265 | 41,318 |
| Long term deposits | 42,430 | 43,787 | 40,578 | 39,867 | 40,871 | 40,258 |
| Deferred Tax Asset | 542,158 | 749,347 | 749,347 | 749,347 | 803,011 | 1,199,316 |
| Current Assets | 2,852,908 | 3,856,416 | 2,145,492 | 2,358,841 | 2,525,674 | 2,930,523 |
| Net Sales | 4,191,594 | 7,439,375 | 8,129,961 | 6,880,767 | 7,804,378 | 9,624,089 |
| Gross Profit/(Loss) | (304,958) | 979,234 | 983,703 | 855,910 | 1,655,652 | 3,135,160 |
| Financial Charges | 795,985 | 1,481,674 | 1,082,955 | 980,678 | 1,064,480 | 1,052,757 |
| Profit/(Loss) after Taxation | (521,097) | (1,242,504) | (1,278,965) | (948,495) | (118,421) | 1,488,210 |
| Profit/(Loss) Per Share (Rs.) | (0.59) | (1.01) | (0.97) | (0.72) | (0.09) | 1.13 |

- Audited financial statements for the year ended December 31, 2012 show a net profit of Rs. 1,488 million. The Board is pleased to propose a dividend of Rs. 0.30 per share;
- There are no outstanding statutory payments on account of taxes, levies or charges except those reflected in Note No. 21 to the accounts;
- The Company maintained a provident fund scheme for its eligible employees against which a contribution of Rs. 18 million was made during the year. The amount invested by the fund was Rs. 78 million as on December 31, 2012;
- During the year ended December 31, 2012, five meetings of Board of Directors were held and attendance of Directors is stated below:

| Name of the Directors | No. of Board Meetings Attended |
|---|---|
| Mr. Ahmad Said Heshmat Hassan | 3 |
| Maj. Gen. (R) Rehmat Khan | 5 |
| Mr. Amr Ali Reda | 5 |
| Mr. Bilal Hamid Javaid | 5 |
| Mrs. Amal Tantawi | 4 |
| Mr. Ashraf Abouelkheir | 0 |
| Mr. Fabrizio Angelo Olivares | 1 |
| Mr. Shahid Anwar (Nominee NIT) | 4 |

The Directors who could not attend the board meetings due to their preoccupations were duly granted leave of absence.

During the year ended December 31, 2012, four meetings of Audit Committee were held and attendance of members was as follows:

| Name of the Directors | No. of Board Meetings Attended |
|---|---|
| Mr. Ahmad Said Heshmat Hassan | 2 |
| Mr. Amr Ali Reda | 4 |
| Mrs. Amal Tantawi | 3 |
| Mr. Ashraf Abouelkheir | 0 |
| Mr. Shahid Anwar (Nominee NIT) | 1 |

- The pattern of shareholding as on December 31, 2012 and its disclosures as required in the Code of Corporate Governance is annexed with the report;
- No Directors, CEO, CFO, Company Secretary, Company Auditors, their spouses and minor children have not undertaken any transaction in Company's shares during the year except as reported below;

| Name of Directors | Opening Balance 01-01-2012 | Addition | Deletion | Holding As on 31-12-2012 |
|---|---|---|---|---|
| Mr. Bilal Hamid Javaid | 7,250 | - | 1,000 | 6,250 |

## Auditors

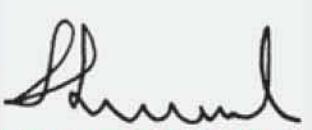
M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Islamabad, retire and being eligible, offer themselves for the reappointment. The Board endorses the recommendation of the Audit Committee for their appointment as auditors of the Company for the year ending December 31, 2013.

M/s HLB Ijaz Tabussum & Co. Chartered Accountants, Islamabad were appointed as Cost Auditors for the year ended December 31, 2012.

## Acknowledgments

The Board of Directors of the Company, with deep appreciation and gratitude, thank all the shareholders, financial institutions, government functionaries and customers for their continued support and trust. The Directors would also like to extend their appreciation to all the management and staff for their hard work and dedication.

For and on behlaf of the Board



**Maj. Gen. (R) Rehmat Khan**
Chairman

Islamabad:
March 19, 2013

# Statement of Compliance with Code of Corporate Governance

For the Year Ended 31 December 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Lafarge Pakistan Cement Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

| Category | Names |
|---|---|
| Independent Director | 1. Mr. Shahid Anwar (Nominee NIT) |
| Executive Directors | 1. Mr. Amr Ali Reda<br>2. Mr. Bilal Hamid Javaid |
| Non-Executive Directors | 1. Maj. Gen. (R) Rehmat Khan<br>2. Mr. Fabrizio Angelo Olivares<br>3. Mr. Jean-Jerome Khodara<br>4. Mr. Dominique Brugier |

The independent director meets the criteria of independence under clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. A causal vacancy occurred in October 2012 and was filled up by the Board within stipulated period.

5. The Company has adopted Principles of Action, Group Rules, Code of Business Conduct, Health & Safety Policy and Health & Safety Rules of Lafarge SA, France (The Ultimate Parent Company). All directors and employees of the Company have agreed to and signed the said rules and policies.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The remuneration payable to the working directors was approved by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has arranged a training program for its director during the year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for the year ended December 31, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were fully endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises four members; each of whom is a non-executive director including the Chairman of the Committee who is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises four members, of whom three are non-executive director and Chairman of the Committee is a non-executive director.

18. The Board has set up an internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The Statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'Closed Period' prior to the announcement of interim/final results, and business decision, which may materially affect the market price of Company's shares, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board



Maj. Gen (R) Rehmat Khan
Chairman

Islamabad:
March 19, 2013

# Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012, prepared by the Board of Directors of Lafarge Pakistan Cement Limited (the Company) to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee of the Company. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee of the Company. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code.



Chartered Accountants
Audit Engagement Partner: Sajjad Hussain Gill
Date: 19 March 2013
Islamabad

# Auditors' Report to the Members

We have audited the annexed statement of financial position of **LAFARGE PAKISTAN CEMENT LIMITED** as at 31 December 2012 and the related statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the statement of financial position and statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.3 to the financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants
Audit Engagement Partner's Name: Sajjad Hussain Gill
Date: 19 March 2013
Place: Islamabad

# Statement of Financial Position

As at 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **ASSETS** | | | |
| **NON - CURRENT ASSETS** | | | |
| Fixed assets | | | |
| Tangible assets | | | |
| Property, plant and equipment | 5 | 15,313,382,051 | 15,792,184,267 |
| Intangible asset | 6 | 3,069,520 | 1,164,649 |
| | | 15,316,451,571 | 15,793,348,916 |
| Long-term advances | 7 | 41,318,000 | 54,265,386 |
| Long-term deposits | 8 | 40,258,054 | 40,870,852 |
| Deferred taxation | 9 | 1,199,316,361 | 803,010,927 |
| | | 16,597,343,986 | 16,691,496,081 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 10 | 1,051,183,099 | 931,306,746 |
| Stock-in-trade | 11 | 1,013,879,345 | 1,064,740,922 |
| Trade debts | 12 | 62,990,813 | 33,988,084 |
| Advances | 13 | 46,786,024 | 36,887,468 |
| Short-term prepayments | 14 | 53,336,553 | 52,263,130 |
| Interest accrued | | 678,528 | 737,223 |
| Other receivables | 15 | 78,430,784 | 66,314,011 |
| Taxation – net | | 194,896,030 | 316,194,405 |
| Cash and bank balances | 16 | 428,341,802 | 23,241,828 |
| | | 2,930,522,978 | 2,525,673,817 |
| **TOTAL ASSETS** | | 19,527,866,964 | 19,217,169,898 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | | | |
| Authorised | | | |
| 2,250,000,000 (2011: 2,250,000,000) Ordinary shares of Rs. 10 each | | 22,500,000,000 | 22,500,000,000 |
| Issued subscribed and paid-up capital | 17 | 13,126,444,880 | 13,126,444,880 |
| Reserves | 18 | (2,937,445,687) | (4,425,655,969) |
| | | 10,188,999,193 | 8,700,788,911 |
| **NON - CURRENT LIABILITIES** | | | |
| Long-term financing | 19 | 5,006,055,707 | 5,361,851,128 |
| Long-term payable | 20 | - | 1,593,784,948 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 21 | 3,242,633,237 | 1,299,127,635 |
| Accrued mark-up | 22 | 37,387,916 | 212,239,040 |
| Short-term borrowings | 23 | 1,052,790,911 | 735,809,722 |
| Current portion of long-term financing | | - | 1,313,568,514 |
| | | 4,332,812,064 | 3,560,744,911 |
| **CONTINGENCIES AND COMMITMENTS** | 24 | - | - |
| **TOTAL EQUITY AND LIABILITIES** | | 19,527,866,964 | 19,217,169,898 |

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Statement of Comprehensive Income

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **NET SALES** | 25 | 9,624,089,061 | 7,804,378,438 |
| Cost of sales | 26 | (6,488,928,251) | (6,148,726,404) |
| **GROSS PROFIT** | | 3,135,160,810 | 1,655,652,034 |
| Distribution costs | 27 | (225,550,509) | (246,475,806) |
| Administrative expenses | 28 | (627,842,479) | (487,678,005) |
| Other operating expenses | | - | (3,881,256) |
| Other operating income | 29 | 11,870,885 | 55,626,606 |
| | | (841,522,103) | (682,408,461) |
| **OPERATING PROFIT** | | 2,293,638,707 | 973,243,573 |
| Finance costs | 30 | (1,052,757,442) | (1,064,479,595) |
| Other charges | 31 | (86,861,690) | - |
| **PROFIT / (LOSS) BEFORE TAXATION** | | 1,154,019,575 | (91,236,022) |
| Taxation - net | 32 | 334,190,707 | (27,184,995) |
| **NET PROFIT / (LOSS) FOR THE YEAR** | | 1,488,210,282 | (118,421,017) |
| Other comprehensive income for the year | | - | - |
| **TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR** | | 1,488,210,282 | (118,421,017) |
| **EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED** | 33 | 1.13 | (0.09) |

