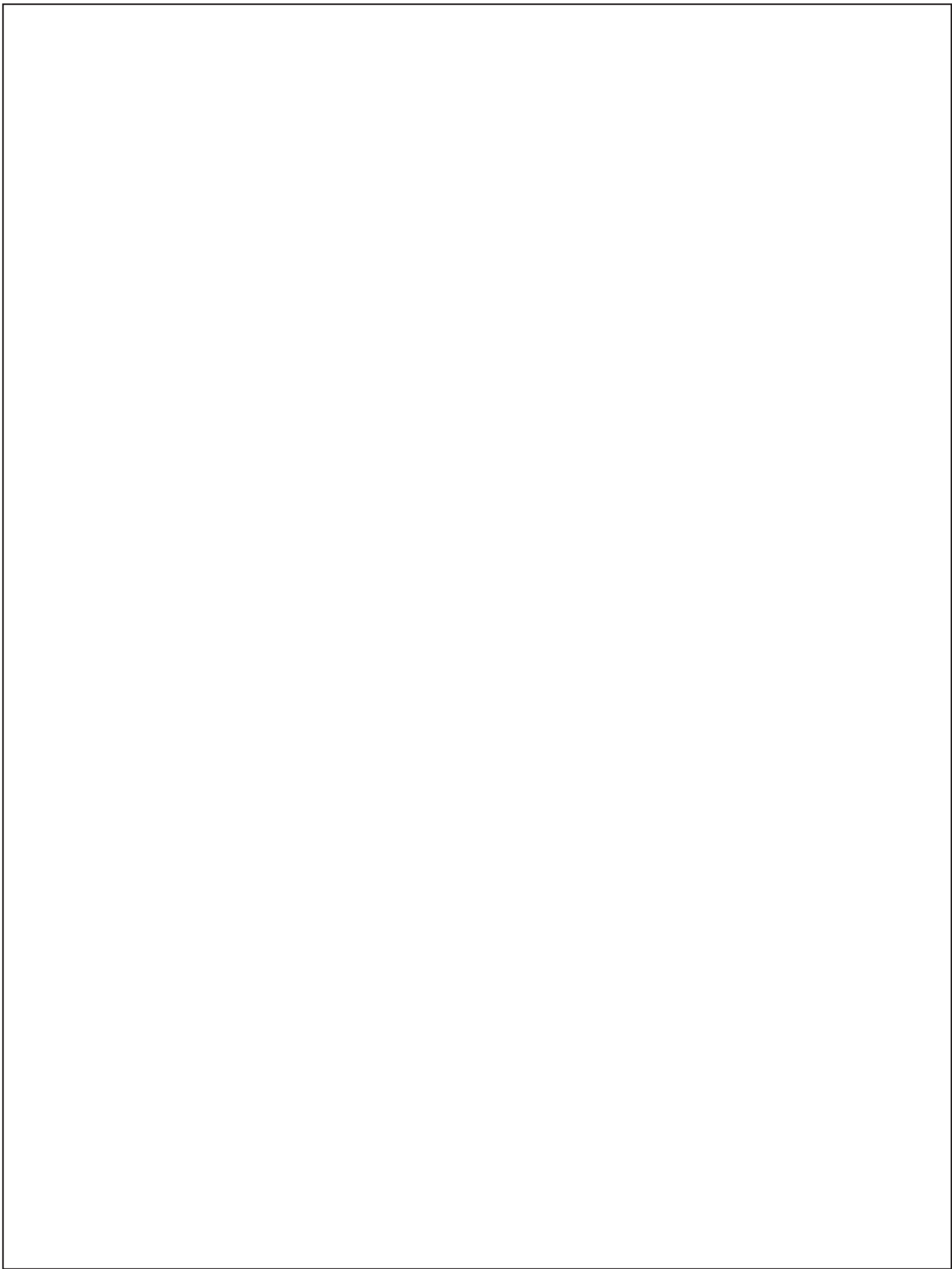


Building Foundations
Annual Report 2014



THATTA CEMENT
COMPANY LIMITED



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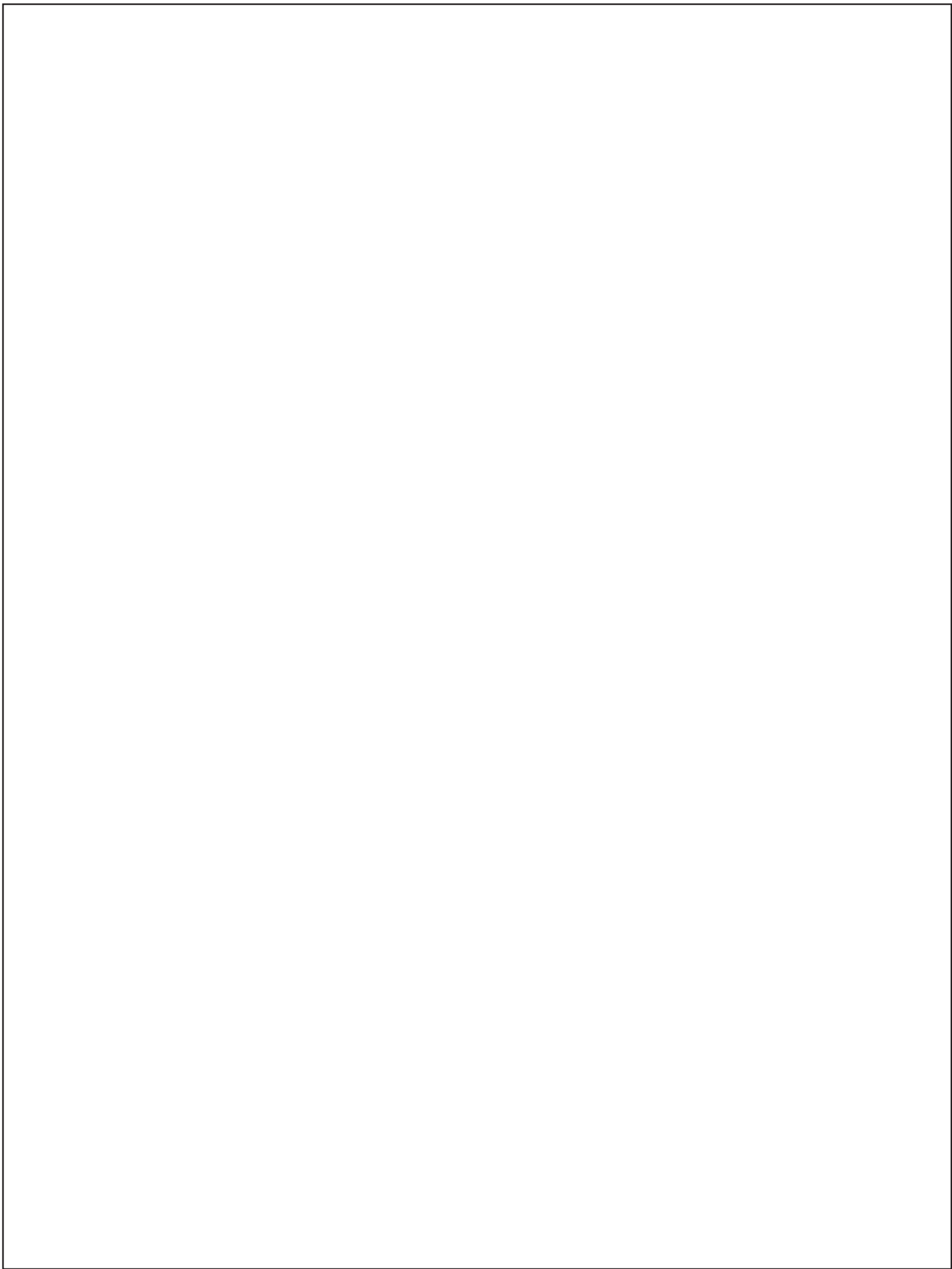
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Strengthening the home base

Everyone needs a strong base which they can call their own. To make a strong base you need solid development in order to nurture and strengthen the foundation that you lay. Thatta Cement helps you do just that, lay a foundation from scratch with quality.



Vision

To transform the Company into a modern and dynamic cement manufacturing unit fully equipped to play a meaningful role on sustainable basis in the economy of Pakistan.

Mission

- To provide quality products to customers at competitive prices; and
- To generate sufficient profit to add to the shareholders' value.

Company Information

BOARD OF DIRECTORS

Mr. Khawaja Mohammad Salman Younis
Mr. Muhammad Fazlullah Shariff
Mr. Shahid Aziz Siddiqui
Mr. Agha Sher Shah
Mr. Wazir Ali Khoja
Mr. Saleem Zamindar
Mr. Attaullah. A. Rasheed

Chairman
Chief Executive Officer
Director
Director
Director
Director
Director

AUDIT COMMITTEE

Mr. Wazir Ali Khoja
Mr. Khawaja Mohammad Salman Younis
Mr. Shahid Aziz Siddiqui

Chairman
Member
Member

HR & REMUNERATION COMMITTEE

Mr. Khawaja Mohammad Salman Younis
Mr. Muhammad Fazlullah Shariff
Mr. Saleem Zamindar

Chairman
Member
Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Muhammad Taha Hamdani

REGISTERED OFFICE

Office No. 606-608A,
Continental Trade Center,
Block 8, Clifton, Karachi
UAN: 0092-21-111-842-882
Fax no: 0092-21-35303074-75
Website: www.thattacement.com
E-mail: info@thattacement.com

STATUTORY AUDITOR

M/s KPMG Taseer Hadi & Co., Chartered Accountants

COST AUDITOR

M/s Siddiqi & Co., Cost & Management Accountants

FACTORY

Ghulamullah Road, Makli,
District Thatta, Sindh 73160

CORPORATE ADVISOR

M/s Shekha & Mufti, Chartered Accountants

SHARE REGISTRAR

THK Associates (Pvt) Limited
2nd Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road,
Karachi-75530
UAN 111-000-322, Fax: 35655595
Website: www.thk.com.pk

LEGAL ADVISOR

M/s Usmani & Iqbal

BANKERS

Sindh Bank Limited
National Bank of Pakistan
Summit Bank Limited
Bank Al-Falah Limited
Habib Bank Limited

DIRECTOR PROFILE



**Mr. Khawaja Mohammad
Salman Younis**
Chairman

Dato' Khawaja Mohammad Salman Younis has 30 years of experience in banking industry covering services, support, information technology, business development, corporate finance, advisory, risk management, re-structuring, process re-engineering, project management, asset management, private equity, regulatory and anti-money laundering compliance, administration and training.

Prior to founding and joining the Al - Tayseer Group, Dato' Salman was with one of the World's leading Islamic bank based out of the GCC where he was responsible for setting up the Bank's operations in Malaysia in 2005 in a record of 5 months, and helping the bank as its Managing Director for 3 years during which time the Bank was voted as the Best Islamic Bank in the World by Islamic Finance News in 2006. He was also instrumental in setting up the Bank's representative offices in Australia and Singapore and its asset management was one of the first Islamic Fund Management Companies to be licensed by the Securities Commission of Malaysia.

He has worked for the Citi Group from November 1981 to August 2001. Between 1981 and 1996, he worked in various capacities with the Saudi American Bank, now known as SAMBA, in areas of services, support and information technology and later with the corporate and investment group where he concluded several high profile structured deals in oil and gas, petro-chemical, shipping, water and power, high tech operation and maintenance, infrastructure development, contracting and trading. During his stay with SAMBA, he witnessed three economic down turns and was also involved in remedial management of complex credits and several successful re-structuring and re-scheduling.

In September 1996, he was transferred from SAMBA to Citi Bahrain and was part of the team responsible for setting up Citi Islamic Investment Bank (CIIB), the first Islamic bank to set up as an International Financial Institution. In 1998, he was promoted and appointed as Managing Director of CIIB and Head of Global Islamic Finance. At CIIB, he developed a range of Islamic banking products and also structured first time Shariah compatible deals for clients in Eastern Europe, Brazil, Korea and Taiwan among others.

Mr. Muhammad Fazlullah Shariff is a qualified Chemical Engineer, graduated from the Middle East Technical University, Ankara, Turkey. He joined Thatta Cement Company as Chief Operating Officer at the time of takeover by Al-Abbas Group from the State Cement Corporation through Privatization Commission. Subsequently he was elevated to the position of Director Project to look after Thatta Cement and the expansion and modernization of the Al-Abbas Cement Industry (formerly ESSA Cement) .

Mr. Shariff has spent thirty five years in the cement industry. He has worked on eight cement plants in various capacities and five as consultant besides numerous other projects. He has also worked on IFC financed cement projects in Pakistan as a consultant. This has made his experience very diversified in all areas: Production, Quality Control, Raw Material Investigations, Feasibility Studies, Project Appraisals, Project and Contract Management, Environmental Impact Assessment Studies, Technical Audits, Plant Optimization, Acquisition and Takeovers. He is well-known for practical measures to keep his organization competitive and profitable using cutting edge technologies and innovative solutions under local conditions.

He has contributed technical papers to local and international magazines.

He is a life member of the Pakistan Engineering Council and a member of the American Institute of Chemical Engineers and the American Chemical Society.



**Mr. Muhammad Fazlullah
Shariff**
Chief Executive Officer



Mr. Wazir Ali Khoja
Director

Mr. Wazir Ali Khoja, is a seasoned Banker with more than 32 years of professional experience in the field of Banking, Finance and Mutual Fund Industry. He worked as Chairman/Managing Director National Investment Trust (Ltd.) from 2010 to 2013. He was also the Deputy Managing Director of NIT during 1994-95.

Having started his career from Muslim Commercial Bank in 1965, as a Manager, Mr. Khoja worked up his way to become Senior Executive Vice President in 1996. He was the Head of HR Division besides being responsible for managing Retail Banking products and Sports Division. His main area of expertise has been Project Finance, Equity Market Operations and Treasury affairs. By virtue of his proactive leadership, management skills and teamwork approach he had successfully turned around MCB branches in the Sindh Province into profit during his tenure as General Manager. As Chief of Sports Division at MCB, Mr. Khoja contributed in identifying and grooming young talent of the country to compete internationally in cricket, hockey and football. He held the position as member Governing Body of Pakistan Cricket Board (PCB) for 4 years

He remained member on the Boards of prestigious institutions i.e, Bank Al Habib Limited, Fauji Fertilizer Company Limited, Packages Limited, Askari Bank Limited, Habib Metropolitan Bank Limited, Pak Suzuki Motors Company Limited, Burshane LPG (Pakistan) Limited [formerly Shell Gas LPG (Pakistan) Limited], Sui Northern Gas Pipelines Limited and Sui Southern Gas Company Limited.