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Statement of Cash Flows

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 34 | 2,949,133,660 | 1,361,604,165 |
| Finance costs paid | | (1,041,968,285) | (1,037,974,139) |
| Income tax refunded / (paid) | | 59,183,648 | (43,960,853) |
| **Net cash generated from operating activities** | | 1,966,349,023 | 279,669,173 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | | (151,579,498) | (135,415,592) |
| Additions to intangible asset | | (2,705,706) | - |
| Interest received on financial assets | | 4,879,648 | 27,937,690 |
| Proceeds from disposal of property, plant and equipment | | 549,996 | 3,192,989 |
| Long-term advance received | | 17,513,624 | 7,711,614 |
| Long-term deposits received / (paid) | | 612,798 | (1,004,310) |
| **Net cash used in investing activities** | | (130,729,138) | (97,577,609) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Decrease) / increase in long-term financing | | (1,747,501,100) | 3,600,187,761 |
| Increase / (decrease) in short-term borrowings | | 316,981,189 | (3,766,305,649) |
| **Net cash used in financing activities** | | (1,430,519,911) | (166,117,888) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 405,099,974 | 15,973,676 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | 23,241,828 | 7,268,152 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 16 | 428,341,802 | 23,241,828 |

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Statement of Changes In Equity

For the Year Ended 31 December 2012

| | Share Capital | Reserves | | | Total equity |
|---|---|---|---|---|---|
| | | Capital Reserve | | Revenue Reserve | |
| | Issued, subscribed and paid-up capital | Share premium | Other | Accumulated losses | |
| | Rupees | | | | |
| **Balance at 01 January 2011** | 13,126,444,880 | 190,476,700 | 8,488,872 | (4,509,977,982) | 8,815,432,470 |
| Total comprehensive loss for the year | - | - | - | (118,421,017) | (118,421,017) |
| Employee share ownership plan | - | - | 3,777,458 | - | 3,777,458 |
| **Balance at 31 December 2011** | 13,126,444,880 | 190,476,700 | 12,266,330 | (4,628,398,999) | 8,700,788,911 |
| Total comprehensive income for the year | - | - | - | 1,488,210,282 | 1,488,210,282 |
| **Balance at 31 December 2012** | 13,126,444,880 | 190,476,700 | 12,266,330 | (3,140,188,717) | 10,188,999,193 |

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Notes to The Financial Statements

For the Year Ended 31 December 2012

## 1. THE COMPANY AND ITS OPERATIONS

Lafarge Pakistan Cement Limited ("the Company") was incorporated in Pakistan on 23 May 1993 as a private limited company and subsequently converted into a public limited company on 18 October 1994 under the Companies Ordinance, 1984. The shares of the Company are quoted on all three stock exchanges in Pakistan. The principal activity of the Company is manufacturing and sale of cement.

The Company is a subsidiary of "Pakistan Cement Holding Limited" a company incorporated in the British Virgin Islands, whereas its ultimate parent company is Lafarge SA, France. The registered office of the Company is located at 18-B, Kaghan Road, F-8 Markaz, Islamabad.

## 2. STATEMENT OF COMPLIANCE

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

## 3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Significant accounting judgments and estimates

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

#### 4.1.1 Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

#### 4.1.2 Stock-in-trade

The Company reviews the net realizable values of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

#### 4.1.3 Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that future taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized,

# Notes to The Financial Statements

For the Year Ended 31 December 2012

based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4.1.4 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgement as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non occurrence of the uncertain future events.

4.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupees) which is the functional and presentation currency of the Company.

4.3 Changes in accounting policies and disclosures resulting from adoption of standards, amendments and interpretations during the year

The Company has adopted the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective during the year:

IFRS 7 - Financial Instruments: Disclosure - (Amendment)

IAS 12 - Income Taxes (Amendment) - Recovery of underlying assets

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on these financial statements.

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan will be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | | IASB Effective date (accounting periods beginning on or after) |
|---|---|---|
| IFRS 7 | - Financial Instruments: Disclosures (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01 January 2013 |
| IAS 1 | - Presentation of Financial Statements - Presentation of items of comprehensive income | 01 July 2012 |
| IAS 19 | - Employee Benefits - (Amendment) | 01 January 2013 |
| IAS 32 | - Offsetting Financial Assets and Financial Liabilities - (Amendment) | 01 January 2014 |
| IFRIC 20 | - Stripping Costs in the Production Phase of a Surface Mine | 01 January 2013 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 9 - Financial Instruments: Classification and Measurement | 01 January 2015 |
| IFRS 10 - Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 - Joint Arrangements | 01 January 2013 |
| IFRS 12 - Disclosure of Interests in Other Entities | 01 January 2013 |
| IFRS 13 - Fair Value Measurement | 01 January 2013 |

**4.5 Property, plant and equipment**

**4.5.1 Operating fixed assets**

Operating fixed assets except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost.

Depreciation is charged to the statement of comprehensive income by applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. The useful lives of items of property, plant and equipment is stated in note 5.1 to these financial statements. Depreciation on additions is charged from the month of acquisition, however no depreciation is charged in the month of deletion.

Useful lives are determined by the management based on the expected usage of an asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effects of adjustments to residual values, useful lives and methods are recognized prospectively as a change in accounting estimates.

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Maintenance and normal repairs are charged to statement of comprehensive income as and when incurred. Major renewals and improvements are capitalized. Assets having cost of less than a predetermined material amounts are charged off when purchased.

**4.5.2 Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure

# Notes to The Financial Statements

For the Year Ended 31 December 2012

incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition. The assets are transferred to the relevant category of operating fixed assets when they are available for use.

**4.6 Intangible assets**

These are stated at cost less accumulated amortization and impairment, if any.

Amortization is charged by applying straight-line method at the rates mentioned in note 6 to the financial statements, to write off the cost of the intangible assets over their useful lives. A full month's amortization is charged in the month of addition, and no amortization is charged in the month of disposal.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of intangible assets is the greater of net selling price and value in use.

**4.7 Stores and spares**

These are valued at lower of weighted average cost and net realizable value, except items in transit, which are stated at cost. Provision for the slow moving, damaged and obsolete items are charged to statement of comprehensive income. Value of items are reviewed at each balance sheet date to record provision for any slow moving items, damaged and obsolete items.

Net realizable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

**4.8 Stock-in-trade**

Stock-in-trade is valued at the lower of cost and net realizable value, except for the items in transit, which are valued at invoice values plus other charges paid thereon up to the balance sheet date. Cost is determined using the weighted average method.

Net realizable value is determined on the basis of the estimated selling price of the product in the ordinary course of business less costs that would necessarily be incurred for its sale.

**4.9 Trade debts and other receivables**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on periodic review of all outstanding balances. Provision is made for balances considered bad and irrecoverable.

**4.10 Advances**

These are recognized at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying value.

**4.11 Cash and cash equivalents**

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current and deposit accounts.

**4.12 Long-term and short-term borrowings**

These are recorded at the proceeds received, under the terms of the agreement with the lender. Finance costs

# Notes to The Financial Statements

For the Year Ended 31 December 2012

are accounted for on accrual basis and are disclosed as accrued interest/mark-up to the extent of the amount remaining unpaid.

**4.13 Trade and other payables**

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received till the year end, whether or not billed to the Company.

**4.14 Staff retirement benefits**

**Defined contribution plan**

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary of the employees.

**4.15 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made of the amount of the obligation.

**4.16 Taxation**

**i) Current**

The income of the Company falls under the final tax regime under sections 154 and 169 of the Income Tax Ordinance, 2001, to the extent of export sales. Provision for tax on other income and revenue from sale of goods in local market is based on taxable income at current rates, after considering the rebates and tax credits available, if any. The tax charge as calculated above for other income and revenue from sale of goods in local market is compared with turnover tax under section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

**ii) Deferred**

Deferred tax is recognized using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and / or carry-forward of unused tax losses can be utilized.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**4.17 Revenue recognition**

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies. The following recognition criteria must be met before revenue is recognized.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods to the customer.

Return on bank deposits and mark-up on long-term advance is recognized using the Effective Interest Rate (EIR).

**4.18 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed out in the period they occur. Borrowing costs consist of interest and other cost that the Company incurs in connection with the borrowing of funds.

**4.19 Foreign currency translation**

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to the statement of comprehensive income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**4.20 Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial assets, and in case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expires. All the financial assets and financial liabilities are initially recognized at fair value plus transaction costs, other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the statement of comprehensive income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of comprehensive income for the year.

**4.21 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if; there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**4.22 Impairment**

**i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

**ii) Non-Financial assets**

Carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognized, as an expense in the statement of comprehensive income, for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell

# Notes to The Financial Statements

For the Year Ended 31 December 2012

and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**4.23 Share based compensation**

The economic cost of awarding shares of group companies to employees is reflected by recording a charge in the statement of comprehensive income, equivalent to the fair value of shares on the grant date over the vesting period, with a corresponding reserve created to reflect the equity component.

**4.24 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income on a straight line basis over the period of the lease.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **5. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 5.1 | 15,126,037,082 | 15,699,214,770 |
| Capital work-in-progress | 5.2 | 187,344,969 | 92,969,497 |
| | | 15,313,382,051 | 15,792,184,267 |

## 5.1 Operating fixed assets

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 January | Additions | (Disposals) | As at 31 December | Useful life years | As at 01 January | Charge for the year | (Disposals) | As at 31 December | As at 31 December |
| | Rupees | | | | | Rupees | | | | Rupees |
| **2012** | | | | | | | | | | |
| Freehold land | 81,892,837 | 212,000 | - | 82,104,837 | - | - | - | - | - | 82,104,837 |
| Buildings on freehold land | 4,451,433,099 | - | - | 4,451,433,099 | 25 to 30 | 646,138,683 | 149,494,517 | - | 795,633,200 | 3,655,799,899 |
| Plant and machinery | 13,195,762,181 | 46,309,993 | - | 13,242,072,174 | 30 | 2,430,462,887 | 427,193,767 | - | 2,857,656,654 | 10,384,415,520 |
| Furniture and fixtures | 21,154,291 | - | - | 21,154,291 | 5 to 10 | 10,655,898 | 1,996,409 | - | 12,652,307 | 8,501,984 |
| Vehicles | 49,677,489 | - | (610,641) | 49,066,848 | 4 to 5 | 42,689,980 | 951,421 | (610,641) | 43,030,760 | 6,036,088 |
| Office equipment | 11,631,899 | - | - | 11,631,899 | 5 to 10 | 8,160,793 | 1,631,059 | - | 9,791,852 | 1,840,047 |
| Computers and low voltage equipment | 384,156,588 | 2,658,404 | - | 386,814,992 | 5 | 166,232,486 | 13,353,449 | - | 179,585,935 | 207,229,057 |
| Laboratory equipment | 710,149,822 | 3,454,350 | - | 713,604,172 | 30 | 180,769,688 | 21,200,341 | - | 201,970,029 | 511,634,143 |
| Workshop equipment | 350,956,558 | 1,130,007 | - | 352,086,565 | 30 | 72,489,579 | 11,121,479 | - | 83,611,058 | 268,475,507 |
| | 19,256,814,764 | 53,764,754 | (610,641) | 19,309,968,877 | | 3,557,599,994 | 626,942,442 | (610,641) | 4,183,931,795 | 15,126,037,082 |