Mr. Khoja is a Commerce Graduate from University of Sindh.



Mr. Shahid Aziz Siddiqui
Director

Mr. Shahid Aziz Siddiqui lead various Government organizations including Chairman of State Life Corporation of Pakistan and Chairman of National Highway Authority.

He has also served as Managing Director of Rice Export Corporation of Pakistan, Director General of Ports and Shipping, Commissioner of Karachi Division, Deputy Commissioner of the Districts of Thatta, Sanghar and Larkana and as Director Labour, Sindh.

He was also the Chairman of Board of Directors of Sui Southern Gas Company Limited and at present also serving as Director on the Board of National Bank of Pakistan and Thatta Cement Company Limited.

Mr. Shahid Aziz Siddiqui had topped the CSS Examination of 1968. Mr. Siddiqui holds Post Graduate degree in Development Economics from the University of Cambridge UK and Masters from University of Karachi. He is also a Certified Director by Pakistan Institute of Corporate Governance (PICG).



Mr. Agha Sher Shah
Director

Mr. Agha Sher Shah is currently Chairman and Chief Executive of Bandhi Sugar Mills. Prior to his current role, he was Senior Portfolio Manager of a multi-billion dollar portfolio in Abu Dhabi Investment Authority (ADIA), one of the largest sovereign wealth funds in the World. Mr. Shah started his career as an investment analyst covering consumer, energy and finance sectors of the S&P 500 in the US equity market. In his investment career of 24 years at ADIA he has held senior portfolio management positions in US and Global equities.

He has a Bachelor of Science in Engineering from Rice University and holds a Master of Business Administration from Cornell University.



Mr. Attaullah A. Rasheed
Director

Mr. Attaullah A. Rasheed is working as Divisional Head, Investment Division of State Life Corporation of Pakistan, the largest national organization engaged in Life Insurance Business having a work experience of over 20 years in the field of Investment, Finance, Taxation and Corporate Affairs in various reputable organizations. He is a Fellow member of Institute of Cost & Management Accountants of Pakistan and Institute of Corporate Secretaries of Pakistan and also holds a master's degree in commerce from University of Sindh.

He is also serving as nominated director on the Board of listed companies namely Pakistan Reinsurance Company Limited, Premier Insurance Company Limited, Shahtaj Sugar Mills Limited and Nina Industries Limited on behalf of State Life Insurance Corporation of Pakistan.



Mr. Saleem Zamindar
Director

Mr. Saleem Zamindar has a Bachelor of Arts (BA) degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 20 years of experience across 4 countries in investment management, Board level general management & international banking. He is a Certified Company Director by the Pakistan Institute of Corporate Governance and additionally also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. Presently, he serves on the Board of Directors of Sui Southern Gas Company Limited, Pakistan Kuwait Investment Company Limited, Thatta Cement Company Limited, SSGC LPG (Pvt.) Limited and State Petroleum Refining & Petrochemical Corporation (Pvt.) Limited. He is also the past President of the Rotary Club of Karachi, the largest and oldest Rotary Club in District 3271, and is a member of the Managing Committee of the Karachi Boat Club, member of the Library & Literary Sub-Committee of the Sind Club and a member of the Karachi Council on Foreign Relations. He is married and has two children.

Building a Paradigm

Every community needs a proper set-up to function and to be able to lead to a progressive state. For that, a strong infrastructure needs to be developed through educational, medical, financial and legal institutions. Every layer of each institution has to be made with the best of the best; Thatta Cement provides just that, the best.



DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of Directors present herewith their review and the audited financial statements together with auditors' report for the year ended June 30, 2014.

INDUSTRY OVERVIEW

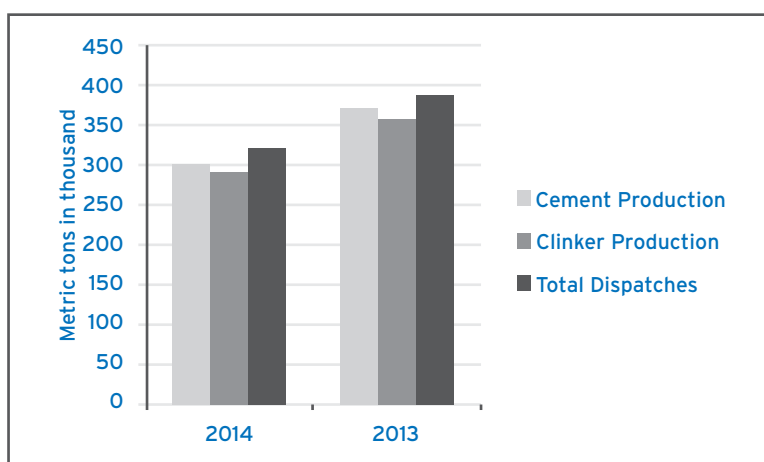
The cement industry crossed yet another milestone when local sales during the year touched the highest ever historic figure of 26.14 m MT which was 4.34% higher than that of the previous year. This was achieved despite various adverse affects of overall economic stagnation during the year and substantial increase in power tariff, higher inflation etc. The overall performance of the industry remained satisfactory and registered a growth of 2.54% in terms of volumes over last year. The industry also benefited from improved margins on account of higher retention prices and lower coal cost coupled with reduced interest rates which contributed positively on the sector's profitability. Though, the annual domestic sales were highest ever in history but the exports declined by 2.83% as compared to the last year due to oversupply situation in the global market.

BUSINESS PERFORMANCE

(a) Production and Sales Volume Performance

The Kiln capacity utilization of the Company during the year stood at 64.67% as compared to 79.38% in the previous year. Overall clinker production was lower by 18.52% as compared to the last year whereas cement production was lower by 19.22% than that of the previous year.

Description	2014	2013	Variance	
	----- Metric Tons -----			%
Plant capacity - Clinker	450,000	450,000	-	-
Production				
Clinker	291,035	357,206	(66,171)	(18.52)
Cement	298,799	369,911	(71,112)	(19.22)
GBFS	18,127	19,046	(919)	(4.83)
Oil well Cement	1,816	408	1,408	345
Dispatches				
Cement				
- Local	284,799	360,022	(75,223)	(20.89)
- Oil well - Local	1,816	408	1,408	345
- Export	14,120	9,001	5,119	56.87
	<u>300,735</u>	<u>369,431</u>	<u>(68,696)</u>	<u>(18.59)</u>
GBFS - Local	<u>18,127</u>	<u>19,046</u>	<u>(919)</u>	<u>(4.83)</u>
	<u><u>318,862</u></u>	<u><u>388,477</u></u>	<u><u>(69,615)</u></u>	<u><u>(17.92)</u></u>



During the year, overall dispatches of your company were lower by 17.92% as compared to the last year mainly on account of depressed sales in southern region. Taking advantage of this the plant was shutdown for maintenance as per Company's strategy to produce cement based on market demand. Moreover, in view of the ensuing planned stoppage to carry out BMR of the production facility, sufficient clinker stock is being built to meet the cement demand during the stoppage period. As stated earlier, cement consumption remained depressed in south compared to the northern region. As a result, local dispatches of cement including GBFS of your Company during the year declined to 304,742 tons against 379,476 tons depicting a decrease of 19.69%. Cement exports stood at 14,120 metric tons as compared to 9,001 metric tons during the last year depicting an increase of 56.87%.

A comparative analysis of sales volume of the industry vis-à-vis the Company is as under:

Description	2014	2013	Variance	
	-----Million Metric Tons-----			%
Cement Industry				
Local sales	26.145	25.058	1.087	4.34
Exports	8.137	8.374	(0.237)	(2.83)
	<u>34.282</u>	<u>33.432</u>	<u>0.850</u>	<u>2.54</u>
	-----Metric Tons-----			
Thatta Cement Company Limited				
Local sales	304,742	379,476	(74,734)	(19.69)
Exports	14,120	9,001	5,119	56.87
	<u>318,862</u>	<u>388,477</u>	<u>(69,615)</u>	<u>(17.92)</u>

(b) **Financial Performance:**

A comparison of key financial results of the Company for the year ended June 30, 2014 with the same period last year is as under:

Particulars	2014	2013
	----- Rs in ('000) -----	
Turnover - net	2,182,327	2,361,192
Gross profit	682,015	485,513
Profit before taxation	473,159	257,044
Profit after taxation	298,387	148,478
Earnings per share (Rupee)	2.99	1.49

The average selling prices in local market improved gradually during the year as compared to the previous year. Turnover of the Company though decreased by 7.57%, but due to improved selling price, better energy efficiency (coal and electricity consumption) alongwith reduction in global coal prices which resulted in improved gross profit margin to 31.25% as compared to 20.56% in the corresponding period of previous year. This enabled the company to earn a profit after tax of Rs.298.387 million after providing depreciation of Rs.48.361 million.

(i) **Sales Performance**

Sales revenue of the Company during the year declined by 7.57% whereas sales volume declined by 17.92%, mainly on account of depressed local sales volume in southern zone which was mitigated largely by appreciation in selling price.

(ii) **Cost of Sales**

Cost of sales to sales ratio has declined to 68.75% during the year as compared to 79.44% last year. The decline is mainly on account of increase in selling price, improved efficiency of fuel and power consumption and decline in global coal prices which resulted in higher gross profit margin thereby reducing the cost of sales ratio.

(iii) **Distribution Cost**

The distribution cost during the year decreased to Rs.57.55 million as compared to Rs. 66.091 million last year, due to reduction in local freight charges which is mitigated by increase in commission expense on local sales.

(iv) **Finance Cost**

Finance cost has reduced by 13.93% as compared to last year mainly on account of repayment of existing long term loan and reduction in average utilization of short term running finance.

Subsequent Appropriations

Based on the profit during the year under review, the Board of Directors has recommended a final cash dividend for the year ended June 30 2014 at Rs. 1.10 per share i.e. 11%. The entitlement shall be available to those shareholders whose name(s) appear on the shareholders' register at the close of business on October 13, 2014.

The appropriation will be reflected in the subsequent financial statements, in compliance with Fourth Schedule to the Companies Ordinance, 1984.

Future Outlook

The Budget for the fiscal year 2014-2015 announced by the Government in the month of June 2014 grossly fell short of the expectations of the cement industry demands for excluding this sector from application of Sales Tax on retail price basis mechanism, reduction in Federal Excise Duty (FED) on gradual basis, relief in fuel cost by removing duty on imported coal.

On the contrary, the basis for levy of FED has been revised to 5% of Retail Price from Rs 400 per ton. This decision of the Government appears to be a measure for generating additional revenue from this sector in the backdrop of dispatches vis-à-vis profitability shown by cement sector prior to budget. Though this year fiscal budget does not offer relief to the cement industry in terms of tax incentives, however the Government endeavors to substantially increase it's spending on Public Sector Development Programmes in the ensuing year which would result in better prospects in dispatches during 2014-2015 which would enhance the bottom line profitability of the cement sector.

Moreover, in view of large displacement of citizens from terror-prone areas there would be greater need for cement in these remote areas when rehabilitation process starts, which would lead to increase in demand for the cement in the coming year. Furthermore, the government is striving hard to deal with the energy issue and in this respect it is

continuously promoting huge investment in the energy sector which will ultimately enable all other sectors of the economy to meet their power requirements substantially at reduced cost. Your company has already started reaping benefits of efficiency in terms of per KWH electricity consumption on production of cement by obtaining uninterrupted supply of electricity from its subsidiary company M/s Thatta Power (Pvt) Limited. However, positive steps for promotion of investment in power generation sector being taken by the Government will in the longer run are expected to result in reduction in cost of electricity and hence will be an added advantage for cement industry connected to the national grid.

The above factors indicate better economic outlook of the country in general and a positive impact on the cement demand in particular which shall enhance future profitability of your Company.

The prices in local market after absorbing the impact of change in applicability of sales tax on the basis of retail price brought in by budget 2013-2014 have now reached a stable level and it is expected to follow the same trend in the medium term.

Your Company while adjusting itself to change in technological advancement in the cement industry, has embarked upon plans to improve plant efficiencies and adopting new technologies is on track for upgradation and improvement in production facility by undertaking BMR. Cutting edge technologies in key areas of cement plant to enhance overall efficiencies and reduction in overall cost of production are being adopted.

The management is fully aware of the challenges ahead and is continuously evolving strategies to penetrate the market and increase its market share. The measures being adopted by the Company shall enable it to mitigate market risks, meet future challenges and maintain business growth.

Balancing, Modernization and Rehabilitation (BMR)

With immense pleasure we would like to inform our valued shareholders that your Company has started the field work on BMR project. Shipment of major imported equipment to undertake physical work has already arrived at Factory; however related equipment and consumable spares for the said project are expected to arrive during September - October 2014. The BMR is expected to be completed during first quarter of 2015 as scheduled followed by trial run and commissioning. The completion of BMR would advance manifold benefits to the Company in terms of improved productivity, efficiencies, lowering cost of production, sustainability of operation etc. The Company would then be able to promote its products in a competitive environment and get additional market share.

Cement Grinding, Storing and Bagging Plant

The Sri Lanka Ports Authority (SLPA) has not yet executed the Land Lease Agreement (LLA), despite the fact that basic engineering of the project has been completed by Thatta Cement Company (Pvt) Limited (TCCPL), a subsidiary of Thatta Cement Company Limited. The said LLA was required to be executed, in terms of Business Venture Agreement (BVA) dated April 5, 2013, by TCCPL with SLPA. Consequently the project has been temporarily suspended.

Further, SLPA has signed a agreement with another business venture of car transshipment in the close vicinity of the cement project without anticipating the expected operational conflicts which now appear to cause obstacles in setting up the cement project within the layout originally planned by SLPA. However, SLPA has proposed another site to TCCPL for setting up the cement project. Accordingly, Chairman SLPA has been requested to resolve the issue until such time the project shall remain suspended and will recommence once the LLA for assigned land is signed with SLPA. Moreover, the matter has been taken up by the Pakistan High Commission in Sri Lanka who have requested Honorable Minister of Economic Development to intercede with SLPA and Central Environment Agency for the utmost and timely resolution of the matter and signing of LLA.