| | COST | | | | | ACCUMULATED DEPRECIATION | | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 January | Additions | (Disposals / Write-off) | As at 31 December | Useful life years | As at 01 January | Charge for the year | (On disposals / Write-off) | As at 31 December | As at 31 December |
| | Rupees | | | | | Rupees | | | | Rupees |
| **2011** | | | | | | | | | | |
| Freehold land | 81,892,837 | - | - | 81,892,837 | - | - | - | - | - | 81,892,837 |
| Buildings on freehold land | 4,419,595,605 | 31,837,494 | - | 4,451,433,099 | 25 to 30 | 498,010,109 | 148,128,574 | - | 646,138,683 | 3,805,294,416 |
| Plant and machinery | 13,065,241,018 | 141,349,039 | (10,827,876) | 13,195,762,181 | 30 | 2,008,216,839 | 423,692,071 | (1,446,023) | 2,430,462,887 | 10,765,299,294 |
| Furniture and fixtures | 21,154,291 | - | - | 21,154,291 | 5 to 10 | 8,659,489 | 1,996,409 | - | 10,655,898 | 10,498,393 |
| Vehicles | 63,653,617 | - | (13,976,128) | 49,677,489 | 4 to 5 | 52,723,386 | 3,515,672 | (13,549,078) | 42,689,980 | 6,987,509 |
| Office equipment | 11,631,899 | - | - | 11,631,899 | 5 to 10 | 5,976,273 | 2,184,520 | - | 8,160,793 | 3,471,106 |
| Computers and low voltage equipment | 382,134,233 | 2,022,355 | - | 384,156,588 | 5 | 151,966,304 | 14,266,182 | - | 166,232,486 | 217,924,102 |
| Laboratory equipment | 704,986,840 | 5,162,982 | - | 710,149,822 | 30 | 160,186,548 | 20,583,140 | - | 180,769,688 | 529,380,134 |
| Workshop equipment | 350,956,558 | - | - | 350,956,558 | 30 | 61,462,266 | 11,027,313 | - | 72,489,579 | 278,466,979 |
| | 19,101,246,898 | 180,371,870 | (24,804,004) | 19,256,814,764 | | 2,947,201,214 | 625,393,881 | (14,995,101) | 3,557,599,994 | 15,699,214,770 |



THE POWER OF Infinite Imagination

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|---|
| 5.1.1 | The depreciation charge for the year has been allocated as follows: | | | |
| | Cost of sales | 26 | 624,683,970 | 621,550,496 |
| | Distribution costs | 27 | 313,846 | 802,097 |
| | Administrative expenses | 28 | 1,944,626 | 3,041,288 |
| | | | 626,942,442 | 625,393,881 |

5.1.2 The details of fixed asset disposed-off during the year is as follows:

| | Original cost | Accumulated depreciation | Written down value | Sale proceeds | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|
| | Rupees | | | | | |
| Vehicle | | | | | | |
| Suzuki Cultus car | 610,641 | 610,641 | - | 549,996 | Insurance claim | EFU General Insurance Limited |

| 5.2 Capital work-in-progress | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| Plant and machinery | | 48,277,876 | 43,536,779 |
| Civil and development works | | 131,310,486 | 49,183,315 |
| | | 179,588,362 | 92,720,094 |
| Advances to suppliers and contractors | | 7,756,607 | 249,403 |
| | | 187,344,969 | 92,969,497 |

| 5.2.1 Movement in capital work-in-progress during the year is as follows: | | | |
|---|---|---|---|
| Opening balance | | 92,969,497 | 137,925,775 |
| Additions during the year | | 94,375,472 | 116,130,971 |
| Transfers to operating fixed assets | | - | (161,087,249) |
| | | 187,344,969 | 92,969,497 |

## 6. INTANGIBLE ASSET

| | | | |
|---|---|---|---|
| Licensed computer software | | | |
| Cost | | | |
| Opening balance | | 8,827,547 | 8,827,547 |
| Additions during the year | | 2,705,706 | - |
| | | 11,533,253 | 8,827,547 |
| Accumulated amortization | | | |
| Opening balance | | 7,662,898 | 6,482,429 |
| Amortization for the year | 28 | 800,835 | 1,180,469 |
| | | 8,463,733 | 7,662,898 |
| Written down value | | 3,069,520 | 1,164,649 |
| Amortization rate | | 20% | 20% |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **7. LONG-TERM ADVANCES** | | | |
| **Considered good - unsecured** | | | |
| Sui Northern Gas Pipelines Limited | 7.1 | 51,647,500 | 61,977,000 |
| Employee share ownership plan | 7.2 | 2,084,848 | 9,268,972 |
| | | 53,732,348 | 71,245,972 |
| **Current maturity shown under current assets** | | | |
| Sui Northern Gas Pipelines Limited | 13 | (10,329,500) | (10,329,500) |
| Employee share ownership plan | 13 | (2,084,848) | (6,651,086) |
| | | (12,414,348) | (16,980,586) |
| | | 41,318,000 | 54,265,386 |

7.1 This represents the outstanding balance of an advance given by the Company to Sui Northern Gas Pipelines Limited (SNGPL) during the year ended 30 June 2005, for the construction of a gas pipeline. The advance is recoverable over 10 years commencing 28 March 2007 in equal annual installments of Rs. 10.330 million each, and carries mark-up at the rate of 1.5% (2011: 1.5%) per annum.

7.2 This represents an interest free advance given to employees for acquiring shares of Lafarge SA, France, the ultimate parent company, under the employee share ownership plan (LEA 2011). The same is recoverable over a period of two years. The advance has not been discounted to its present value as the financial impact of this is considered immaterial by the management.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **7.2.1 Advance against employee share ownership plan** | | | |
| Chief Executive Officer and Executives | 7.2.2 | 1,752,572 | 5,296,732 |
| Other employees | | 332,276 | 3,972,240 |
| | | 2,084,848 | 9,268,972 |
| **7.2.2 Advances given to Chief Executive Officer and Executives** | | | |
| Balance at the beginning of the year | | 5,296,732 | 1,691,797 |
| Advances made during the year | | - | 8,075,625 |
| Repayment during the year | | (3,544,160) | (4,470,690) |
| Balance at the end of the year | | 1,752,572 | 5,296,732 |

| | | | |
|---|---|---|---|
| **8. LONG-TERM DEPOSITS** | | | |
| Security deposits - considered good | | | |
| Islamabad Electric Supply Company Limited | 8.1 | 37,789,030 | 37,789,030 |
| Others | | 2,469,024 | 3,081,822 |
| | | 40,258,054 | 40,870,852 |

8.1 This represents the amount deposited for the supply of electricity to the Company's cement manufacturing plant in Chakwal.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **9. DEFERRED TAXATION** | | | |
| **Debits arising in respect of:** | | | |
| Brought forward tax losses | | 4,326,868,985 | 3,983,054,057 |
| **Credit arising on account of:** | | | |
| Accelerated tax depreciation | | (3,127,552,624) | (3,180,043,130) |
| | | 1,199,316,361 | 803,010,927 |

9.1 In accordance with its accounting policy, the Company has not recognized deferred tax asset on deductible temporary differences amounting to Rs. 1,989 million (2011: Rs. 1,908) million at the year end.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **10. STORES AND SPARES** | | | |
| **In hand** | | | |
| Spare parts | | 621,666,053 | 642,108,009 |
| Fuel | | 235,666,924 | 171,554,255 |
| | | 857,332,977 | 813,662,264 |
| **In transit** | | | |
| Spare parts and fuel | | 198,241,213 | 122,035,573 |
| | | 1,055,574,190 | 935,697,837 |
| Provision for obsolete spare parts | 10.1 | (4,391,091) | (4,391,091) |
| | | 1,051,183,099 | 931,306,746 |
| **10.1 Provision for obsolete spare parts** | | | |
| Balance at the beginning of the year | | 4,391,091 | 3,000,000 |
| Provision for the year | | - | 1,391,091 |
| Balance at the end of the year | | 4,391,091 | 4,391,091 |
| **11. STOCK-IN-TRADE** | | | |
| **Raw materials** | | 97,769,084 | 12,627,207 |
| **Packing material** | | | |
| In hand | | 99,438,882 | 106,264,670 |
| In transit | | - | 3,756,440 |
| | | 99,438,882 | 110,021,110 |
| **Work-in-process** | | 712,794,686 | 850,437,305 |
| **Finished goods** | | | |
| In hand | | 93,922,498 | 82,233,877 |
| In transit | | 9,954,195 | 9,421,423 |
| | | 103,876,693 | 91,655,300 |
| | | 1,013,879,345 | 1,064,740,922 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **12. TRADE DEBTS** | | | |
| Unsecured - considered good | | 62,990,813 | 33,988,084 |
| Considered doubtful | | 20,386,446 | 4,465,430 |
| Provision against doubtful debts | 12.1 | (20,386,446) | (4,465,430) |
| | | - | - |
| | 12.2 | 62,990,813 | 33,988,084 |

**12.1 Provision against doubtful debts**

| | | |
|---|---|---|
| Balance at the beginning of the year | 4,465,430 | - |
| Provision for the year | 15,921,016 | 4,465,430 |
| Balance at the end of the year | 20,386,446 | 4,465,430 |

12.2 This includes a balance amounting to Rs. 11.5 million (2011: Nil) due from Marine Cement Limited, a related party.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **13. ADVANCES** | | | |
| Considered good – unsecured | | | |
| Suppliers and contractors | | 30,173,549 | 3,021,519 |
| Employees | | 4,198,127 | 16,885,363 |
| | | 34,371,676 | 19,906,882 |
| Current portion of long-term advances | | | |
| Sui Northern Gas Pipelines Limited | 7 | 10,329,500 | 10,329,500 |
| Advance against employee share ownership plan | 7 | 2,084,848 | 6,651,086 |
| | | 12,414,348 | 16,980,586 |
| | | 46,786,024 | 36,887,468 |
| **14. SHORT-TERM PREPAYMENTS** | | | |
| Insurance | | 35,559,402 | 37,602,411 |
| Rent | | 14,362,505 | 12,995,558 |
| Others | | 3,414,646 | 1,665,161 |
| | | 53,336,553 | 52,263,130 |
| **15. OTHER RECEIVABLES - considered good** | | | |
| Due from related parties | | | |
| Lafarge Cement WAPCO Nigeria Plc | | 17,728,241 | 6,063,340 |
| Lafarge Building Material Holding, Eygpt | | 11,080,393 | 10,911,767 |
| Lafarge Aggregate & Concrete (Iraq) | | 4,779,694 | 684,215 |
| Cairo Technical Center | | 3,631,865 | 3,495,583 |
| Al-Safwa Cement Company | | 1,301,815 | 9,508,578 |
| Lafarge Middle East and Africa | | 136,205 | 4,129,883 |
| Others | | 2,915,897 | 1,933,502 |
| | 15.1 | 41,574,110 | 36,726,868 |
| Export rebate | | 16,258,745 | 17,994,749 |
| Others | | 20,597,929 | 11,592,394 |
| | | 78,430,784 | 66,314,011 |

15.1 This represents amounts receivable against expenditure incurred on behalf of the related parties.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| 16. CASH AND BANK BALANCES | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| In hand | | 2,618,891 | 2,153,517 |
| At banks in: | | | |
| Current accounts | | 34,720,043 | 8,388,311 |
| Deposit accounts | 16.1 | 391,002,868 | 12,700,000 |
| | | 425,722,911 | 21,088,311 |
| | | 428,341,802 | 23,241,828 |

16.1 These carry mark-up at the rate ranging from 7% to 8% (2011: 7%) per annum.

17. ISSUED SUBSCRIBED AND PAID-UP CAPITAL

| 2012 | 2011 | | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|---|
| Number of Shares | | | | |
| 1,312,644,488 | 1,312,644,488 | Ordinary shares of Rs. 10/- each fully paid in cash | 13,126,444,880 | 13,126,444,880 |

17.1 Pakistan Cement Holding Limited (PCH) held 51.55% and Camden Holding PTE Limited (CHL) held 21.67% ordinary shares of Rs. 10 each of the Company at the close of the year. Lafarge SA, France is the ultimate parent company by virtue of its indirect holdings in PCH and CHL, through Lafarge Building Materials Holding, Egypt.

| 18. RESERVES | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| Capital reserves | | | |
| Share premium | 18.1 | 190,476,700 | 190,476,700 |
| Other | 18.2 | 12,266,330 | 12,266,330 |
| | | 202,743,030 | 202,743,030 |
| Revenue reserve | | | |
| Accumulated losses | | (3,140,188,717) | (4,628,398,999) |
| | | (2,937,445,687) | (4,425,655,969) |

18.1 This represents a premium on ordinary shares issued during the year ended 30 June 1995 and 1996.

18.2 This represents the value of equity-settled share-based payment benefits provided to employees including key management personnel, as part of their remuneration by Lafarge SA, France for the benefit of all its employees including those of its subsidiary companies.

| 19. LONG-TERM FINANCING | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| Secured | | | |
| From banking companies | 19.1 | 3,952,127,305 | 5,699,628,405 |
| Unsecured | | | |
| From a related party | 19.2 | 1,053,928,402 | 975,791,237 |
| | | 5,006,055,707 | 6,675,419,642 |
| Current portion shown under current liabilities | | - | (1,313,568,514) |
| | | 5,006,055,707 | 5,361,851,128 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

19.1 This represents long-term loan arranged by the Company amounting to Rs. 4,000 million (2011: 4,000 million) from a syndicate of commercial banks that include MCB Bank Limited (as the agent) and Allied Bank Limited (as security agent). The loan is presented net of Rs. 62 million, being the upfront financial charges for obtaining the facility. The term of the loan is six years with a two year grace period, repayable in 8 equal bi-annual installments that will commence from 15 June 2014. The drawdown was availed on 15 December 2011. The rate of mark-up of the facility is 6 months KIBOR, to be reset on 15 June and 15 December every year, plus 225 basis points per annum, however the rate has been reduced to 6 months KIBOR plus 115 basis points per annum. The effective interest rate on the loan for the year is 7.32% semi-annually.

The loan is secured against (i) a first mortgage charge of Rs. 5,333 million ranking pari passu among syndicate members on the properties of the Company (ii) a first charge by way of hypothecation on the Company's assets of Rs. 5,333 million (iii) autonomous corporate guarantee in favour of the Security Trustee from Lafarge Building Material Holdings, Egypt and (iv) Letter of awareness by Lafarge SA, France (the ultimate parent company). The Company is allowed to prepay loan installments subject to a 60 day notice.

Subsequent to the year end the Company has prepaid Rs. 500 million on 28 January 2013. This repayment would result in proportionate reduction of the Company loan payments under the terms of the loan agreement dated 24 January 2013.

19.2 This represents a loan received from the Parent Company, amounting to USD 10.8 million (2011: USD 10.8 million).The loan is payable in full on 02 March 2014 and carries mark-up at the rate of six month LIBOR+1% per annum.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **20. LONG-TERM PAYABLE** | | | |
| Gross amount due | 20.1 | 1,620,161,796 | 1,620,161,796 |
| Imputed interest | | (26,376,848) | (26,376,848) |
| | | 1,593,784,948 | 1,593,784,948 |
| Unwinding of imputed interest | | 17,583,067 | - |
| Exchange loss | | 66,840,150 | - |
| | | 1,678,208,165 | 1,593,784,948 |
| Current portion shown under current liabilities | 21.1 | (1,678,208,165) | - |
| | | - | 1,593,784,948 |

20.1 This represents the fee for technical services and royalty, payable to Lafarge Building Material Holding, Egypt (LBMHE), a related party, under a royalty agreement and technical services agreement. The State Bank of Pakistan vide its letter dated 28 February 2011 approved the repatriation of outstanding balance of both the technical assistance fee and royalty to the related parties. Under an agreement dated 30 December 2011 between the Company and LBMHE whereby, the amount is payable to Lafarge Building Material Holding, Egypt in the month of July 2013. The amount has been discounted to its present value using 1.1003% one year USD LIBOR, the currency risk rate in which the amount will be settled.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **21. TRADE AND OTHER PAYABLES** | | | |
| Trade | | | |
| Creditors | | 456,592,349 | 274,327,716 |
| Accrued liabilities | | 682,175,148 | 696,876,441 |
| Advances from customers | | 66,942,191 | 70,117,975 |
| | | 1,205,709,688 | 1,041,322,132 |
| Other Payables | | | |
| Payable to provident fund | | 2,049,092 | 931,144 |
| Royalty and technical assistance fee | 21.1 | 1,800,908,687 | 140,827,336 |
| Security deposits | | 20,394,104 | 13,200,000 |
| Advance for scrap sales | | - | 5,062,164 |
| Retention money | | 7,106,633 | 10,545,905 |
| Excise duty | | 40,863,324 | 46,561,312 |
| Tax deducted at source | | 2,669,507 | 4,088,583 |
| Sales tax - net | | 61,838,234 | 32,347,059 |
| Workers' Profit Participation Fund payable | | 62,044,064 | - |
| Workers' Welfare Fund payable | | 24,817,626 | - |
| Others | | 14,232,278 | 4,242,000 |
| | | 3,242,633,237 | 1,299,127,635 |
| **21.1 Royalty and technical assistance fee** | | | |
| Industrial franchise fee | 28.3 | 122,700,522 | 140,827,336 |
| Current portion of long-term payable | 20 | 1,678,208,165 | - |
| | | 1,800,908,687 | 140,827,336 |
| **22. ACCRUED MARK-UP** | | | |
| On long-term financing | | 23,602,416 | 103,515,540 |
| On short-term borrowings | | 13,785,500 | 108,723,500 |
| | | 37,387,916 | 212,239,040 |
| **23. SHORT-TERM BORROWINGS** | | | |
| From banking companies – secured | | | |
| Running finance | 23.1 | 50,262,911 | 8,996,722 |
| Money market loan | 23.2 | 259,506,000 | - |
| Export re-finance facilities | 23.3 | 743,022,000 | 726,813,000 |
| | | 1,052,790,911 | 735,809,722 |

23.1 The Company has arranged short-term running finance facilities from various commercial banks aggregating to Rs. 2,550 million (2011: Rs. 4,300 million). Mark-up is payable on quarterly basis in arrears, at the rate of 3 months KIBOR + 1.25% per annum. These facilities are secured against guarantees issued by Lafarge Building Materials Holding, Egypt - a related party and ranking hypothecation charge over assets of the Company excluding land, building, cash and cash equivalents.

23.2 This represents the outstanding balance of money market loan arranged by the Company from NIB Bank Limited. These are the sub-limits of facilities disclosed in note 23.1 above; Mark-up is payable at the rate of 8.46% per annum. These facilities are secured against guarantees issued by Lafarge Building Materials Holding, Egypt - a related party and ranking hypothecation charge over assets of the Company excluding land, building, cash and cash equivalents.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

23.3 This represents the outstanding balance of export re-finance facilities arranged by the Company from various banks. These are the sub-limits of facilities disclosed in note 23.1; Mark-up is payable at the rate of 9.5% (2011: 11%) per annum. These facilities are secured against guarantees issued by Lafarge Building Materials Holding, Egypt - a related party and a ranking hypothecation charge over assets of the Company excluding land, building, cash and cash equivalents.