Performance of the Group

In compliance with section 236(5) of the Companies Ordinance, 1984 attached with this report are the consolidated financial statements of Thatta Cement Company Limited (the holding company) and M/s Thatta Power (Private)Limited (subsidiary company) for the / as at year ended June 30, 2014.

Operating Results

June 30, 2014 June 30, 2013

----- (Rs in '000) -----

Balance Sheet

Property, plant and equipment	2,699,846	2,161,681
Stock-in-Trade	418,063	349,313
Trade Debts	281,608	186,605
Paid-up Share Capital	997,181	997,181
Total Equity	1,614,395	1,247,214
Trade and Other payables	576,414	252,527
Short Term Borrowings	419,261	556,074

Profit and Loss

Revenue	3,021,994	2,824,199
Gross Profit	1,107,419	754,736
Selling, Distribution and Administrative expenses	140,460	137,010
Operating profit	966,959	617,726
Profit before taxation	712,814	448,569
Profit after taxation	521,884	313,943

Thatta Power (Private) Limited - Captive Power Plant

Thatta Power (Private) Limited (TPPL), a subsidiary of Thatta Cement Company Limited (TCCL) has earned a profit after tax of Rs 269.223 million; however, no distribution of profit has been made this year, due to covenants of financing agreements executed by the Subsidiary Company. However, distribution of profit to shareholders of the Subsidiary Company would be made in future subject to compliance of covenants of financing agreements.

NEPRA'S order on electricity tariff formula of Thatta Power (Private) Limited

Thatta Power (Private) Limited (TPPL), subsidiary company of Thatta Cement Company Limited (TCCL), was established under New - Captive Power Producers (N-CPPs) Policy of 2009 approved by the Ministry of Water and Power. The Company setup a power plant with a project cost of Rs1.4billion financed through equity and long term loan from syndicate of banks. The generators and its allied machinery were imported from GE Jenbacher, Austria. TPPL entered into Power Purchase Agreement (PPA) in accordance with the Policy Framework for N-CPPs, with Hyderabad Electric Supply Company Limited (HESCO) on May 14, 2011 to sell electricity at rates agreed in the said agreement. Moreover, similar PPA was also executed between TPPL and TCCL for selling electricity.

Subsequently, NEPRA advanced its approval to HESCO for the power purchase from TPPL at revised electricity tariff formula which is lower than what was agreed in the PPA entered into with HESCO. Several N-CPPs set up under this regime with huge investments are being meted out this treatment. Such treatment by NEPRA is against the Government's efforts to reduce electricity scarcity and will also discourage entities to invest in power sector.

In view of the NEPRA's said approval, HESCO intimated to TPPL that amount payable against electricity purchased will be paid as per the revised tariff formula. In response, the Company instituted a suit number 132 of 2013 before the Honorable High Court of Sindh, against HESCO, on the grounds that HESCO failed to pay the dues to TPPL as per PPA. The Court issued a stay order and instructed the parties to continue to fulfill the terms and conditions of the PPA including financial obligations. During the financial year ended June 30, 2014, TPPL has also filed a Constitutional Petition (CP) against NEPRA and has also obtained a stay order on the operation of NEPRA's tariff determination. Subsequent to year end, NEPRA has filed its response against the said CP. The management based on the advice of TPPL's legal advisor is taking appropriate measures to address this situation.

Corporate Social Responsibility

Being a responsible corporate citizen, the Company always strives to discharge its social responsibilities towards the society. The Company promotes and facilitates welfare of the local communities in the town where the Company operates. During the year, the Company has incurred a reasonable amount on various education and health initiatives. Initiatives taken during the year are given separately.

Related Party Transactions

All related party transactions entered into are at arm's length basis and were reviewed and approved by the Audit Committee as well as the Board of Directors of the Company in compliance with the KSE Regulations of the Karachi Stock Exchange Limited.

Code of Corporate Governance

The Directors of the Company are well aware of their responsibilities under the Code of Corporate Governance incorporated in the KSE Regulations of the Stock Exchange. All necessary steps are being taken to ensure good Corporate Governance in the Company as required under the Code.

- a. The financial statements, prepared by the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements except for changes as stated in notes 4.1.1 and 4.11.1 to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. Applicable International Accounting Standards have been followed in preparation of financial statements and there has been no material departure therefrom.
- e. The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- f. We have an Audit Committee, the members of which are amongst non executive directors of the Board.
- g. The Company is a going concern and there is no doubt at all about the Company's ability to continue as a going concern.
- h. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- i. The Board of Directors has adopted a mission statement and statement of overall corporate strategy.
- j. The Company has developed a Code of Conduct, which has been placed on website of the Company.
- k. There is nothing outstanding against the Company on account of taxes, duties, levies, and other charges except for those which are being made in the normal course of business and disclosed in the financial statements.
- l. The Company maintains Provident and Gratuity Fund for its permanent employees. Stated below are the amount charged by the Company in profit and loss:
 - Provident Fund Rs. 6,427,768
 - Gratuity Fund Rs. 7,253,039

The value of investments of retirement benefit plans of Thatta Cement Company Limited as on June 30, 2014 are as follows:

- Provident Fund Rs. 38,400,439
- Gratuity Fund Rs. 32,871,244

- m. Earnings per share for the year was Rs. 2.99 as against Rs 1.49 last year.
- n. We have included the following information in the annual report, as required by the Code of Corporate Governance:
 - i. Statement of pattern of shareholding.
 - ii. Key operating and financial statistics for the last six years.
 - iii. Statement of number of Board and Audit Committee meetings held during the year and attendance by each director (Annexure I).
 - iv. Statement of trading of shares by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer & Company Secretary and their spouses and minor children (Annexure II)

External Auditors

The present auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible have offered themselves for appointment. As per recommendation of the Audit Committee, the Board recommends the appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants as auditors of the Company for the year 2014-2015.

Acknowledgement

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The Directors acknowledge the dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and its standing.

On behalf of the Board



Muhammad Fazlullah Shariff
Chief Executive Officer

Karachi: September 16, 2014

CORPORATE SOCIAL RESPONSIBILITY

Thatta Cement Company Limited promotes its Corporate Social Responsibility (CSR) activities based on the conviction that all business activities must take CSR into consideration. We are vigilant in our enforcement of corporate ethics and compliance and constantly work to improve educational programs, health and medical facilities and strengthen our occupational health and safety measures. At the same time, we pursue initiatives related to quality management, environmental preservation, philanthropy and improved communication with all stakeholders.

The Company believes in business, management and operational style which is socially, environmentally and economically responsible.

CORE CSR ACTIVITIES

Occupational Health and Safety

The Company is committed to developing and maintaining the highest practicable standards of occupational health, safety and welfare management. Through teamwork, and in partnership with employees, clients and contractors the Company is continuously improving best practice standards.

Through continuous improvement our goal is to create an environment and culture where all employees, and non-employees who work with us, can reasonably expect to be free from injury and illness. Through consultation, the sharing of ideas and mutual respect and understanding we will continue to build on our culture of safe working practices.

The management is committed to provide sound health, safety and welfare facilities.



Education and Training

One of the most significant indicators of social progress is education, which also plays a decisive role for a society to achieve self-sustainable and equal development. With an increasing global realization of how business community can (and should) contribute to social objectives, education deserves a higher level of corporate involvement.

As a responsible corporate citizen, the management believes in providing quality education. The Company operates Model Terbiat School that imparts education to children of both plant employees and also those from neighbouring villages.

Training is to equip people with the necessary skills, knowledge and attitudes to meet the organisation's needs in relation to its objectives. By investing in people through their training we ensure we harness their full potential and focus their energies on the needs of the organisation while fulfilling their need for personal development and job satisfaction.

The management recognise that such development is a continuing process for every employee at every level of the organisation. Training is seen as a necessary investment in order to provide the excellent services the management demands.

To meet the training requirements, the Company not only operates its in-house training department but also provides training opportunities to its employees through external / outsourced training programs.



Health and Medical Facilities

The Company operates a medical center within the factory premises for providing quality health and medical facilities, treatments, consultancy and other medical facilities to employees and workers of the Company including their families. The medical center also facilitates patients from neighbouring villages.

In addition to the medical center, the Company also arranges medical camps and awareness session on different occasions as well as in case of natural disasters such as floods etc.



Environment Measures

The Company is continuously working to improve working environment where measures are taken to reduce environmental impact resulting from operations of the Company. The Company has installed filter bags mechanism at various parts of the production facility to reduce the dust emissions which damage the environment.

Following the environment friendly strategy, the Company has also planned Waste Heat Recovery (WHR) Project whereby heat from operations of the Company and its subsidiary company, which is currently released to open environment will be collected and reused. The heat energy reused will not only help in protecting the environment but will also help in power generation.

Employment Practices and Community Relations

The Company is committed to the development and maintenance of good relationships with stakeholder communities in the vicinity in which the Company operates. In accepting business responsibility for operating production activities that we conduct, we also acknowledge social responsibility to the extent that our operations should bring benefits to the surrounding communities. This means operating in compliance with applicable regulations and being integral part of our communities.

The Company plays an important role in the community by providing employment opportunities to the people living in the surrounding areas. The Company is the largest employment provider in the remote region where the Company operates. As at June 30, 2014, the Company employs 561 employees majority of which are from the nearby communities.

The Company also distributes ration packages at the start of holy month of Ramadan amongst its employees and workers.

MAJOR EVENTS

Annual General Meeting - 2013



Shareholders Visit to Factory



WPPF Distribution Ceremony



1st Anniversary of TPPL



Monthly Management Meetings



Visit of Syndicate Banks to Factory



BMR and plant upgradation



Annexure I

Attendance of Directors in Board Meetings held during the year ended June 30, 2014:

Name	No.of Meetings	Meeting attended
Mr. Khawaja Muhammad Salman Younis - Chairman	5	5
Mr. Muhammad Fazlullah Shariff - Chief Executive Officer	5	4
Mr. Nasim Beg - Director - Resigned on February 27, 2014	5	3
Mr. Shahid Aziz Siddiqui - Director	5	2
Mr. Alamuddin Bullo - Director - Resigned on March 14, 2014	5	1
Mr. Wazir Ali Khoja - Director	5	5
Mr. Agha Sher Shah - Director - Appointed on August 31, 2013	5	3
Mr. Naveed Rabbani - Director - Resigned on November 3, 2013	5	2
Mr. Saleem Zamindar - Director - Appointed on December 3, 2013	5	3
Mr. Attaullah. A. Rasheed - Director - Appointed on June 12, 2014	5	-

Attendance of Members in Audit Committee Meetings held during the year ended June 30, 2014:

Name	No.of Meetings	Meeting attended
Mr. Nasim Beg - Member	4	3
Mr. Shahid Aziz Siddiqui - Member	4	1
Mr. Wazir Ali Khoja - Chairman Committee	4	2
Mr. Khawaja Muhammad Salman Younis - Member	4	4
Mr. Naveed Rabbani - Member	4	2

Annexure II

A Statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer & Company Secretary and their spouses and minor children.

Name of Directors	Shares bought
Mr. Agha Sher Shah	1,000
Mr. Saleem Zamindar	500
Mr. Shahid Aziz Siddiqui	500

PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL

AS AT JUNE 30, 2014

No. of shareholders	Shareholdings		Total shares held
	From	To	
139	1	100	1,413
640	101	500	311,716
93	501	1,000	79,331
41	1,001	5,000	83,433
2	5,001	10,000	17,500
2	15,001	20,000	35,750
1	25,001	30,000	30,000
1	35,001	40,000	40,000
1	65,001	70,000	68,000
1	120,001	125,000	121,000
1	585,001	590,000	587,500
1	1,245,001	1,250,000	1,250,000
1	2,290,001	2,295,000	2,293,500
1	3,370,001	3,375,000	3,375,000
1	3,415,001	3,420,000	3,416,080
1	6,305,001	6,310,000	6,308,917
1	7,495,001	7,500,000	7,500,000
1	8,460,001	8,465,000	8,462,835
1	9,855,001	9,860,000	9,859,862
1	12,095,001	12,100,000	12,098,741
1	20,440,001	20,445,000	20,444,214
1	23,330,001	23,335,000	23,333,333
	<u>933</u>		<u>99,718,125</u>

COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2014

Category No.	Categories of Shareholders	No. of shares held	Category wise no. of share holders	Category wise shares held	Percentage %
1	INDIVIDUALS		902	1,166,892	1.17
2	INVESTMENT COMPANIES		-	-	-
3	JOINT STOCK COMPANIES		12	35,442,075	35.54
4	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN		5	2,250	0.0023
	- KHAWAJA MOHAMMAD SALMAN YOUNIS	125			
	- AGHA SHER SHAH	1,000			
	- MUHAMMAD FAZLULLAH SHARIF	125			
	- SHAHID AZIZ SIDDIQUI	500			
	- SALEEM ZAMINDAR	500			
5	EXECUTIVES		-	-	-
6	MUTUAL FUNDS		3	7,152,080	7.17
	- NATIONAL BANK OF PAKISTAN -TRUSTEE DEPARTMENT NI(U)T FUND	3,416,080			
	- CDC - TRUSTEE NIT - EQUITY MARKET OPPORTUNITY	2,293,500			
	- CDC - TRUSTEE NAFA STOCK FUND	1,250,000			
7	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		2	26,753,131	26.83
	- RISING STAR HOLDING (PVT) LIMITED	6,308,917			
	- SKY PAK HOLDING (PVT) LIMITED	20,444,214			
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARBAS AND PENSION FUNDS		4	29,197,697	29.28
10	FOREIGN INVESTORS		5	4,000	0.004
11	CO-OPERATIVE SOCIETIES		-	-	-
12	CHARITABLE TRUSTS		-	-	-
13	OTHERS		-	-	-
			933	99,718,125	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY	99,718,125	SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY	4,985,906	SHARES

NAME(S) OF SHAREHOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE
NATIONAL BANK OF PAKISTAN	FALLS IN CATEGORY # 9	9,859,862	9.89%
SUMMIT BANK LIMITED	FALLS IN CATEGORY # 9	8,462,835	8.49%
ARIF HABIB CORPORATION LIMITED	FALLS IN CATEGORY # 3	23,333,333	23.40%
STATE LIFE INSURANCE CORPORATION OF PAKISTAN	FALLS IN CATEGORY # 9	7,500,000	7.52%
SKY PAK HOLDING (PVT) LTD	FALLS IN CATEGORY # 7	20,444,214	20.50%
RISING STAR HOLDING (PVT) LTD	FALLS IN CATEGORY # 7	6,308,917	6.33%

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance, 2012 (CCG, 2012) contained in Regulation No. 5.19 of Karachi Stock Exchange Limited Regulations of Karachi Stock Exchange Limited (hereinafter referred as "KSE Regulations") 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.