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

a) The Company has issued post dated cheques, aggregating to Rs. 4.95 million (2011: Rs. 10.20 million) in favour of the Collector of Customs against the import duty of polypropylene sacks.

b) The Company has issued a bank guarantee of Rs. 146 million (2011: Rs. 146 million) in favour of Sui Northern Gas Pipelines Limited in lieu of security deposits against supply of natural gas to its cement manufacturing plant in Chakwal.

c) The revenue officer, district Chakwal, raised a demand of Rs. 270.58 million being the shortfall in stamp duty and penalty in respect of land mortgaged against foreign long-term financing. During the course of appellate procedures, the Chief Revenue Authority, Board of Revenue, Punjab reiterated the demand. The Company then filed a revision petition with the Lahore High Court, Rawalpindi Bench which was dismissed by an order dated 15 April 2008. The Company filed a petition for leave to appeal against the order in the Supreme Court of Pakistan. The appeal has been allowed by the Supreme Court vide their order dated 19 June 2009 and the case has been remanded back to the High Court for rehearing. No provision has been made in these financial statements as the Company and its legal counsel are of the opinion that the matter is likely to be decided in favour of the Company.

d) The Competition Commission of Pakistan (CCP) has passed an order against all cement manufacturers including the Company; the CCP alleges that the Company was involved in cartelization activities with other cement manufacturers and has accordingly imposed a fine of Rs. 405 million. In response the Company has filed an appeal before the Lahore High Court against the decision of the CCP. No provision has been made in these financial statements as the Company and its legal counsel are of the opinion that the matter is expected to be decided in the favour of the Company.

e) The Deputy Commissioner Inland Revenue (DCIR) vide a demand notice, dated 25 October 2011, raised an aggregate sales tax demand of Rs. 690 (2011: 690 million) against the Company, in pursuance of an audit conducted for the period January 2007 to December 2007, under section 25 of the Sales Tax Act 1990 and section 46 of Federal Excise Act, 2005. The Commissioner Inland Revenue-Appeals [CIR (A)] has endorsed the view of the department after reducing the demand of sales tax and FED to Rs. 419 million, along with default surcharge and penalty. During the year, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) that has set aside the orders of CIR (A) vide its order dated 30 March 2012 and remanded back the case to DCIR for fresh consideration. The Company has filed an appeal in the Islamabad High Court against the decision of Appellate Tribunal. In re-assessment as directed by the ATIR, the DCIR, vide order dated 31 October 2012, has repeated its earlier action and assessed the same demand. The Company filed an appeal with CIR (A) who has remanded back the order of DCIR, vide its order dated 20 December 2012. The Company has filed an appeal before ATIR on 4 March 2013 against the order of CIR (A). Based on the legal advice, the management is of the view that the final outcome of the matter will be in favour of the Company hence, no provision has been made in these financial statements.

f) During the year, the taxation officer vide an order dated 31 January 2012, raised a demand of Rs. 33.63 million plus default surcharge and 5% penalty against the Company on account of Federal Excise Duty on royalty and fee for technical services paid for the year 2009 and 2010. The Commissioner Inland Revenue-Appeals CIR (A) has endorsed the view of the taxation officer. The Company has filed an appeal with the ATIR against the decision of the CIR (A). Based on the legal advice from the tax consultant, the management is of the view that the final outcome of the matter will be in favour of the Company, hence, no provision has been made in these financial statements.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

g) The taxation officer vide order dated 23 April 2010 and 05 May 2010 raised a demand of Rs. 54.16 million against the Company on account of Federal Excise Duty on royalty and fee for technical services paid for the year 2006 to 2008. The CIR (A) vide its order dated 20 September 2010 set aside the demand in favor of the Company. The department has filed an appeal with the ATIR against the decision of CIR (A). The ATIR vide its order dated 06 August 2012 decided the matter in favor of the department. The Company has filed an appeal in the High Court. Based on the legal advice from the tax consultant, the management is of the view that the final outcome of the matter will be in favour of the Company, hence, no provision has been made in these financial statements.

h) The DCIR vide order dated 14 March 2011 raised a demand of Income Tax of Rs. 268.56 million against the Company for the tax year 2005. The CIR (A) has endorsed the view of the DCIR. The Company has filed an appeal before ATIR against the order of CIR (A) which was decided in favor of the Company. However, the department being aggrieved has filed a reference application against the order of ATIR in the High Court. Based on the legal advice from the tax consultant, the management is of the view that the final outcome of the matter will be in favour of the Company hence, no provision has been made in these financial statements.

i) ACIR vide order dated 17 May 2010 raised a demand of Rs. 15.81 million, along with default surcharge and penalty, for the period, July 2008 to June 2009. The ACIR claimed that the Company has obtained inadmissible input tax credit against transactions for which sales tax has not been deposited. The CIR (A) has decided the matter in the Company's favour and the department has filed an appeal with ATIR. Meanwhile tax department has raised further demand of Rs. 1.26 million on similar issue for the period, July 2009 and February 2010. The Company appeal has also been upheld by the CIR (A).

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| **24.2 Commitments** | | |
| a) Outstanding letters of credit | 163,605,786 | 69,801,883 |
| b) Commitments against capital work-in-progress | 42,923,936 | 85,128,417 |
| c) Rentals under operating lease agreements in respect of land | 136,042,948 | 91,858,220 |

## 25. NET SALES

| | | |
|---|---|---|
| Gross Sales | | |
| Local | 8,849,896,900 | 7,518,265,698 |
| Exports | 2,701,323,647 | 2,398,819,191 |
| | 11,551,220,547 | 9,917,084,889 |
| Less: | | |
| Sales tax and excise duty | (1,735,513,400) | (1,775,307,125) |
| Discounts and commission to dealers | (191,618,086) | (337,399,326) |
| | (1,927,131,486) | (2,112,706,451) |
| | 9,624,089,061 | 7,804,378,438 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **26. COST OF SALES** | | | |
| Raw materials consumed: | | | |
| Opening stock | | 12,627,207 | 30,065,544 |
| Purchases | | 575,449,856 | 449,905,816 |
| Closing stock | | (97,769,084) | (12,627,207) |
| | | 490,307,979 | 467,344,153 |
| Packing material consumed | | 569,680,747 | 637,589,524 |
| Stores and spares consumed | | 226,767,396 | 201,326,393 |
| Fuel and power | | 3,831,227,393 | 4,098,317,288 |
| Salaries, wages and other benefits | 26.1 | 275,907,222 | 245,082,210 |
| Rent, rates and taxes | | 7,311,098 | 7,727,170 |
| Travelling and conveyance | | 62,355,739 | 63,782,205 |
| Inplant transportation | | 70,573,695 | 62,168,299 |
| Insurance | | 62,058,180 | 61,752,043 |
| Communication | | 3,839,941 | 3,819,246 |
| Utilities | | 9,490,354 | 10,135,369 |
| Consumables | | 11,273,482 | 6,124,310 |
| Office canteen | | 23,000,752 | 25,889,838 |
| Depreciation | 5.1.1 | 624,683,970 | 621,550,496 |
| Repairs and maintenance | | 56,363,799 | 54,056,280 |
| Technical assistance fee | | - | 4,409,782 |
| Legal and professional charges | | 10,214,716 | 9,094,123 |
| Fees and subscriptions | | 2,493,245 | 3,080,518 |
| Other factory overheads | | 25,957,317 | 28,904,711 |
| | | 6,363,507,025 | 6,612,153,958 |
| Work-in-process | | | |
| Opening stock | | 850,437,305 | 365,927,440 |
| Closing stock | | (712,794,686) | (850,437,305) |
| | | 137,642,619 | (484,509,865) |
| Cost of goods manufactured | | 6,501,149,644 | 6,127,644,093 |
| Finished goods | | | |
| Opening stock | | 91,655,300 | 112,737,611 |
| Closing stock | | (103,876,693) | (91,655,300) |
| | | (12,221,393) | 21,082,311 |
| | | 6,488,928,251 | 6,148,726,404 |

26.1 Included herein is a sum of Rs. 9,942,485 (2011: Rs. 8,646,057) on account of contributions to employees provident fund.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **27. DISTRIBUTION COSTS** | | | |
| Salaries and other benefits | 27.1 | 84,768,628 | 59,809,422 |
| Travelling and conveyance | | 15,719,099 | 22,187,136 |
| Freight and handling charges | | 81,560,106 | 122,433,267 |
| Repairs and maintenance | | 5,604,099 | 3,357,541 |
| Rent, rates and taxes | | 12,791,509 | 16,055,113 |
| Legal and professional charges | | 2,539,199 | 2,337,841 |
| Utilities | | 2,734,767 | 2,104,352 |
| Advertisement | | 7,866,509 | 7,644,856 |
| Office canteen | | 3,603,484 | 3,537,128 |
| Printing and stationery | | 2,099,561 | 880,918 |
| Telephone and postage | | 2,823,900 | 2,935,520 |
| Fees and subscriptions | | 1,769,691 | 838,535 |
| Depreciation | 5.1.1 | 313,846 | 802,097 |
| Security charges | | 1,278,394 | 1,417,322 |
| Insurance | | 77,717 | 134,758 |
| | | 225,550,509 | 246,475,806 |

27.1 Included herein is a sum of Rs. 3,054,689 (2011: Rs. 2,285,016) on account of contributions to employees provident fund.

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **28. ADMINISTRATIVE EXPENSES** | | | |
| Salaries and other benefits | 28.1 | 144,754,804 | 117,391,863 |
| Travelling and conveyance | | 30,474,460 | 34,021,918 |
| Repairs and maintenance | | 5,253,954 | 3,835,037 |
| Rent, rates and taxes | | 18,047,206 | 15,678,485 |
| Legal and professional charges | | 23,944,423 | 18,782,627 |
| Auditors' remuneration | 28.2 | 2,067,000 | 2,047,090 |
| Utilities | | 8,121,515 | 5,865,826 |
| Advertisement | | 3,696,611 | 873,815 |
| Corporate Social Responsibility | | 4,530,924 | 305,098 |
| Industrial franchise fee | 28.3 | 349,472,304 | 256,489,719 |
| Office canteen | | 5,623,976 | 3,894,635 |
| Printing and stationery | | 3,106,946 | 2,328,165 |
| Telephone and postage | | 5,085,872 | 4,043,840 |
| Donations | | - | 60,000 |
| Fees and subscriptions | | 2,799,648 | 991,712 |
| Depreciation | 5.1.1 | 1,944,626 | 3,041,288 |
| Amortization of intangible asset | 6 | 800,835 | 1,180,469 |
| Security charges | | 1,210,973 | 1,383,401 |
| Software expenses | | 447,678 | 2,067,412 |
| Provision against doubtful debts | | 15,921,016 | 4,465,430 |
| Assets written-off during the year | | - | 8,301,510 |
| Insurance | | 537,708 | 628,665 |
| | | 627,842,479 | 487,678,005 |

28.1 Included herein a sum of Rs 5,105,894 (2011: Rs. 4,616,056 ) on account of contributions to employees provident fund.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| **28.2 Auditors' remuneration** | | |
| Statutory audit | 1,137,000 | 1,137,000 |
| Half year review | 430,000 | 480,000 |
| Other certifications | 150,000 | 150,000 |
| Out of pocket expenses | 350,000 | 280,090 |
| | 2,067,000 | 2,047,090 |

28.3 This represents royalty fee under an Industrial Franchise Agreement (IFA) to Lafarge SA, France. The fee is charged to the Company at the rate of 3% on net sales. This agreement was abolished on 30 September 2012 and four new agreements were brought into force with effect from 01 October 2012. The new agreements are mentioned below:

| Agreement | Annual Fee |
|---|---|
| Master Brand Agreement | 1.5% of the turnover |
| Intellectual Property Licence Agreement | 2.5% of the turnover |
| Service Agreement | Actual costs for the year |
| Engineering Services Agreement | Actual costs for the year |

| 29. OTHER OPERATING INCOME | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| From financial assets | | |
| Mark-up on long-term advance | 813,448 | 1,392,231 |
| Imputed interest on long-term payable | - | 26,376,848 |
| Return on deposit accounts | 4,007,505 | 45,737 |
| | 4,820,953 | 27,814,816 |
| From assets other than financial assets | | |
| Scrap sales | 6,499,936 | 14,246,258 |
| Gain on disposal of operating fixed assets | 549,996 | 2,765,938 |
| Liabilities written-back | - | 10,799,594 |
| | 7,049,932 | 27,811,790 |
| | 11,870,885 | 55,626,606 |

| 30. FINANCE COSTS | | |
|---|---|---|
| Mark-up / interest on: | | |
| Long-term financing | | |
| From banking companies | 705,073,456 | 370,247,474 |
| From a related party | 17,417,818 | 13,765,513 |
| | 722,491,274 | 384,012,987 |
| Short-term borrowings | 90,326,186 | 565,365,821 |
| Imputed interest on long-term payable | 17,583,067 | - |
| Exchange loss – net | 168,057,214 | 74,793,176 |
| Commission on letter of guarantee | 10,062,230 | 12,086,688 |
| Bank charges | 44,237,471 | 28,220,923 |
| | 1,052,757,442 | 1,064,479,595 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | Note | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|---|
| **31. OTHER CHARGES** | | | |
| Workers' Profit Participation Fund | | 62,044,064 | - |
| Workers' Welfare Fund | | 24,817,626 | - |
| | | 86,861,690 | - |
| **32. TAXATION - net** | | | |
| Current | 32.1 | 62,114,727 | 80,848,693 |
| Deferred | | (396,305,434) | (53,663,698) |
| | | (334,190,707) | 27,184,995 |

32.1 This represents tax paid by the Company as final tax under sections 154 and 169, to the extent of direct export sales and minimum tax under section 113 of the Income Tax Ordinance, 2001.

32.2 Tax assessments of the Company till tax year 2006 have been closed by the tax authorities except for tax year 2005 where the Company is in dispute with tax authorities. Tax returns for the tax years 2007 to 2012 were filed and stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, the taxation authorities are empowered to open the assessments at any time within five years of the date of filing of returns.

32.3 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the Company has reported losses for tax purposes.

**33. EARNINGS / (LOSS) PER SHARE- Basic and diluted**

There is no dilutive effect on the basic earnings / (loss) per share of the Company, which is based on:

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| Net profit / (loss) for the year | 1,488,210,282 | (118,421,017) |
| | Number | |
| Weighted average number of ordinary shares | 1,312,644,488 | 1,312,644,488 |
| | Rupees | |
| Earnings / (loss) per share | 1.13 | (0.09) |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| **34. CASH GENERATED FROM OPERATIONS** | | |
| Profit / (loss) before taxation | 1,154,019,575 | (91,236,022) |
| Adjustments for non-cash items | | |
| Depreciation | 626,942,442 | 625,393,881 |
| Amortization of intangible asset | 800,835 | 1,180,469 |
| Provision for Workers' Profit Participation Fund | 62,044,064 | - |
| Provision for Workers' Welfare Fund | 24,817,626 | - |
| Provision against doubtful debts | 15,921,016 | 4,465,430 |
| Provision against obsolete stores and spares | - | 1,391,091 |
| Assets written-off during the year | - | 8,301,510 |
| Finance costs | 867,117,161 | 989,686,419 |
| Employees' share ownership plan | - | 3,777,458 |
| Exchange loss | 185,640,281 | 74,793,176 |
| Income on financial assets | (4,820,953) | (27,814,816) |
| Gain on disposal of operating fixed assets | (549,996) | (2,765,938) |
| | 1,777,912,476 | 1,678,408,680 |
| Operating profit before working capital changes | 2,931,932,051 | 1,587,172,658 |
| Working capital changes | | |
| (Increase) / decrease in current assets | | |
| Stores and spares | (119,876,353) | 336,680,362 |
| Stock-in-trade | 50,861,577 | (439,807,995) |
| Trade debts | (44,923,745) | (38,036,395) |
| Advances | (14,464,794) | 1,162,560 |
| Short-term prepayments | (1,073,423) | (21,434,453) |
| Other receivables | (12,116,773) | (31,210,240) |
| | (141,593,511) | (192,646,161) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | 158,795,120 | (32,922,332) |
| | 2,949,133,660 | 1,361,604,165 |

**35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES**

The aggregate amounts charged in these financial statements for the year as remuneration and benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

| | Chief Executive Officer | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | Rupees | | | | | |
| Managerial remuneration | 21,674,713 | 18,815,664 | 13,047,984 | 10,735,338 | 225,574,658 | 180,853,248 |
| Provident fund | 1,040,366 | 829,319 | 681,064 | 475,224 | 10,215,769 | 8,312,446 |
| | 22,715,079 | 19,644,983 | 13,729,048 | 11,210,562 | 235,790,427 | 189,165,694 |
| Number of persons | 1 | 1 | 1 | 1 | 94 | 90 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

35.1 During the year Rs. 25,000 (2011: Rs. 25,000) was paid to a Non-Executive Director for attending the meetings of the Board of Directors.

## 36. TRANSACTIONS WITH RELATED PARTIES

The Company is a subsidiary of Pakistan Cement Holding and the ultimate parent company of the Company is Lafarge SA, France. Therefore, all the subsidiaries and associated undertakings of Lafarge SA, France are the related parties of the Company. Other related parties include directors, key management personnel, entities under common directorship and the employees' provident fund. Remuneration to directors and the chief executive is disclosed in note 35 to these financial statements.

Ultimate parent company
Lafarge SA, France

Parent company
Pakistan Cement Holding

Other related parties with whom the Company had transactions

Associates

Lafarge Building Materials Holding, Egypt
Emirates Cement Company
United Cement Company
Lafarge Cement Trading
Al - Safwa Cement Company
Cementia Trading, Switzerland
Lafarge Cement, Egypt
Algerian Cement Company
Lafarge Middle East & Africa
Marine Cement Limited, Switzerland
Lafarge Industries, South Africa
Lafarge Asia SDN BHD
Lafarge Cement (WAPCO) Nigeria Plc
Bazian Cement Limited
Karbala Cement Manufacturing
SEMEN ANDALAS en IDR

Employee benefit plans

General Provident Fund Trust

Period end balances

Balances with the related parties are disclosed in respective notes to the financial statements.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

**Transactions with the related parties during the year**

| Disclosure of transactions between the Company and related parties other than those which have been disclosed elsewhere in these financial statements: | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| Ultimate parent company | | |
| - Services received | 12,928,315 | 12,086,688 |
| - Services provided | 210,207 | 11,988,192 |
| - Industrial Franchise Agreement expense | 349,472,304 | 256,489,719 |
| - Payments received during the year | 220,147 | 12,143,891 |
| - Payments made during the year | 335,822,219 | 209,072,818 |
| Parent company | | |
| - Mark-up on loan | 17,417,818 | 13,765,513 |
| - Mark-up paid during the period | 15,205,093 | 11,204,799 |
| Associates | | |
| - Technical assistance fee and other expenses | - | 4,409,782 |
| - Services provided by the Company | 27,559,298 | 13,664,326 |
| - Payments received against services | 15,192,938 | 1,745,679 |
| - Sales | 19,826,559 | - |
| - Receipts against sales | 8,234,583 | - |
| Contributions to Provident Fund Trust | 18,103,068 | 13,018,618 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign currency risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's financial liabilities mainly comprise long-term financing, other long-term liabilities, trade and other payables, accrued mark-up and short-term borrowings. The main purpose of financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise long-term advance, long-term deposits, advances, trade debts, interest accrued, other receivables and cash and bank balances.

### 37.1 MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within an acceptable range, and the management manages these risks as explained in the following paragraphs.

#### 37.1.1 INTEREST / MARK-UP RATE RISK MANAGEMENT

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company's exposure to the risk of change in market interest rate relates primarily to the Company's long-term financing and short-term borrowings with floating interest rates. At 31 December 2012, long-term financing and running finance are at floating rate of interest.

# Notes to The Financial Statements

For the Year Ended 31 December 2012

At the balance sheet date, the interest rate profile of the Company's interest bearing financial assets and liabilities was:

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| **Financial liabilities** | | |
| **Floating rate liabilities** | | |
| Long-term financing | 5,006,055,707 | 6,613,384,859 |
| Short-term borrowings | 50,262,911 | 8,996,722 |
| | 5,056,318,618 | 6,622,381,581 |

**Sensitivity analysis**

A change of 1% in interest rate at the reporting date would have changed Company's loss for the year and accumulated losses by the amounts shown below, with all other variables held constant.

| | | | 2012 | 2011 |
|---|---|---|---|---|
| Change in interest rate | ± | Percentage | 1% | 1% |
| Effect on profit / loss for the year | ± | Rupees | 50,563,186 | 66,223,816 |
| Effect on accumulated losses | ± | Rupees | 50,563,186 | 66,223,816 |

### 37.1.2 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk due to transactions denominated in foreign currencies primarily on account of imports relating to plant and machinery equipments and payable to related parties.

**Exposure to foreign currency risk**

The Company's exposure to foreign currency risk in major currencies is as follows:

| 2012 | US Dollar | Euro | Egyptian Pound | Emirates Dirham | Great Britain Pound | Algerian Dinar |
|---|---|---|---|---|---|---|
| Trade and other payables | 7,138,403 | 1,031,755 | - | - | - | - |
| Long-term payables | 5,277,408 | 293,116 | 60,792,706 | 830,506 | 142,703 | 4,719,527 |
| Long-term financing | 10,849,973 | - | - | - | - | - |
| Short-term borrowings | 62,195 | - | - | - | - | - |
| Other receivables | (102,023) | - | - | - | - | - |
| **Net exposure** | 23,225,956 | 1,324,871 | 60,792,706 | 830,506 | 142,703 | 4,719,527 |
| **Exchange rates** | | | | | | |
| Average rate (Rupee) | 93.35 | 120.02 | 15.35 | 25.41 | 147.99 | 1.18 |
| Reporting date rate (Rupee) | 97.14 | 128.16 | 15.36 | 26.44 | 157.04 | 1.25 |
| **2011** | | | | | | |
| Trade and other payables | 2,173,702 | 695,485 | - | - | - | - |
| Long-term payable | 5,238,191 | 601,474 | 60,869,874 | 823,323 | 142,703 | 4,719,527 |
| Long-term financing | 10,849,973 | - | - | - | - | - |
| Short-term borrowings | 54,351 | - | - | - | - | - |
| Other receivables | (6,705) | - | - | - | - | - |
| **Net exposure** | 18,309,512 | 1,296,959 | 60,869,874 | 823,323 | 142,703 | 4,719,527 |
| **Exchange rates** | | | | | | |
| Average rate (Rupee) | 86.30 | 120.12 | 14.49 | 23.50 | 138.42 | 1.18 |
| Reporting date rate (Rupee) | 89.93 | 116.37 | 14.96 | 24.49 | 139.31 | 1.09 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

**Sensitivity analysis**

If the functional currency, at reporting date, had fluctuated by 5% against the USD, GBP, Euro, EGP, Emirates Dirham and Algerian Dinar with all other variables held constant, the impact on profit / loss for the year would have been:

| | | | 2012 | 2011 |
|---|---|---|---|---|
| Change in exchange rate | ± | Percentage | 5% | 5% |
| Effect on profit/loss for the year | ± | Rupees | 170,275,503 | 151,605,267 |
| Effect on accumulated losses | ± | Rupees | 170,275,503 | 151,605,267 |

### 37.1.3 EQUITY PRICE RISK

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

### 37.2 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from long- term advance, long-term deposits, trade debts, advances, other receivables.