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. As on June 30, 2014 the Board includes:

Category	Names
Independent & Non-Executive Directors	Mr. Khawaja Mohammad Salman Younis, Mr. Agha Sher Shah, Mr. Wazir Ali Khoja, Mr. Shahid Aziz Siddiqui, Mr. Saleem Zamindar and Mr. Attaullah.A.Rasheed
Executive Director	Mr. Muhammad Fazlullah Shariff

The independent directors meet the criteria of independence under clause 5.19.1 (b) of KSE Regulations.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Five casual vacancies occurred during the year on Board on July 11, 2013, September 23, 2013, November 3, 2013, February 27, 2014 and March 14, 2014 which were filled as per requirements of clause 5.19.3 of KSE Regulations.
5. The Company has prepared a 'Code of Conduct' and has ensured to disseminate it throughout the company alongwith supporting policies and procedures and which has also been placed on Company's website.
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 they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken 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 directors are conversant with the relevant laws applicable to the Company, its policies and provisions of memorandum and articles of association and are aware of their duties and responsibilities. Further the orientation session to acquaint them with the code was also carried out. During the year, Mr. Agha Sher Shah, Director and Mr. Muhammad Fazlullah Shariff, Chief Executive Officer & Director attended directors' training certification program conducted by Pakistan Institute of Corporate Governance and Institute of Chartered Accountants of Pakistan respectively to comply the requirement of clause 5.19.7 of KSE Regulations.

10. No new appointment of Chief Financial Officer (CFO) and Company Secretary, Head of Internal Audit has been made during the year. However, their remuneration and terms and conditions of employment have been duly approved by the Board.
11. The Directors' Report for this year 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 duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirement of the Code.
15. The Board has formed an Audit Committee. It comprises of three members and the Chairman of the committee 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 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 also formed an HR and Remuneration Committee. It comprises of three members of whom majority are non-executive directors and the Chairman of the committee is an independent director.
18. The Board has initiated the process of developing a mechanism for annual evaluation of its own performance to meet the requirement of CCG, 2012. The task to develop a mechanism for the purpose of Board evaluation has been assigned to Company's Corporate Consultant and will be completed in due course.
19. The Board has outsourced internal audit function to M/s M. Yousuf Adil Saleem & Co., Chartered Accountants and appointed a Head of Internal Audit who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, 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 the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the KSE regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material/price sensitive information has been disseminated among all the participants at once through stock exchange.
24. We confirm that all other material principles contained in the Code have been duly complied with.

For and on behalf of the Board



Muhammad Fazlullah Shariff
Chief Executive Officer

Karachi: September 16, 2014



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

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Thatta Cement Company Limited** ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulations of Karachi Stock Exchange 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 of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in paragraph 18 in the Statement of Compliance with respect to developing a mechanism for evaluation of Board's performance which has been assigned to the Company's corporate consultant and will be completed in due course.

Date: September 16, 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Thatta Cement Company Limited will be held at Beach Luxury Hotel, M. T. Khan Road, Karachi on Monday, October 20, 2014 at 11.00 a.m. to transact the following business:

A. Ordinary Business

1. To confirm the minutes of Annual General Meeting of the shareholders held on October 10, 2013.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company together with the Directors' and the Auditors' reports thereon for the year ended June 30, 2014, together with the Audited consolidated financial statements of the Company and the Auditors' report thereon for the year ended June 30, 2014.
3. To consider, declare and approve final cash dividend for the year ended June 30, 2014 at the rate of Rs 1.10/- per share i.e. 11% as recommended by the Board of Directors.
4. To appoint auditors of the Company for the year ending on June 30, 2015 and fix their remuneration. The Board of Directors has recommended appointment of M/s KPMG Taseer Hadi & Co, Chartered Accountants, the retiring auditors, as external auditors.

B. Special Business

5. Investment under section 208 - Cement Grinding & Packing Plant in Sri Lanka

In terms of SRO no. 27(I)/2012 dated January 16, 2012 issued by SECP, to consider and approve with or without any amendment the following resolutions as special resolution:

RESOLVED that the time period for making investment in associated undertaking as approved by shareholders in last Annual General Meeting held on October 10, 2013, be and is hereby extended till the holding of next Annual General Meeting of the Company to meet the requirement of Regulation no. 8(1) of SRO no. 27(I)/2012 dated January 16, 2012 issued by SECP.

FURTHER RESOLVED that Shareholders of the Company hereby authorize Board of Directors of the Company to decide and take any decision including discontinuance with respect to the proposed Cement Grinding and Packing Plant in Sri Lanka (the 'Project') in the larger interest of the Company.

FURTHER RESOLVED that Board of Directors be and are hereby authorized to close/windup Thatta Cement Company (Private) Limited (TCCPL) registered in Sri Lanka and/or to write off/provide/impair/write back all receivable or expense appearing in the books of accounts of Thatta Cement Company Limited in respect of TCCPL.

FURTHER RESOLVED that the Chief Executive and / or the Company Secretary be and is hereby authorized to take and do and / or cause to be taken or done any / all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds and things which are necessary or incidental for making any decision with respect to the proposed project.

A statement as required under section 160(1)(b) of the Companies Ordinance, 1984 is being sent to the members along with the notice.

6. Investment made in shares of M/s Power Cement Limited (PCL) [Formely Al-Abbas Cement Industries Limited]

To consider and approve with or without any amendment the following resolutions as special resolution:

RESOLVED that the Board of Directors of Thatta Cement Company Limited be and are hereby authorized as required under section 196(3) of Companies Ordinance, 1984 by shareholders to dispose off 25.019 million ordinary shares of M/s Power Cement Limited taking into account the prevailing stock market trend at the time of disposal.

FURTHER RESOLVED that the Chief Executive Officer and / or the Company Secretary be and is hereby authorized to take and do and / or cause to be taken or done any / all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds and things which are necessary or incidental for disposal of such investment.

A statement as required under section 160(1)(b) of the Companies Ordinance, 1984 is being sent to the members along with the notice.

7. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi: September 29, 2014

Muhammad Taha Hamdani
CFO & Company Secretary

Notes:

1. The Share Transfer Books of the Company for Ordinary Shares will remain closed from October 14, 2014, to October 20, 2014 (both days inclusive) for determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting.
- a. Physical transfers and deposit requests under Central Depository System received at the close of business on October 13, 2014 by the Company's Registrar i.e. THK Associates (Pvt) Ltd., Second Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530, will be treated as being in time for above mentioned entitlement and to attend the meeting.
 - b. A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. The instrument of proxy i.e. proxy form must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
 - c. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or Passport of the beneficial owner and the proxy.
 - d. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature(s) shall be submitted with the proxy form.
 - e. Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.
2. SECP has issued an SRO No 634(I)/2014 dated July 10, 2014 whereby every listed company shall maintain a functional website of the company. In compliance of the said SRO, we would like to inform our shareholders that annual report of the Company for the year ended June 30, 2014 has been placed on Company's website for information and access of the shareholders.
3. SECP has issued an SRO No 787(I)/2014 dated September 8, 2014 whereby companies have been allowed to circulate annual balance sheet and profit and loss account, auditor's report and directors report etc alongwith the notice of annual general meeting to its members through email. In compliance of the said SRO, we hereby give you the opportunity to send us your **written consent alongwith your valid email ID** for the purpose of transmission/circulation of annual balance sheet and profit and loss account, auditor's report and directors report etc alongwith the notice of annual general meeting etc.
- For your convenience, a Standard Request Form has been made available at our website www.thattacement.com. The scanned copy of the duly filled and signed form may be emailed to CSTCCL@thattacement.com or the same can be submitted through post/courier to Company's Share Registrar M/s THK Associates (Pvt) Limited, Second Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.
4. Shareholders are hereby informed that through Finance Act, 2014, effective from July 1, 2014, the rates of deduction of income tax under section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as follows:

a.	Rate of tax deduction for filer of income tax return	10%
b.	Rate of tax deduction for non-filer of income tax return	15%

All the members of the Company are therefore advised to check and ensure their Filer status from Active Tax Payer List (ATL) available at FBR website www.fbr.gov.pk. Based on the status appearing on the ATL, all the members of the Company are therefore advised to send/update the following information on or before October 13, 2014 to Participant/Investor Account Services (for sub-account/Investor account in CDC, in case your shareholding is in book entry form) or Share Registrar M/s THK Associates (Pvt) Limited Second Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi (in case of physical shareholding).

Folio/CDC A/c No.	Name	National Tax Number	CNIC Number for individuals only	I/We have filed the income tax return for the year 2013 (Yes /No)

5. Shareholders are requested to notify immediately to Company's Shares Registrar of any change in their address.

Statement under section 160(1)(b) of the Companies Ordinance, 1984

Material facts concerning special business at the Annual General Meeting are given below:

a) Investment under section 208 - Cement Grinding & Packing Plant in Sri Lanka

In terms of Regulation 4(2) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 dated January 16, 2012 (Regulations), every listed company which has obtained approval of shareholders to make investment under section 208 in Annual General Meeting of the Company has not been able to make investment till the holding of next general meeting is required to provide update to shareholders in respect of such investment not made so far.

The Company in previous general meeting held on October 10, 2013 had sought approval for extension for making investment under section 208 of the Companies Ordinance, 1984 in the following associated company/undertaking, which has not been made so far. Therefore, approval for further extension for equity investment alongwith delegation of their authority to the Board of Directors of the Company to take any decision in the matter including discontinuance of the project in the larger interest of shareholders/company. Accordingly, approval is hereby sought from shareholders, in terms of paragraph 4(2) of aforesaid Regulations, following information is given below:

Description	Investment in Securities
1. Total Investment approved	USD 3.06 million equivalent to Pak Rs. 320.08 million(subject to change in exchange rate on the date of actual investment) exchange rate of Pak Rupee/US \$ i.e. 104.60/- on September 13, 2013
2. Amount of Investment made to date	Nil
3. Reasons for not having made complete investment so far where resolution required it to be implemented in specified time.	<p>i. Progress on the said project has been temporarily suspended due to the reason that Sri Lanka Ports Authority (SLPA) has not yet executed the Land Lease Agreement (LLA) despite the fact that basic engineering of the project has been completed by Thatta Cement Company (Private) Limited (TCCPL).</p> <p>ii. Further, SLPA has signed a business venture agreement for car transshipment in the close vicinity of the proposed cement project without anticipating the expected operational conflicts and has proposed another site to TCCPL for setting up the cement project.</p> <p>Hence, the matter has been taken up by the Pakistan High Commission in Sri Lanka who has requested Honorable Minister of Economic Development to intercede with SLPA and Central Environment Agency for the utmost and timely resolution and signing of LLA.</p>

	<p>iii. Further, in addition to above, various other legal formalities are to be complied prior to remittance of funds/investment including approval from Board of Investment, Sri Lanka will be initiated accordingly and therefore, investment can be made subject to the resolution of aforesaid matters.</p> <p>iv. Under the said Regulation, unless specifically authorized by members in general meeting, the special resolution authorizing investment in associated undertaking shall be valid for a period of twelve months and shall stand lapse after such period as provided in regulation no. 8(1) of the aforesaid Regulations.</p> <p>Therefore, it is proposed to extend the time period of making investment or otherwise in the said project for further one year i.e. till the holding of next Annual General Meeting.</p> <p>Further, it is also proposed to authorize Board of Directors on behalf of shareholders to take any decision in the matter including discontinuance of the project due to non-resolution of aforesaid issues explained in above paragraph 1 & 2 in the larger interest of shareholders/company and to close /windup Thatta Cement Company (Private) Limited registered in Sri Lanka and to write off/provide/impair/write back receivables or expenses appearing in the books of Thatta Cement Company Limited in respect of TCCPL.</p>
<p>4. Material change in financial statements of associated company or undertaking since the resolution passed for making investment in said company or undertaking.</p>	<p>Not applicable</p>

The directors, sponsors, majority shareholders and their relatives, if any, have no direct or indirect interest in this business.

This Statement is being issued in compliance with Regulation 4(2) and 8(1) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 for information of shareholders of the Company.

b) Investment in shares of M/s Power Cement Limited (PCL) [Formerly Al-Abbas Cement Industries Limited]

In the Annual General Meeting held on October 29, 2010, approval of shareholders was sought to make equity investment upto Rs 900 million in PCL under section 208 of the Companies Ordinance , 1984(CO, 1984). In the year 2011, an investment amounting to Rs 128.0 million (25.6 million shares @ Rs 5/- per share) was made in the said company with an objective to earn better returns /capital appreciation on the investment.

During the current year, while taking advantage of the upward trend in the stock market, only a nominal quantity of

581,000 shares at an average price of Rs 8.50/- per share were sold out of 25.6 million shares held by the company which resulted in capital gain of Rs 2.035 million reflected in the audited accounts for the year ended June 30, 2014 of the Company.

The aforesaid investment was made almost three years back, since then no substantial return has been earned either in the form of dividend or increase in share prices of PCL except the gain realized by the Company while executing the of above transaction.

However, in terms of section 196 (3) (a) of the CO, 1984, the directors of a public company shall not except with the consent of general meeting either specifically or by way of authorization ; sell, lease or otherwise dispose of an undertakings or a sizeable part thereof. The remaining shares held in PCL by the company merely constitutes 4.71% of the total assets of the Company as at June 30, 2014, which may not be considered as sizeable part of the total asset base of the Company.

Moreover, the only basis of relationship between Thatta Cement Company Limited (TCCL) and PCL as associated companies was a common director on their Boards, who has resigned during the year. Hence, PCL is no more the associated company of TCCL. Accordingly, section 208 of the Companies Ordinance, 1984 does not remain applicable on this matter.

However, as a matter of abundant precaution relating to compliance of statutory provisions including sections mentioned above, it is hereby proposed that Board of Directors may be authorized by shareholders to dispose 25.019 million shares held in PCL by the company after taking into account prevailing stock market trend.

The directors, sponsors, majority shareholders and their relatives, if any, have no direct or indirect interest in this business.

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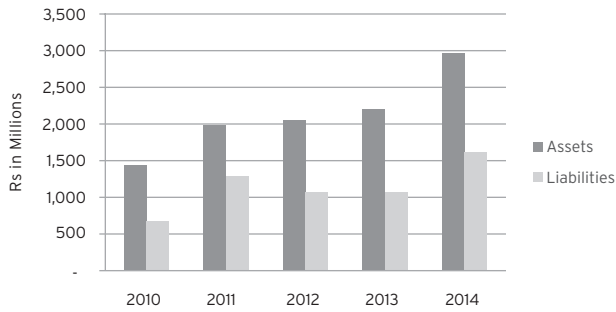
Bridging Communities

Developing a platform that is creating an extension to further development and making a firm advancement is an important part to future growth. By taking part in building bridges we are building communities further, we are building our community.

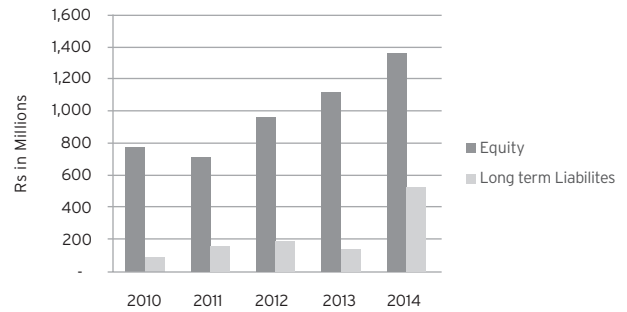


FINANCIAL HIGHLIGHTS

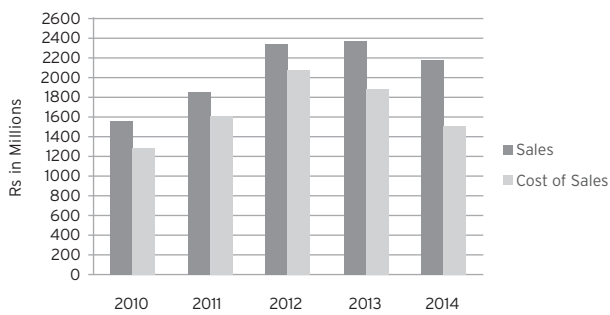
Assets and Liabilities Over the Years



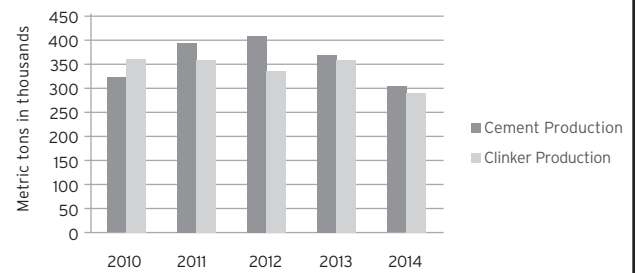
Equity & Long Term Liabilities



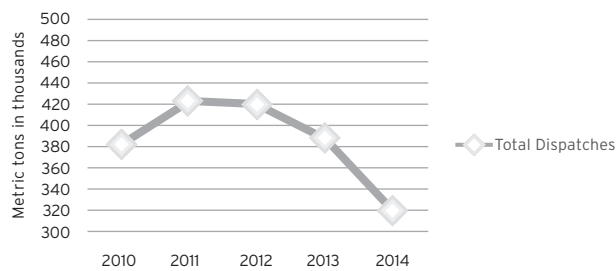
Sales and Cost of Sales Over the Years



Cement and Clinker Production over the years



Total Dispatches



KEY OPERATING AND FINANCIAL STATISTICS OF SIX YEARS

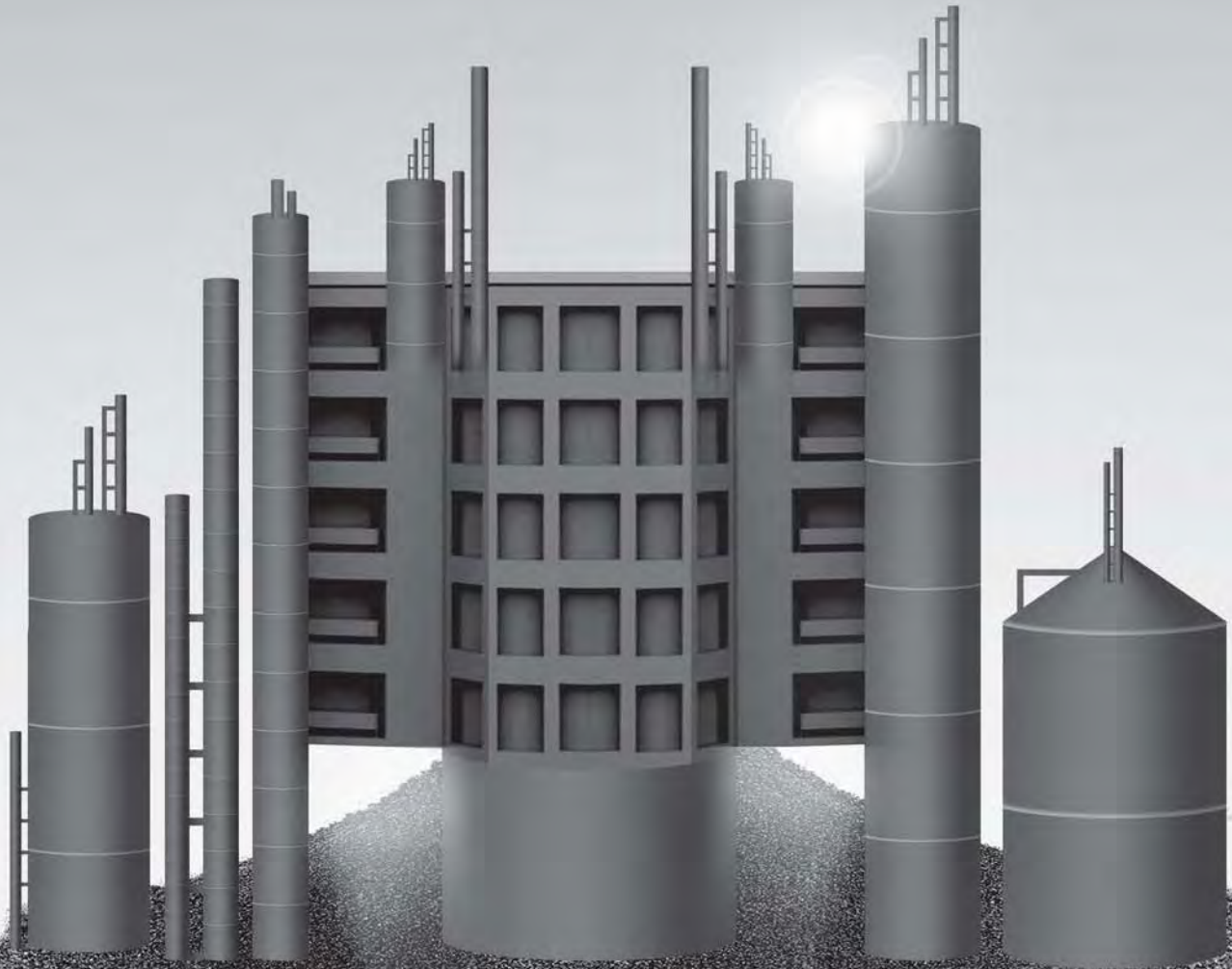
For the year ended June 30, 2014

	2014	2013	2012	2011	2010	2009
-----Rupees in thousands-----						
-----Restated-----						
Assets Employed						
Property, plant and equipment	1,415,559	943,879	840,341	804,663	848,781	822,149
Intangible assets	318	448	3,366	3,216	3,116	2,616
Long term deposits	1,006	1,006	792	792	88	88
Long term investment in associate	-	127,847	127,847	127,847	-	-
Long term investment - Available for sale	140,106	-	-	-	-	-
Long term investment in subsidiary	299,158	299,158	299,158	-	-	-
Current assets	1,113,366	824,613	770,483	1,055,648	585,639	594,336
	<u>2,969,513</u>	<u>2,196,951</u>	<u>2,041,987</u>	<u>1,992,166</u>	<u>1,437,624</u>	<u>1,419,189</u>
Financed by						
Shareholders equity	1,349,257	1,103,935	958,282	702,968	775,563	770,811
Long term financing	484,652	73,865	131,785	103,037	41,666	83,333
Current portion of long term financing	24,586	57,919	57,919	46,147	41,667	83,332
	509,238	131,784	189,704	149,184	83,333	166,665
Long term deposits & deferred liabilities	151,195	121,259	61,205	39,222	48,681	57,934
Current liabilities	984,409	897,892	890,715	1,146,939	571,714	507,111
Current portion of long term financing	(24,586)	(57,919)	(57,919)	(46,147)	(41,667)	(83,332)
	959,823	839,973	832,796	1,100,792	530,047	423,779
Total funds invested	<u>2,969,513</u>	<u>2,196,951</u>	<u>2,041,987</u>	<u>1,992,166</u>	<u>1,437,624</u>	<u>1,419,189</u>
Turnover and Profit						
Turnover	2,182,327	2,361,192	2,314,211	1,854,649	1,544,124	1,795,109
Gross Profit	682,015	485,513	250,092	239,031	277,353	496,977
Operating profit/(loss)	544,789	351,473	71,419	(37,762)	40,577	340,551
Profit/ (Loss) before tax	473,159	257,044	(7,422)	(64,188)	1,769	263,398
Profit/ (Loss) after tax	298,387	148,478	(43,882)	(74,495)	942	203,872
Accumulated Profit /(Loss)	252,358	7,036	(138,617)	(94,777)	(22,182)	(23,124)
Earning/ (Loss) per share (Rupees)	2.99	1.49	(0.44)	(0.93)	0.01	2.56
Ratio Analysis						
Profitability						
----- In percentage % -----						
Gross profit to sales	31.25	20.56	10.81	12.89	17.96	27.69
Operating profit/ (loss) to sales	24.96	14.89	3.09	(2.04)	2.63	18.97
Profit/(Loss) before tax to sales	21.68	10.89	(0.32)	(3.46)	0.11	14.67
Net profit /(loss) after tax to sales	13.67	6.29	(1.90)	(4.02)	0.06	11.36
Solvency						
Working capital ratio	1.13	0.92	0.87	0.92	1.02	1.17
Acid test ratio	0.29	0.23	0.28	0.50	0.26	0.28
Inventory turnover (COGS) - days	95.90	57.07	39.70	51.75	66.87	49.73
Overall Assessment & Valuation						
Return on equity after tax	22.11	13.45	(4.58)	(10.60)	0.12	26.45
Long term debts to equity ratio	26.43	6.27	12.09	12.78	5.10	9.76
Return on assets	10.05	6.76	(2.15)	(3.74)	0.07	14.37
Breakup value per share (Rupees)	13.53	11.07	9.61	8.81	9.72	9.66

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Industrial Development

We at Thatta Cement believe that strengthening our growth can lead to progress, which can be done through development. Be it an energy generation power plant or the development of a port, we take pride in helping laying the foundation for advancement for a better future.





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

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

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Thatta Cement Company Limited** ("the Company") as at 30 June 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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.

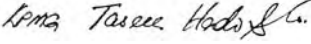
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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 unconsolidated balance sheet and unconsolidated profit and loss account 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 notes 4.1.1 and 4.11.1 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 30 June 2014 and of the profit, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: September 16, 2014

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Unconsolidated Balance Sheet

As at June 30, 2014

	Note	2014	2013	2012
			-----Restated-----	
		-----Rupees in thousands-----		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	1,415,559	943,879	840,341
Intangible assets	6	318	448	3,366
Long term investment in associate	7	-	127,847	127,847
Long term investment in subsidiary	8	299,158	299,158	299,158
Long term investment - available-for-sale	7	140,106	-	-
Long term deposits		1,006	1,006	792
		<u>1,856,147</u>	<u>1,372,338</u>	<u>1,271,504</u>
CURRENT ASSETS				
Stores, spare parts and loose tools	9	379,653	252,274	283,395
Stock-in-trade	10	431,626	356,776	229,723
Trade debts	11	117,390	133,092	138,782
Loans and advances	12	13,430	20,111	36,558
Trade deposits and short term prepayments	13	20,844	6,165	9,118
Other receivables and accrued interest	14	113,723	49,506	5,534
Taxation - net		-	-	64,138
Sales tax refundable		8,252	-	-
Cash and bank balances	15	28,448	6,689	3,235
		<u>1,113,366</u>	<u>824,613</u>	<u>770,483</u>
		<u>2,969,513</u>	<u>2,196,951</u>	<u>2,041,987</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital 200,000,000 (June 30, 2013: 200,000,000) ordinary shares of Rs. 10/- each	16	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	16	997,181	997,181	997,181
Share premium		99,718	99,718	99,718
Accumulated profit / (loss)		252,358	7,036	(138,617)
		<u>1,349,257</u>	<u>1,103,935</u>	<u>958,282</u>
NON-CURRENT LIABILITIES				
Long term financing	17	484,652	73,865	131,785
Long term deposits	18	5,971	5,971	3,581
Long term employee benefit	19	13,185	10,111	9,544
Deferred taxation	20	132,039	105,177	48,080
		<u>635,847</u>	<u>195,124</u>	<u>192,990</u>
CURRENT LIABILITIES				
Trade and other payables	21	522,427	264,738	404,634
Accrued mark-up	22	17,863	17,270	11,816
Current maturity of long term financing	17	24,586	57,919	57,919
Taxation - net		272	1,891	-
Short term borrowings	23	419,261	556,074	416,346
		<u>984,409</u>	<u>897,892</u>	<u>890,715</u>
CONTINGENCIES AND COMMITMENTS				
	24	<u>2,969,513</u>	<u>2,196,951</u>	<u>2,041,987</u>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Unconsolidated Profit & Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		-----Rupees in thousands-----	
Sales - net	25	2,182,327	2,361,192
Cost of sales	26	(1,500,312)	(1,875,679)
Gross profit		<u>682,015</u>	<u>485,513</u>
Selling and distribution cost	27	(57,545)	(66,091)
Administrative expenses	28	(79,681)	(67,949)
		(137,226)	(134,040)
Operating profit		<u>544,789</u>	<u>351,473</u>
Other operating expenses	29	(84,911)	(35,672)
Finance cost	30	(71,497)	(83,067)
		(156,408)	(118,739)
Other income	31	84,778	24,310
Profit before taxation		<u>473,159</u>	<u>257,044</u>
Taxation	32	(174,772)	(108,566)
Profit after taxation		<u>298,387</u>	<u>148,478</u>
		----- Rupees -----	
Earnings per share - basic and diluted	33	<u>2.99</u>	<u>1.49</u>

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.