Since sales are largely made against advances, the Company believes that it is not exposed to major concentration of credit risk.

**Exposure to credit risk**

The Company's maximum exposure to credit risk at the reporting date is as follows:

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| Long-term advance | 41,318,000 | 54,265,386 |
| Long-term deposits | 40,258,054 | 40,870,852 |
| Trade debts | 83,377,259 | 38,453,514 |
| Advances | 16,612,475 | 33,865,949 |
| Interest accrued | 678,528 | 737,223 |
| Other receivables | 78,430,784 | 66,314,011 |
| Bank balances | 425,722,911 | 21,088,311 |
| | 686,398,011 | 255,595,246 |

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. Credit ratings and exposure of bank balances with each of the counterparties is as follows:

**Savings and Current Account**

| Name of Bank | Long-term Rating | Short-term Rating | Rating Agency | Rupees |
|---|---|---|---|---|
| United Bank Limited | AA+ | A-1+ | JCR-VIS | 92,603,474 |
| Faysal Bank Limited | AA | A-1+ | JCR-VIS | 436,330 |
| Citibank N.A. | A+ | P-1 | Moody's | 1,771,967 |
| MCB Bank Limited | AA+ | A1 + | PACRA | 654,914 |
| NIB Bank Limited | AA- | A1 + | PACRA | 316,302,242 |
| Habib Bank Limited | AA+ | A-1+ | JCR-VIS | - |
| Allied Bank Limited | AA | A1 + | PACRA | 13,642,291 |
| Standard Chartered Bank | AAA | A1 + | PACRA | 311,693 |

# Notes to The Financial Statements

For the Year Ended 31 December 2012

37.2.1 As at 31 December 2012, the ageing analysis of trade debts in aggregate is as follows:

| | Total | 1-90 days | 91-180 days | 181 days and over |
|---|---|---|---|---|
| | Repees | | | |
| 2012 | 83,355,259 | 60,710,750 | 258,063 | 22,386,446 |
| 2011 | 38,453,514 | 14,610,406 | 288,663 | 23,554,445 |

## 37.3 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company maintains flexibility in funding by maintaining availability under committed credit lines.

The table below summarizes the contractual cash flows of the Company's financial liabilities as at reporting date.

| | Carrying Amount | Contractual cash flows | |
|---|---|---|---|
| | | Less than one year | One to five years |
| | Rupees | | |
| 2012 | | | |
| Long-term financing including accrued interest | 5,029,658,123 | 442,217,818 | 6,009,728,402 |
| Trade and other payables | 3,050,400,482 | 3,059,194,263 | - |
| Short-term borrowings including accrued interest | 1,066,576,411 | 1,066,576,411 | - |
| | 9,146,635,016 | 4,567,988,492 | 6,009,728,402 |
| 2011 | | | |
| Long-term financing including accrued interest | 6,825,623,898 | 1,313,568,514 | 5,299,816,345 |
| Trade and other payables | 1,216,130,681 | 1,216,130,681 | - |
| Long-term Payable | 1,593,784,948 | - | 1,593,784,948 |
| Short-term borrowings including accrued interest | 735,809,722 | 735,809,722 | - |
| | 10,371,349,249 | 3,265,508,917 | 6,893,601,293 |

## 37.4 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

At the reporting date the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

## 37.5 CAPITAL RISK MANAGEMENT

Capital includes equity attributable to the equity holders of the Company.

The Board's policy is to maintain a strong capital base so as to maintain stakeholders' confidence and to ensure sustainable future development of the business. The Board of Directors monitors return on equity and ensures that the Company has an appropriate capital mix. Return on equity is defined as percentage of earnings before

# Notes to The Financial Statements

For the Year Ended 31 December 2012

interest and tax to the total capital employed, whereas capital mix is defined as the ratio between equity and debt capital of the Company. Board of Directors monitors the Company's performance along with the capital and debt costs. There were no changes to the Company's approach to the capital management during the year. The Company monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total bank borrowings and long-term payable less cash and bank balances.

| | 2012 (Rupees) | 2011 (Rupees) |
|---|---|---|
| Long-term financing | 5,029,658,123 | 5,361,851,128 |
| Short-term borrowings | 1,066,576,411 | 735,809,722 |
| Long-term payable | - | 1,593,784,948 |
| Current portion of long-term financing | - | 1,313,568,514 |
| Total debt | 6,096,234,534 | 9,005,014,312 |
| Cash and bank balances | (428,341,802) | (23,241,828) |
| Net debt | 5,667,892,732 | 8,981,772,484 |
| Issued, subscribed and paid-up capital | 13,126,444,880 | 13,126,444,880 |
| Reserves | (2,937,445,687) | (4,425,655,969) |
| Total capital | 10,188,999,193 | 8,700,788,911 |
| Total capital and net debt | 15,856,891,925 | 17,682,561,395 |
| Gearing ratio | 36% | 51% |

## 38. PLANT CAPACITY

| | 2012 | 2011 |
|---|---|---|
| | Matric Tons | |
| Installed capacity | 2,400,000 | 2,400,000 |
| Actual production | 1,643,576 | 1,689,556 |

Difference during the year is due to demand and supply situation of the product.

## 39. EVENT AFTER THE REPORTING DATE

The Board of Directors in their meeting held on 19 March 2013 recommended a final dividend of Rs. 0.30 per share for the year ended 31 December 2012 aounting to Rs. 393.79 million (2011:Nil) for approval of the members at the Annual General Meeting to be held on 23 April 2013. These financial statements do not reflect the proposed dividend payable.

## 40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 19 March 2013 by the Board of Directors of the Company.

## 41. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Pattern of Shareholding

As at December 31, 2012

| NUMBER OF SHAREHOLDERS | SHAREHOLDING | | NUMBER OF SHARES HELD |
|---|---|---|---|
| | FROM | TO | |
| 214 | 1 | 100 | 8,427 |
| 1,135 | 101 | 500 | 489,717 |
| 1,344 | 501 | 1,000 | 1,282,604 |
| 3,157 | 1,001 | 5,000 | 9,654,710 |
| 1,283 | 5,001 | 10,000 | 10,540,172 |
| 451 | 10,001 | 15,000 | 5,956,776 |
| 353 | 15,001 | 20,000 | 6,633,941 |
| 254 | 20,001 | 25,000 | 6,024,195 |
| 170 | 25,001 | 30,000 | 4,896,130 |
| 84 | 30,001 | 35,000 | 2,808,399 |
| 83 | 35,001 | 40,000 | 3,200,596 |
| 42 | 40,001 | 45,000 | 1,823,925 |
| 148 | 45,001 | 50,000 | 7,369,250 |
| 37 | 50,001 | 55,000 | 1,968,452 |
| 34 | 55,001 | 60,000 | 1,998,057 |
| 23 | 60,001 | 65,000 | 1,474,525 |
| 28 | 65,001 | 70,000 | 1,935,200 |
| 32 | 70,001 | 75,000 | 2,357,400 |
| 25 | 75,001 | 80,000 | 1,971,500 |
| 15 | 80,001 | 85,000 | 1,235,450 |
| 14 | 85,001 | 90,000 | 1,235,192 |
| 5 | 90,001 | 95,000 | 471,400 |
| 96 | 95,001 | 100,000 | 9,571,431 |
| 14 | 100,001 | 105,000 | 1,437,820 |
| 11 | 105,001 | 110,000 | 1,198,930 |
| 6 | 110,001 | 115,000 | 678,500 |
| 10 | 115,001 | 120,000 | 1,181,550 |
| 10 | 120,001 | 125,000 | 1,248,100 |
| 9 | 125,001 | 130,000 | 1,157,900 |
| 4 | 130,001 | 135,000 | 532,500 |
| 9 | 135,001 | 140,000 | 1,254,000 |
| 10 | 140,001 | 145,000 | 1,432,250 |
| 15 | 145,001 | 150,000 | 2,242,650 |
| 5 | 150,001 | 155,000 | 763,925 |
| 3 | 155,001 | 160,000 | 478,500 |
| 4 | 160,001 | 165,000 | 651,150 |
| 5 | 165,001 | 170,000 | 842,800 |
| 11 | 170,001 | 175,000 | 1,909,275 |
| 5 | 175,001 | 180,000 | 889,005 |
| 3 | 180,001 | 185,000 | 548,216 |
| 8 | 185,001 | 190,000 | 1,499,776 |
| 3 | 190,001 | 195,000 | 584,500 |
| 29 | 195,001 | 200,000 | 5,800,000 |