CHIEF EXECUTIVE



DIRECTOR

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		-----Rupees in thousands-----	
Profit after taxation		298,387	148,478
Other comprehensive loss			
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>			
Remeasurement of defined benefit liability	4.24.2	(4,933)	(4,347)
Recognition of deferred tax	4.24.2	1,727	1,522
		(3,206)	(2,825)
Total comprehensive income for the year		295,181	145,653

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.


 CHIEF EXECUTIVE


 DIRECTOR

Unconsolidated Cash Flow Statement

For the year ended June 30, 2014

	2014	2013 (Restated)
	-----Rupees in thousands-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	473,159	257,044
Adjustment for:		
Depreciation	48,361	51,547
Impairment of intangibles	-	3,216
Amortization of intangible assets	130	9
Impairment of major stores and spares / provision for slow moving and dead stores	3,392	(547)
Finance cost	71,497	83,067
Provision for gratuity	7,253	6,586
Provision for leave encashment	4,744	2,654
Provision for doubtful debt	-	711
Revaluation gain on initial recognition of available-for-sale investment	(50,188)	-
Gain on disposal of long term investment in associate	(2,035)	-
Impairment on available-for-sale investment	35,027	-
Loss on disposal of property, plant and equipment	1,791	38
	119,972	147,281
Operating cash flows before working capital changes	593,131	404,325
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(128,471)	31,668
Stock-in-trade	(74,850)	(127,053)
Trade debts	15,702	4,979
Loans and advances	6,681	16,447
Trade deposits and short term prepayments	(14,679)	2,953
Other receivable, accrued interest and sales tax refundable	(72,469)	(12,012)
	(268,086)	(83,018)
Increase/(decrease) in current liabilities		
Trade and other payables excluding gratuity payable and dividend payable	252,495	(142,384)
Cash generated from operations	577,540	178,923
Finance cost paid	(70,904)	(77,613)
Gratuity paid	(7,106)	(8,444)
Leave encashment paid	(1,670)	(2,087)
Tax (paid) / refund - net	(147,802)	16,082
	(227,482)	(72,062)
Net cash generated from operating activities	350,058	106,861

Unconsolidated Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013 (Restated)
-----Rupees in thousands-----			
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(524,756)	(187,259)
Addition in intangible assets		-	(307)
Dividend paid		(49,746)	-
Disposal of long term investment in associate		4,937	-
Proceeds from disposal of property, plant and equipment		625	175
Long term deposits - assets		-	(214)
Net cash used in investing activities		(568,940)	(187,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(57,919)	(57,920)
Long term financing obtained		435,373	-
Long term deposits - liabilities		-	2,390
Net cash generated from / (used in) financing activities		377,454	(55,530)
Net increase / (decrease) in cash and cash equivalents		158,572	(136,274)
Cash and cash equivalents at beginning of the year		(549,385)	(413,111)
Cash and cash equivalents at end of the year	34	(390,813)	(549,385)

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Issued, subscribed and paid-up capital	Share premium	Deficit on revaluation of available-for-sale investment	Accumulated profit/(loss)	Total
-----Rupees in thousands-----					
Balance as at July 1, 2012	997,181	99,718	-	(138,659)	958,240
Effect of change in accounting policy - note 4.24	-	-	-	42	42
Balance as at July 1, 2012 - restated	997,181	99,718	-	(138,617)	958,282
<i>Total comprehensive income for the year ended June 30, 2013</i>					
Profit after taxation	-	-	-	148,478	148,478
Other comprehensive loss	-	-	-	(2,825)	(2,825)
	-	-	-	145,653	145,653
Balance as at June 30, 2013	997,181	99,718	-	7,036	1,103,935
Balance as at July 1, 2013 as previously reported	997,181	99,718	-	9,819	1,106,718
Effect of change in accounting policy - note 4.24	-	-	-	(2,783)	(2,783)
Balance as at July 1, 2013 - restated	997,181	99,718	-	7,036	1,103,935
<i>Transactions with owners recorded directly in equity</i>					
Final dividend @ Rs. 0.5 per share for the year ended June 30, 2013	-	-	-	(49,859)	(49,859)
<i>Total comprehensive income for the year ended June 30, 2014</i>					
Profit after taxation	-	-	-	298,387	298,387
Remeasurement of defined benefit liability - net of deferred tax	-	-	-	(3,206)	(3,206)
Deficit on revaluation of available-for-sale investment	-	-	(35,027)	-	(35,027)
Deficit on revaluation of available-for-sale investment transferred to profit and loss account on impairment	-	-	35,027	-	35,027
	-	-	-	295,181	295,181
Balance as at June 30, 2014	997,181	99,718	-	252,358	1,349,257

The annexed notes from 1 to 44 form an integral part of these unconsolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

1 STATUS AND NATURE OF BUSINESS

Thatta Cement Company Limited ("the Company") was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Karachi Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi - 75600. The production facility of the Company is located at Ghulamullah Road, Makli, District Thatta, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

These unconsolidated financial statements are being submitted to the shareholders as required under section 233 of the Companies Ordinance, 1984 and the Karachi Stock Exchange Regulations.

2.2 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain employee retirement benefits and foreign currency liabilities which are stated as reported in their respective notes.

2.3 Functional and presentation currency

These unconsolidated financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgements

The preparation of these unconsolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these unconsolidated financial statements, the significant judgements made by the management in applying the Company's accounting policies and key sources of estimation and uncertainty were the same as those that applied to the unconsolidated financial statements as at and for the year ended June 30, 2013 except for as explained in note 2.4.1.

Management has made the following estimates and judgements which are significant to these unconsolidated financial statements:

a) Fixed assets

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Company also reviews the value of the assets for possible

impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

b) **Trade debts**

The Company reviews its doubtful debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgement by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

c) **Stock-in-trade and stores and spares**

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade, stores and spares and corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sale.

d) **Income taxes**

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

e) **Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment 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 with respect to evaluation based on element of issue involved and opinion of legal counsel.

f) **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these unconsolidated financial statements for actuarial valuation of present value of defined benefit obligation and leave encashment. Change in these assumptions in future years may affect the liability under the scheme in those years.

g) **Investments**

The Company determines that a significant and prolonged decline in the fair value of its investments below its cost is an objective evidence of impairment. The impairment loss is recognized when the carrying amount exceeds the higher of fair value less cost to sell and value in use.

2.4.1 **Change in accounting estimate**

During the year, the Company changed the depreciation method of all items of plant and machinery except utilities equipment from reducing balance to units of production method (UoP) as the management believes that it better reflects the pattern in which the asset's future economic benefits are expected to be consumed. Management has incorporated the effect of change in estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements.

Had the said change not been made depreciation expense for the year would have been higher by Rs. 5.31 million. The effect of the change on future periods is not disclosed as it is considered impracticable.

3 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material effect on these unconsolidated financial statements of the Company except as disclosed in notes 4.1.1 and 4.11.1.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2014:

- IFRIC 21 - Levies 'An interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 'Employee Benefits' Employee contributions - a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants

at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- Securities and Exchange Commission of Pakistan vide SRO 633 (1) / 2014 dated July 10, 2014 has approved the below IFRSs to be effective for annual period beginning on or after January 1, 2015:
 - a. IFRS 10 'Consolidated Financial Statements'
 - b. IFRS 11 'Joint Arrangements'
 - c. IFRS 12 'Disclosure of Interest in Other Entities'
 - d. IFRS 13 'Fair Value Measurements'

The Company is currently evaluating the implication of aforementioned Standards in its financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below and have been consistently applied to all years presented except as described in note 4.1.1 and 4.11.1.

4.1 Property, plant and equipment

Property, plant and equipment (except freehold land) are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

Depreciation on plant and machinery is charged to profit and loss account by applying Units of Production (UoP) Method except for depreciation on utilities (within plant and machinery) which is depreciated using reducing balance method. Depreciation on leasehold improvements is charged using straight line method. All other items of operating fixed assets are depreciated using reducing balance method. Depreciation rates of each item is mentioned in note 5.1. Depreciation on addition is charged from the date when the asset is available for use and on disposal upto the date when the asset is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or the date when the asset is derecognized, whichever is earlier. Assets' residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. Normal maintenance and repairs are charged to profit and loss account as and when incurred whereas major renewals and improvements are capitalized.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in profit and loss account.

4.1.1 Change in accounting policy

Annual Improvements to IFRS 2009 - 2011 amended International Accounting Standard (IAS) 16 'Property, Plant and Equipment' to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment as in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, they are accounted for as consumable spares under IAS 2 'Inventories'. The change became effective to the Company from July 1, 2013 and is to be applied retrospectively.

As per the revised policy spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year are classified as property, plant and equipment under category of major stores and spares and will be carried at cost less accumulated impairment, if any. These will be transferred to relevant operating assets category as and when such items are available for use.

This change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard (IAS 8) 'Accounting Policies, Change in Accounting Estimate and Errors' resulting in restatement of financial statements of prior periods.

The effect of the above change in accounting policy for prior periods presented has been mentioned in note 4.24.

Further, had the Company not changed its accounting policy, the property, plant and equipment would have decreased and stores, spare parts and loose tools would have increased by Rs. 94.112 million as at June 30, 2014.

4.2 Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

4.3 Government grant

Government grants related to assets are presented by deducting the grant amount in arriving at the carrying amount of the asset. The grant is recognized in profit and loss account over the useful life of the asset as reduced by depreciation expense.

4.4 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of an asset can be measured reliably. Cost of intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use. Costs associated with maintaining computer software are recognized as an expense as and when incurred. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis applying the straight line method. Useful lives of all intangible assets are reviewed at each balance sheet date and adjusted if the impact of amortization is significant. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

4.5 Impairment

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.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk 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).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.6 Investments

Investment in subsidiaries

Investment in subsidiaries are initially recognized at cost. The carrying amount of investment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount.

Impairment losses are recognized in profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the profit and loss account.

Investment in associates

Investment in associates are initially recognized at cost. The carrying amount of investment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the profit and loss account.

Investment - available-for-sale

The Company classifies its other long term investment as 'Available-for-sale' (AFS) investments which are non-derivatives and are either designated in this category or not classified as 'Financial assets at fair value through profit or loss', 'Loans and receivables' or 'Held to maturity financial assets'.

Available-for-sale investment is initially recorded at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair value are taken to other comprehensive income. When investment classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the profit and loss account. Dividends on available-for-sale investment is recognized in profit and loss account as part of 'other operating income' when the Company's right to receive payment is established.

The Company assesses at each balance sheet date whether there is objective evidence that an available-for-sale investment is impaired. For such investment, a significant prolonged decline in the fair value of the investment below the carrying value is considered as an indicator that the investment is impaired. If any such evidence exists, the cumulative loss is transferred from other comprehensive income to profit and loss account. Impairment losses previously recognized in the profit and loss account on available-for-sale investment is not reversed through profit and loss account.

4.7 Stores, spare parts and loose tools

These are stated at lower of cost (calculated on moving average) and net realisable value, less provision for dead and slow moving stores and spares. Store and spares in transit are valued at invoice value plus other charges incurred thereon as on balance sheet date.

Provision for dead and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost necessary to be incurred to make the sale.

4.8 Stock-in-trade

Stock of raw and packing material, work in process and finished goods are valued at the lower of cost and net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at cost on moving average basis. Stocks in transit are valued at cost comprising invoice value plus other charges directly attributable to the acquisition of related purchase incurred upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessary to be incurred in order to make the sale.

4.9 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment and provision for doubtful debts, if any. Provision for impairment and provision for doubtful debts are established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

Export debts are initially recognized at the exchange rate prevailing on the date when significant risks and rewards of ownership are transferred and subsequently remeasured at each balance sheet date. Exchange gain / (loss) on remeasurement is taken to profit and loss account.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

4.11 Employee retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme covering all permanent employees. The scheme is administered by the trustees nominated under the trust deed. The liabilities recognized in respect of gratuity are the present value of the Company's obligations under the scheme at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Actuarial Cost Method.

The present value of obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds. The government bonds are consistent with the estimated term of the post-employment benefit obligations.

Defined contribution plan

The Company also operates an approved contributory Provident Fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees at the rate of 10% of basic salary.

Leave encashment

The liability for accumulated leave encashment of employees is recognised on the basis of actuarial valuation in the period in which employees render service that increases their entitlement to future leave encashment.

4.11.1 Change in accounting policy

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

- a) The standard requires past service cost to be recognised immediately in profit or loss;
- b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and

- d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have significant effect on these unconsolidated financial statements except for the changes referred to in (d) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

This change in accounting policy has no effect on profit and loss account for the years ended June 30, 2012 and June 30, 2013 as no actuarial gain / loss was charged to the profit and loss for these years in accordance with the corridor approach as previously applied.

The effect of the above change in accounting policy for prior periods presented has been mentioned in note 4.24.

Further, had the Company not changed its accounting policy, there would be no change in 'Other Comprehensive Income' whereas change on 'Profit and Loss Account' would be immaterial for the year ended June 30, 2014.

4.12 Borrowings and finance cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to profit and loss account.

4.13 Taxation

Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Ordinance, 2001. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years.

Deferred

The Company accounts for deferred taxation on all temporary differences using liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

4.14 Trade and other payables

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate.

4.16 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices

determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as sharing of electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received.

4.17 Revenue recognition

Revenue is recognized to the extent it is probable that the 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. Revenue from sales is recognized upon passage of the title to the customers usually on dispatch of goods. Export sales are recognized as revenue when significant risks and rewards of ownership are transferred. Interest and rental / other income is recognized on accrual basis.

4.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprises the financial assets. Financial liabilities are derecognized at the time when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

4.20 Segment reporting

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, comprise mainly corporate assets, head office expenses and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures.

4.21 Foreign currency transactions

Transaction in foreign currencies are translated into Pak Rupees using the exchange rates prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in Pak Rupees using the exchange rates approximating those prevailing on the balance sheet date. All exchange differences are taken into profit and loss account.

4.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.23 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved.

4.24 Summary of effect of changes

4.24.1 Effect of changes on balance sheet

	As at June 30, 2012				Restated
	As previously reported	Note 4.11.1	Note 4.1.1	Note 40	
-----Rupees in thousands-----					
Total assets					
Property, plant and equipment	793,874	-	46,467	-	840,341
Stores, spare parts and loose tools	329,862	-	(46,467)	-	283,395
Others	918,251	-	-	-	918,251
	<u>2,041,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,041,987</u>
Equity and liabilities					
Total liabilities					
Deferred taxation	48,058	22	-	-	48,080
Payable to gratuity fund	7,244	(64)	-	-	7,180
Others	1,028,445	-	-	-	1,028,445
	<u>1,083,747</u>	<u>(42)</u>	<u>-</u>	<u>-</u>	<u>1,083,705</u>
Total equity					
Accumulated loss	(138,659)	42	-	-	(138,617)
Others	1,096,899	-	-	-	1,096,899
	<u>958,240</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>958,282</u>
	<u>2,041,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,041,987</u>

	As at June 30, 2013				Restated
	As previously reported	Note 4.11.1	Note 4.1.1	Note 40	
-----Rupees in thousands-----					
Total assets					
Property, plant and equipment	832,695	-	60,474	50,710	943,879
Stores, spare parts and loose tools	312,748	-	(60,474)	-	252,274
Loans and advances	70,821	-	-	(50,710)	20,111
Others	980,687	-	-	-	980,687
	<u>2,196,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,196,951</u>
Equity and liabilities					
Total liabilities					
Deferred taxation	106,677	(1,500)	-	-	105,177
Payable to gratuity fund	5,386	4,283	-	-	9,669
Others	978,170	-	-	-	978,170
	<u>1,090,233</u>	<u>2,783</u>	<u>-</u>	<u>-</u>	<u>1,093,016</u>
Total equity					
Accumulated loss	9,819	(2,783)	-	-	7,036
Others	1,096,899	-	-	-	1,096,899
	<u>1,106,718</u>	<u>(2,783)</u>	<u>-</u>	<u>-</u>	<u>1,103,935</u>
	<u>2,196,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,196,951</u>

4.24.2 Effect of changes on other comprehensive loss

	For the year ended June 30, 2013			
	As previously reported	Note 4.11.1	Note 4.1.1	Restated
-----Rupees in thousands-----				
Remeasurement of defined benefit liability	-	(4,347)	-	(4,347)
Recognition of deferred tax	-	1,522	-	1,522
	<u>-</u>	<u>(2,825)</u>	<u>-</u>	<u>(2,825)</u>

Note

2014

2013

(Restated)

-----Rupees in thousands-----

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	817,460	798,928
Capital work-in-progress	5.4	503,987	84,477
Major stores and spares	4.24 & 5.5	94,112	60,474

1,415,559	943,879
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5.1 Operating fixed assets

	2014											
	COST				As at June 30, 2014	Depreciation rate per annum	ACCUMULATED DEPRECIATION					Net book value as at June 30, 2014
	As at July 1, 2013	Additions	Disposals	Transfer / Adjustment			As at July 1, 2013	Charge for the year	Accumulated depreciation on disposals	Transfer / Adjustment	As at June 30, 2014	
	-----Rupees in thousands-----					-----Rupees in thousands-----						
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	-	6,186
Leasehold improvements	2,585	-	-	-	2,585	20%	270	517	-	-	-	1,798
Quarries and improvements	11,963	-	-	-	11,963	5%	11,773	10	-	-	-	180
Factory building on freehold land	237,543	-	-	-	237,543	10%	185,885	5,166	-	-	-	46,492
Electrical installations	56,367	-	-	-	56,367	5%	5,515	2,543	-	-	-	48,309
Housing colonies	72,294	1,418	-	-	73,712	5%	53,309	995	-	-	-	19,408
Office building on freehold land	22,281	-	-	-	22,281	5%	17,812	223	-	-	-	4,246
Plant and machinery	1,673,339	55,929	(3,951)	-	1,725,317	UoP	1,093,881	25,889	(1,775)	-	-	607,322
Quarry equipment	18,040	-	-	-	18,040	20%	18,018	4	-	-	-	18
Railway sidings	14,905	-	-	-	14,905	10%	12,996	191	-	-	-	1,718
Vehicles	49,003	9,358	(1,507)	-	56,854	10% & 20%	23,795	5,570	(1,269)	-	-	28,758
Furniture and fixtures	11,506	-	-	-	11,506	10%	5,321	619	-	-	-	5,566
Office equipment	13,416	1,047	(39)	-	14,424	10%	4,012	980	-	-	-	9,432
Medical equipment	629	-	-	-	629	10%	621	1	-	-	-	7
Laboratory equipment	54,174	463	-	-	54,637	10%	18,163	3,612	-	-	-	32,862
Computers	14,263	1,133	(95)	-	15,301	30%	8,195	2,041	(93)	-	-	5,158
	<u>2,258,494</u>	<u>69,348</u>	<u>(5,592)</u>	<u>-</u>	<u>2,322,250</u>		<u>1,459,566</u>	<u>48,361</u>	<u>(3,137)</u>	<u>-</u>	<u>-</u>	<u>817,460</u>

	2013											
	COST				As at June 30, 2014	Depreciation rate per annum	ACCUMULATED DEPRECIATION					Net book value as at June 30, 2014
	As at July 1, 2013	Additions	Disposals	Transfer / Adjustment			As at July 1, 2013	Charge for the year	Accumulated depreciation on disposals	Transfer / Adjustment	As at June 30, 2014	
	-----Rupees in thousands-----					-----Rupees in thousands-----						
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	-	6,186
Leasehold improvements	45,656	2,585	(45,656)	-	2,585	10% & 20%	12,555	1,411	(13,696)	-	-	2,315
Quarries and improvements	11,963	-	-	-	11,963	5%	11,763	10	-	-	-	190
Factory building on freehold land	237,543	-	-	-	237,543	10%	180,145	5,740	-	-	-	51,658
Electrical installations	25,657	30,710	-	-	56,367	5%	3,660	1,855	-	-	-	50,852
Housing colonies	72,294	-	-	-	72,294	5%	52,310	999	-	-	-	18,985
Office building on freehold land	22,281	-	-	-	22,281	5%	17,577	235	-	-	-	4,469
Plant and machinery	1,642,569	34,000	-	(3,230)	1,673,339	5%	1,066,886	29,912	-	(2,917)	-	579,458
Quarry equipment	18,040	-	-	-	18,040	20%	18,012	6	-	-	-	22
Railway sidings	14,905	-	-	-	14,905	10%	12,784	212	-	-	-	1,909
Vehicles	39,742	9,866	(605)	-	49,003	10% & 20%	19,560	4,682	(447)	-	-	25,208
Furniture and fixtures	6,264	5,242	-	-	11,506	10%	4,918	403	-	-	-	6,185
Office equipment	6,319	7,177	(80)	-	13,416	10%	3,459	589	(36)	-	-	9,404
Medical equipment	629	-	-	-	629	10%	620	1	-	-	-	8
Laboratory equipment	49,922	4,252	-	-	54,174	10%	14,282	3,881	-	-	-	36,011
Computers	10,260	4,063	(60)	-	14,263	30%	6,633	1,611	(49)	-	-	6,068
	<u>2,210,230</u>	<u>97,895</u>	<u>(46,401)</u>	<u>(3,230)</u>	<u>2,258,494</u>		<u>1,425,164</u>	<u>51,547</u>	<u>(14,228)</u>	<u>(2,917)</u>	<u>-</u>	<u>798,928</u>

5.2 Allocation of depreciation

-----Rupees in thousands-----

The depreciation charge for the year has been allocated as under:

Cost of sales	26	40,493	44,303
Selling and distribution cost	27	1,991	1,551
Administrative expenses	28	5,877	5,693
		<u>48,361</u>	<u>51,547</u>

5.3 The details of operating fixed assets having book value of above Rs. 50,000/- disposed off during the year are as follows:

Particulars	Note	Cost	WDV	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
-----Rupees in thousands-----							
Plant and machinery	5.4.1	3,951	2,176	-	(2,176)	As per agreement	ABB (Pvt.) Limited
Vehicle		722	115	500	385	Insurance claim	EFU General Insurance Limited
Vehicle		785	123	123	-	As per Company policy	Mr. Zubair Iqbal (ex-employee)
During the year ended June 30, 2014		<u>5,458</u>	<u>2,414</u>	<u>623</u>	<u>(1,791)</u>		
During the year ended June 30, 2013		<u>46,261</u>	<u>32,118</u>	<u>32,118</u>	<u>-</u>		

5.4 Capital work-in-progress

Note

Cost as at July 1, 2013 (Restated)	Capital expenditure incurred during the year	Transferred to operating fixed assets / stores / goods in transit	Cost as at June 30, 2014
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-----Rupees in thousands-----

Plant and machinery under USAID project	5.4.1	33,767	2,220	(35,987)	-
Balancing, Modernization and Rehabilitation project	5.4.2	50,710	452,489	-	503,199
Construction of rooms and security check post		-	788	-	788
As at June 30, 2014		<u>84,477</u>	<u>455,497</u>	<u>(35,987)</u>	<u>503,987</u>
As at June 30, 2013		<u>8,808</u>	<u>89,624</u>	<u>(13,955)</u>	<u>84,477</u>

5.4.1 The Company acquired plant and machinery items from ABB (Pvt.) Limited under USAID Energy Efficiency and Capacity Program. The program offers 50% subsidy to replace inefficient motors and variable speed drives with certified energy efficient equipment. The replaced motors and variable speed drives were handed over to ABB (Pvt.) Limited for destruction as per agreement for acquiring energy efficient motors and variable speed drives.

5.4.2 To improve cement plant efficiencies and ensure sustainable operations, the Company has worked on Balancing, Modernization and Rehabilitation (BMR) program for which a contract has been signed with the world renowned supplier FLSmidth for supply of equipment and engineering. The BMR will equip the plant with state of the art pyro process technology and efficient production facility. The BMR is expected to be completed in first quarter of next calendar year. The completion of BMR would advance manifold benefits to the Company in terms of improved efficiency, productivity, lowering cost of production, sustainability of operations etc.

Note	2014	2013
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-----Rupees in thousands-----

5.5 Major stores and spares

Cost

Opening balance	73,061	59,054
Additions during the year	71,392	17,318
Transferred to operating fixed assets and capital work in progress	(35,454)	(3,311)
Closing balance	108,999	73,061

Accumulated impairment

Opening balance	(12,587)	(12,587)
Impairment charge for the year	(2,300)	-
Closing balance	(14,887)	(12,587)

	<u>94,112</u>	<u>60,474</u>
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6 INTANGIBLE ASSETS

The Company's intangible assets comprise of computer software and monogram licence. The carrying amount as at June 30 is as follows:

Cost	457	457
Less: Accumulated amortization	(139)	(9)
	<u>318</u>	<u>448</u>

Capital work-in-progress	6.1	-	-
		<u>318</u>	<u>448</u>

6.1 Capital work-in-progress

Opening balance	-	3,366
Addition during the year	-	150
Transferred to intangible assets	-	(300)
Impairment charged during the year	-	(3,216)
Closing balance	<u>-</u>	<u>-</u>

7 LONG TERM INVESTMENT

7.1 Long term investment in associate

During the year the associated undertaking relationship ceased with an associated undertaking i.e. Power Cement Limited. This investment was carried at cost in accordance with International Accounting Standard 27 'Separate Financial Statements'; however, on cessation of associated undertaking relationship, the same investment is now accounted for as an 'Available-for-sale' investment in accordance with International Accounting Standard 39 'Financial Instruments - Recognition and Measurement'.

7.2 Long term investment - available-for-sale

	June 30, 2013	Disposal	Reclassified to available -for-sale investment	June 30, 2014	Market value as on June 30, 2014
	----- Number of Shares -----				Rupees in thousands
Power Cement Limited	<u>25,600,000</u>	<u>581,000</u>	<u>25,019,000</u>	<u>25,019,000</u>	<u>140,106</u>

7.3 Impairment on long term investment - available-for-sale

	Cost as on February 27, 2014	Revaluation gain on February 27, 2014	Market value as on February 27, 2014	Impairment charge for the year	Market value as on June 30, 2014
	-----Rupees in thousands -----				
Power Cement Limited	<u>124,945</u>	<u>50,188</u>	<u>175,133</u>	<u>(35,027)</u>	<u>140,106</u>

2014 2013

-----Rupees in thousands-----

8 LONG TERM INVESTMENT IN SUBSIDIARY

Thatta Power (Pvt.) Limited (TPPL)	<u>299,158</u>	<u>299,158</u>
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The Company owns 62.43% shareholding of TPPL as at June 30, 2014 (June 30, 2013: 62.43%). The principal business of the subsidiary is generation, supply and transmission of electrical power. As at June 30, 2014 TPPL has authorized and issued capital of Rs. 500 million and Rs. 479.16 million divided into 5,000,000 and 4,791,583 ordinary shares respectively.

Thatta Cement Company Limited has pledged its investment in shares of TPPL in favour of National Bank of Pakistan (NBP) as the security trustee against syndicate term finance facility extended by NBP and other syndicate banks to TPPL.