# Pattern of Shareholding

As at December 31, 2012

| NUMBER OF SHAREHOLDERS | SHAREHOLDING | | NUMBER OF SHARES HELD |
|---|---|---|---|
| | FROM | TO | |
| 4 | 200,001 | 205,000 | 811,000 |
| 2 | 205,001 | 210,000 | 420,000 |
| 4 | 215,001 | 220,000 | 880,000 |
| 2 | 220,001 | 225,000 | 446,000 |
| 4 | 225,001 | 230,000 | 912,899 |
| 1 | 230,001 | 235,000 | 230,495 |
| 1 | 235,001 | 240,000 | 235,500 |
| 9 | 245,001 | 250,000 | 2,240,720 |
| 2 | 265,001 | 270,000 | 540,000 |
| 2 | 280,001 | 285,000 | 564,956 |
| 5 | 285,001 | 290,000 | 1,450,000 |
| 8 | 295,001 | 300,000 | 2,400,000 |
| 2 | 300,001 | 305,000 | 601,875 |
| 2 | 305,001 | 310,000 | 618,321 |
| 2 | 310,001 | 315,000 | 625,193 |
| 1 | 320,001 | 325,000 | 325,000 |
| 1 | 325,001 | 330,000 | 330,000 |
| 3 | 330,001 | 335,000 | 1,001,750 |
| 2 | 340,001 | 345,000 | 684,526 |
| 4 | 345,001 | 350,000 | 1,400,000 |
| 2 | 350,001 | 355,000 | 701,500 |
| 1 | 355,001 | 360,000 | 355,281 |
| 1 | 365,001 | 370,000 | 365,250 |
| 2 | 375,001 | 380,000 | 754,000 |
| 1 | 380,001 | 385,000 | 385,000 |
| 2 | 390,001 | 395,000 | 787,415 |
| 8 | 395,001 | 400,000 | 3,200,000 |
| 1 | 410,001 | 415,000 | 413,000 |
| 2 | 420,001 | 425,000 | 847,000 |
| 1 | 430,001 | 435,000 | 432,000 |
| 1 | 440,001 | 445,000 | 442,000 |
| 1 | 445,001 | 450,000 | 450,000 |
| 1 | 450,001 | 455,000 | 452,995 |
| 1 | 455,001 | 460,000 | 455,500 |
| 1 | 470,001 | 475,000 | 475,000 |
| 1 | 475,001 | 480,000 | 480,000 |
| 2 | 485,001 | 490,000 | 976,069 |
| 9 | 495,001 | 500,000 | 4,500,000 |
| 1 | 515,001 | 520,000 | 520,000 |
| 1 | 530,001 | 535,000 | 530,100 |
| 1 | 535,001 | 540,000 | 536,501 |
| 1 | 540,001 | 545,000 | 545,000 |
| 1 | 545,001 | 550,000 | 548,000 |

# Pattern of Shareholding

As at December 31, 2012

| NUMBER OF SHAREHOLDERS | SHAREHOLDING | | NUMBER OF SHARES HELD |
|---|---|---|---|
| | FROM | TO | |
| 2 | 560,001 | 565,000 | 1,123,000 |
| 1 | 565,001 | 570,000 | 570,000 |
| 1 | 575,001 | 580,000 | 580,000 |
| 1 | 585,001 | 590,000 | 585,500 |
| 1 | 595,001 | 600,000 | 600,000 |
| 1 | 645,001 | 650,000 | 650,000 |
| 1 | 665,001 | 670,000 | 670,000 |
| 2 | 695,001 | 700,000 | 1,400,000 |
| 1 | 755,001 | 760,000 | 758,798 |
| 1 | 795,001 | 800,000 | 800,000 |
| 5 | 995,001 | 1,000,000 | 4,998,000 |
| 1 | 1,095,001 | 1,100,000 | 1,099,500 |
| 1 | 1,100,001 | 1,105,000 | 1,100,050 |
| 1 | 1,145,001 | 1,150,000 | 1,150,000 |
| 1 | 1,370,001 | 1,375,000 | 1,375,000 |
| 1 | 1,380,001 | 1,385,000 | 1,384,500 |
| 1 | 1,415,001 | 1,420,000 | 1,417,420 |
| 2 | 1,495,001 | 1,500,000 | 3,000,000 |
| 1 | 1,975,001 | 1,980,000 | 1,978,785 |
| 6 | 1,995,001 | 2,000,000 | 11,994,000 |
| 1 | 2,045,001 | 2,050,000 | 2,050,000 |
| 1 | 2,050,001 | 2,055,000 | 2,055,000 |
| 1 | 2,240,001 | 2,245,000 | 2,245,000 |
| 1 | 2,375,001 | 2,380,000 | 2,376,000 |
| 1 | 2,470,001 | 2,475,000 | 2,471,000 |
| 1 | 2,595,001 | 2,600,000 | 2,600,000 |
| 1 | 4,300,001 | 4,305,000 | 4,302,500 |
| 1 | 4,995,001 | 5,000,000 | 5,000,000 |
| 1 | 5,210,001 | 5,215,000 | 5,214,680 |
| 1 | 5,810,001 | 5,815,000 | 5,810,924 |
| 1 | 6,005,001 | 6,010,000 | 6,010,000 |
| 1 | 6,315,001 | 6,320,000 | 6,316,000 |
| 1 | 8,560,001 | 8,565,000 | 8,563,912 |
| 1 | 11,895,001 | 11,900,000 | 11,900,000 |
| 1 | 12,665,001 | 12,670,000 | 12,668,000 |
| 1 | 19,010,001 | 19,015,000 | 19,014,000 |
| 1 | 19,995,001 | 20,000,000 | 19,999,980 |
| 1 | 21,460,001 | 21,465,000 | 21,464,909 |
| 1 | 27,120,001 | 27,125,000 | 27,122,500 |
| 1 | 284,420,001 | 284,425,000 | 284,424,423 |
| 1 | 676,690,001 | 676,695,000 | 676,692,465 |
| 9358 | | | 1,312,644,488 |

# Pattern of Shareholding

As at December 31, 2012

| CATEGORIES OF SHAREHOLDERS | SHARES HELD | % |
|---|---|---|
| Directors, Chief Executive, their Spouse and Minor Children | 13,050 | 0.00 |
| Associated Companies Undertakings & Related Parties | 961,116,888 | 73.22 |
| NIT/ICP | 32,007,606 | 2.44 |
| Banks, Development Finance Institutions and Non Banking Financial Institution | 3,132,225 | 0.24 |
| Insurance Companies | 20,299,480 | 1.55 |
| Modarabas and Mutual Funds | 51,952,149 | 3.96 |
| Shareholders holding 10% ( *detail given below) | | |
| General Public | | |
| a. Local | 208,154,164 | 15.86 |
| b. Foreign | 1,661,450 | 0.13 |
| Others | | |
| i. Foreign Companies | 12,952,000 | 0.99 |
| ii. Joint Stock Companies | 16,743,551 | 1.28 |
| iii. Citibank N.A. as custodian of Global Depository Receipts | 1,100,050 | 0.08 |
| iv. Trustees Resource Development Foundation | 5,000 | 0.00 |
| v. Trustees Kaukab Mir Memorial Welfare Trust | 101,000 | 0.00 |
| vi. Trustee Karachi Parsi Anjuman Trust Fund | 20,000 | 0.00 |
| vii. Trustee Cherat Cement Company Ltd. Staff Gratuity Fund | 1,375,000 | 0.10 |
| viii. Trustee-Pak Gums & Chemical Ltd Executive Staff Pension Fund | 10,875 | 0.00 |
| ix. Trustees Of Allied Engineering & Service Ltd Emp. Prov. Fund | 2,000,000 | 0.15 |
| TOTAL | 1,312,644,488 | 100.00 |

# Detail of Pattern of Shareholding

as per Requirements of Code of Corporate Governance

| | | SHARES |
|---|---|---|
| Associated Companies Undertakings & Related Parties | | |
| i. Pakistan Cement Holding Limited | | 676,692,465 |
| ii. Camden Holding PTE Limited | | 284,424,423 |
| Mutual Funds | | |
| i. CDC - Trustee NIT-Equity Market Opportunity Fund | | 548,000 |
| ii. CDC - Trustee Pakistan Stock Market Fund | | 49 |
| iii. CDC - Trustee PICIC Investment Fund | | 19,014,000 |
| iv. CDC - Trustee First Dawood Mutual Fund | | 75,000 |
| v. KASB - Premier Fund Limited | | 24,000 |
| vi. CDC - Trustee Faysal Asset Allocation Fund | | 4,302,500 |
| vii. National Bank Of Pakistan-Trustee Department NI(U)T Fund | | 21,464,909 |
| viii. CDC - Trustee PICIC Stock Fund | | 490,000 |
| ix. CDC - Trustee PICIC Growth Fund | | 27,122,500 |
| x CDC - Trustee AKD Index Tracker Fund | | 25,000 |
| xi CDC - Trustee Faysal Balanced Growth Fund | | 270,000 |
| Directors, Chief Executive, their Spouse and Minor Children | | |
| i. Maj. Gen. (R) Rehmat Khan | 2,175 | |
| ii. Mr. Amr Ali Reda | 2,900 | |
| iii. Mr. Bilal Hamid Javaid | 6,250 | |
| iv. Mr. Fabrizio Angelo Olivares | 725 | |
| v. Mr. Jean-Jerome Khodara | 500 | |
| vi. Mr. Dominique Brugier | 500 | |
| | | 13,050 |
| Executives | | 67,000 |
| Public Sector Companies & Corporations | | 19,999,980 |
| Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Takaful, Modarabas & Pension Funds | | 14,055,522 |
| Shareholders holding 5% and above Voting Interests | | |
| * i. Pakistan Cement Holding Limited | | 676,692,465 |
| * ii. Camden Holding PTE Limited | | 284,424,423 |

# Proxy Form

The Company Secretary
Lafarge Pakistan Cement Limited
18-B, Kaghan Road, F-8 Markaz,
Islamabad.

| | |
|---|---|
| Folio No. / CDC A/C No. | |
| Shares held | |

I/We_____ of _____

being a member (s) of LAFARGE PAKISTAN CEMENT LIMITED (the 'Company') hereby appoint Mr./Mrs./Miss _____ of _____ (being member(s) of Company) as my/our Proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on April 23, 2013 at 11:00 a.m. at the Registered Office, 18-B, Kaghan Road, F-8 Markaz, Islamabad and at every adjournment thereof.

Signed this _____ day of _____2013.

1. Witness:
   Signature _____
   Name _____
   Address _____
   _____

AFFIX REVENUE STAMP

2. Witness: _____
   Signature _____
   Name _____
   Address _____
   _____

Signature_____
(Signature appended above should agree with the specimen signatures registered with the Company.)

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.

1. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed on the instrument.

2. CDC shareholders are requested to bring with them their National Identity Cards alongwith the participants' ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

2. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or notarially certified copy thereof, should be deposited at the Company's office not later than 48 hours before the time of holding the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
**LAFARGE PAKISTAN CEMENT Ltd.**
18-B, Kaghan Road, F-8 Markaz,
Islamabad.

**LAFARGE PAKISTAN CEMENT Ltd.**

**Address:** 18-B, Kaghan Road, F-8 Markaz, Islamabad
**UAN:** +92-51-111 111 722 | **Fax:** +92-51-281 7300 | **URL:** www.lafargepakistan.com.pk

manhattan