Note

2014 2013

(Restated)

-----Rupees in thousands-----

9 STORES, SPARE PARTS AND LOOSE TOOLS

Stores	9.1	306,747	189,540
Spare parts		100,743	89,414
Loose tools		182	247
		<u>407,672</u>	<u>279,201</u>
Less: Provision for dead stores		(2,828)	(1,485)
Provision for slow moving stores and spares	9.2	(25,191)	(25,442)
		<u>(28,019)</u>	<u>(26,927)</u>
		<u>379,653</u>	<u>252,274</u>

9.1 This includes stores in transit of Rs. 184.874 million (June 30, 2013: Rs. 3.054 million) as at the balance sheet date.

Note	2014	2013 (Restated)
	-----Rupees in thousands-----	

9.2 Reconciliation of carrying amount of above provision:

Opening balance	26,927	27,474
Provision / (reversal) made during the year	1,092	(547)
Closing balance	<u>28,019</u>	<u>26,927</u>

2014	2013
-----Rupees in thousands-----	

10 STOCK-IN-TRADE

Raw material	42,258	22,099
Packing material	24,346	26,871
Work-in-process	329,667	267,359
Finished goods	35,355	40,447
	<u>431,626</u>	<u>356,776</u>

11 TRADE DEBTS

Considered good

Local - unsecured	117,390	133,092
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Considered doubtful

Cement stockiest	11.1	60,801	60,801
Excessive rebate allowed	11.1	6,101	6,101
Controller Military Accounts		5,126	5,126
Other customers		952	952
		<u>72,980</u>	<u>72,980</u>

Less: Provision for doubtful debts	11.2	(72,980)	(72,980)
		<u>117,390</u>	<u>133,092</u>

11.1 This includes balances outstanding for more than 5 years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Company, when the Company was operating under State Cement Corporation of Pakistan (SCCP), whose services had been terminated. Accordingly, the management had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in the preceding years. Due to promulgation of National Reconciliation Ordinance (NRO), the recoveries were stopped / held up. Besides discussion and correspondence on the subject matter in previous years, two letters have been written to NAB officials during the year ended June 30, 2014, however, reply has not yet been received, therefore provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.

		2014	2013
		-----Rupees in thousands-----	
11.2	Reconciliation of carrying amount of above provision:		
	Opening balance	72,980	72,269
	Provision made during the year - net	-	711
	Closing balance	<u>72,980</u>	<u>72,980</u>

		2014	2013
		(Restated)	
		-----Rupees in thousands-----	
12	LOANS AND ADVANCES		
	Considered good		
	To employees	111	86
	Advances		
	- against letter of credit	-	7,411
	- guarantee margin	1,162	3,705
	- advance to vendors	10,867	7,679
	- others	1,290	1,230
		13,319	20,025
		<u>13,430</u>	<u>20,111</u>

		2014	2013
		-----Rupees in thousands-----	
13	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits	869	2,445
	Short term prepayments	19,975	3,720
		<u>20,844</u>	<u>6,165</u>

		2014	2013	
		-----Rupees in thousands-----		
14	OTHER RECEIVABLES AND ACCRUED INTEREST			
	Interest receivable from banks	14.1	849	56
	Pre-incorporation and pre-commencement expenses of Thatta Cement Company (Private) Limited	14.2	31,813	14,541
	Refund against Fuel Price Adjustment		26,157	-
	Deposit with Commissioner Workmen's Compensation	24.1.4	14,915	-
	Others		39,989	34,909
			<u>113,723</u>	<u>49,506</u>

14.1 This also includes receivable amounting to Rs. 0.827 million (June 30, 2013: Rs. 0.029 million) from National Bank of Pakistan which is a related party.

14.2 This represents the amount receivable from Thatta Cement Company (Private) Limited (TCCPL), a related party, established by the Company in Sri Lanka for cement grinding and packing plant. TCCPL will issue shares in future subject to all regulatory approvals.

Progress on the said project has been temporarily suspended due to the reason that Sri Lanka Ports Authority (SLPA) has not yet executed the Land Lease Agreement (LLA) despite the fact that basic engineering of the

project has been completed by TCCPL. Further, SLPA has signed a business venture agreement for car transshipment in the close vicinity of the proposed cement project without anticipating the expected operational conflicts.

Further, SLPA has proposed another site to TCCPL for setting up the cement project. Also, the matter has been taken up by the Pakistan High Commission in Sri Lanka who have requested Honourable Minister of Economic Development to intercede with SLPA and Central Environmental Agency for the utmost and timely resolution and signing of LLA.

	Note	2014	2013
-----Rupees in thousands-----			
15 CASH AND BANK BALANCES			
Cash in hand		287	163
Balances with banks			
- in current accounts	15.1	6,951	1,547
- in PLS accounts	15.2 & 15.3	20,210	3,979
- in term deposit accounts	15.4	1,000	1,000
		28,161	6,526
		<u>28,448</u>	<u>6,689</u>

15.1 This includes Rs. 0.368 million (June 30, 2013: Rs. 0.03 million) and Rs. 0.609 million (June 30, 2013: Rs. 0.02 million) in current accounts with Habib Bank Limited and National Bank of Pakistan respectively, which are related parties.

15.2 As at June 30, 2014 the mark-up rate on PLS accounts is 6.5% (June 30, 2013: 6%) per annum.

15.3 This includes Rs. 20.134 million (June 30, 2013: Rs. 0.009 million) in PLS account with National Bank of Pakistan, which is a related party.

15.4 This is kept under lien of National Bank of Pakistan (NBP) against bank guarantee issued by NBP, which is a related party, carrying mark-up rate of 6.5% (June 30, 2013: 6%) per annum.

16 SHARE CAPITAL

	2014	2013		2014	2013
-----Number of Shares-----			-----Rupees in thousands-----		
Authorized					
	<u>200,000,000</u>	<u>200,000,000</u>		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up					
	89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration paid in cash	894,181	894,181
	10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000
	<u>99,718,125</u>	<u>99,718,125</u>		<u>997,181</u>	<u>997,181</u>

16.1 As on June 30, 2014, associated companies M/s Sky Pak Holding (Private) Limited and M/s Rising Star Holding (Private) Limited hold 20.444 million shares (June 30, 2013: 19.343 million shares) comprising 20.5% (June 30, 2013: 19.4%) and 6.309 million shares (June 30, 2013: 5.908 million shares) comprising 6.33% (June 30, 2013: 5.93%) respectively.

	Note	2014	2013	
-----Rupees in thousands-----				
17	LONG TERM FINANCING (LTF)			
	Loan from Banking companies - secured			
	- Syndicated term finance facility (STFF)	17.1 & 17.2	435,373	-
	Loan from related parties			
	- National Bank of Pakistan	17.3 & 17.5	67,198	85,117
	- National Bank of Pakistan	17.4 & 17.5	6,667	46,667
			73,865	131,784
	Less : Current maturity		(24,586)	(57,919)
			<u>484,652</u>	<u>73,865</u>

17.1 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries a floating mark-up linked to 3 months KIBOR as base rate plus 2% on annualized basis. The tenure of financing is 8 years including grace period of 24 months and the facility is payable in 24 equal quarterly installments of Rs. 58.167 million each starting after two year from the date of first drawdown i.e. March 17, 2014. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties.

17.2 This includes Rs. 152.95 million (June 30, 2013: Rs. Nil) from National Bank of Pakistan which is a related party.

17.3 This represents first disbursement of Rs. 107 million of the aggregate facility of Rs. 260 million allowed by the bank. This carries a floating mark-up linked to 6 months KIBOR as base rate plus 2% on annualized basis. The tenure of financing is 7 years and is repayable in 24 equal quarterly instalment of Rs. 4.48 million starting in 15th month from the date of first disbursement.

17.4 This represents second disbursement of Rs. 120 million of the facility mentioned in 17.3 above. The tenure of financing is 3 years and is repayable in 36 equal monthly instalment of Rs. 3.33 million each starting from the month following the disbursement and has been fully repaid in August 2014.

17.5 The aggregate facility is secured by first equitable mortgage over land and building of the Company and first charge by way of hypothecation over all present and future plant and machinery of the Company to the extent of Rs. 372 million.

18 LONG TERM DEPOSITS

Dealers	18.1	5,110	5,110
Suppliers and contractors	18.1	861	861
		<u>5,971</u>	<u>5,971</u>

18.1 These represent interest free security deposits, received from dealers, suppliers and contractors and are repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

19 LONG TERM EMPLOYEE BENEFIT

This represents accrual for staff leave balances and includes liability in respect of permanent employees amounting to Rs. 13.185 million (June 30, 2013: Rs. 10.111 million).

	Note	2014	2013 (Restated)
-----Rupees in thousands-----			

20 DEFERRED TAXATION

Taxable temporary differences

Accelerated tax depreciation		175,916	144,006
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Deductible temporary differences

Provision for gratuity		(4,819)	(2,914)
Other provisions - for doubtful debts and stores		(39,058)	(35,915)

		<u>132,039</u>	<u>105,177</u>
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21 TRADE AND OTHER PAYABLES

Trade creditors		32,406	30,007
Accrued liabilities	21.1	136,125	145,805
Bills payable		237,334	-
Advances from customers		52,443	25,180
Contractors retention money		175	213
Excise duty and sales tax payable		9,590	30,731
Payable to Gratuity Fund	21.2	14,749	9,669
Payable to Provident Fund	21.3	2	802
Workers' Profit Participation Fund	21.4	25,411	13,835
Workers' Welfare Fund		10,852	6,892
Unclaimed dividend		113	-
Other liabilities		3,227	1,604
		<u>522,427</u>	<u>264,738</u>

21.1 It includes Rs. 55.083 million (June 30, 2013: Rs. 81.967 million) payable to Thatta Power (Pvt.) Limited, the subsidiary company, in respect of purchase of electricity.

21.2 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at June 30, 2014 are as follows:

- Discount rate used for year end obligation is 13.25% per annum (June 30, 2013: 10.5% per annum).
- Discount rate used for interest cost in profit and loss account is 10.5% per annum (June 30, 2013: 13% per annum).
- Expected rate of increase in salary level at 12.25% per annum (June 30, 2013: 9.5% per annum).
- Mortality rate used is SLIC 2001 - 2005 (June 30, 2013: EFU 61 - 66)

	2014	2013 (Restated)
-----Rupees in thousands-----		

The amount recognised in the balance sheet is as follows:

Present value of defined benefit obligation		46,415	33,881
Fair value of plan assets		(31,666)	(24,212)
Liability as at June 30		<u>14,749</u>	<u>9,669</u>

	2014	2013 (Restated)
	-----Rupees in thousands-----	
Movement in present value of defined benefit obligation		
Obligation as at July 1	33,881	26,246
Current service cost	6,994	5,652
Interest cost	3,300	3,412
Benefits paid / payable	(4,914)	(6,998)
Remeasurement loss due to change in experience adjustments	7,154	5,568
Obligation as at June 30	<u>46,415</u>	<u>33,881</u>
Movement in the fair value of plan assets		
Fair value as at July 1	24,212	19,066
Expected return on plan assets	3,041	2,479
Employer contribution	7,106	8,444
Benefits paid / payable	(4,914)	(6,998)
Return on plan assets excluding interest income	2,221	1,221
Fair value as at June 30	<u>31,666</u>	<u>24,212</u>
Movement in liabilities		
Balance as at July 1	9,669	7,180
Charge for the year	7,253	6,586
Employer contribution	(7,106)	(8,444)
Remeasurements chargeable in other comprehensive income	4,933	4,347
Balance as at June 30	<u>14,749</u>	<u>9,669</u>
The amount recognised in profit and loss account is as follows:		
Current service cost	6,994	5,652
Interest cost	3,300	3,413
Expected return on plan assets	(3,041)	(2,479)
	<u>7,253</u>	<u>6,586</u>
The amount recognised in other comprehensive income is as follows:		
Remeasurement loss due to change in experience adjustments	7,154	5,568
Return on plan assets excluding interest income	(2,221)	(1,221)
	<u>4,933</u>	<u>4,347</u>
Return on plan assets is as follows:		
Expected return on plan assets	3,041	2,479
Return on plan assets excluding interest income	2,221	1,221
	<u>5,262</u>	<u>3,700</u>

Analysis of present value of defined benefit obligation and fair value of plan assets for current and previous four years are as follows:

	2014	2013	2012	2011	2010
	--(Restated)--				
	-----Rupees in thousands-----				
Present value of defined benefit obligation	(46,415)	(33,881)	(26,246)	(21,684)	(16,377)
Fair value of plan assets	31,666	24,212	19,066	13,173	11,955
Deficit	<u>(14,749)</u>	<u>(9,669)</u>	<u>(7,180)</u>	<u>(8,511)</u>	<u>(4,422)</u>

2014	2013
-----Rupees in thousands-----	

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

Cash and cash equivalents (adjusted for current liabilities)	20,890	839
Mutual funds		
- Islamic Income Fund	2,477	2,294
- Stock Market Fund	7,289	5,093
- Income Fund	1,010	1,096
	<u>10,776</u>	<u>8,483</u>
Term deposit receipts	-	14,890
	<u>31,666</u>	<u>24,212</u>

Balance sheet date sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	2014			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	-----Rupees in thousands-----			
Present value of defined benefit obligation	44,566	48,505	48,565	44,480
	2014		2013	
	-----Rupees in thousands-----			

The charge for the year has been allocated as follows:

Cost of sales	5,875	5,335
Selling and distribution cost	435	395
Administrative expenses	943	856
	<u>7,253</u>	<u>6,586</u>

21.3 The following information is based on the audited financial statements of the fund:

Size of the fund - Total assets	<u>38,403</u>	<u>28,369</u>
Cost of investment made	<u>36,858</u>	<u>25,626</u>
Percentage of investments made	<u>100%</u>	<u>97%</u>
Fair value of investments	<u>38,400</u>	<u>27,513</u>

The break-up of fair value of investment is:

	2014		2013	
	Rupees in thousands	%	Rupees in thousands	%
Bank balances	1,510	4%	3,036	11%
Term deposit securities	25,331	66%	19,125	70%
Mutual funds	11,559	30%	5,352	19%
	<u>38,400</u>	<u>100%</u>	<u>27,513</u>	<u>100%</u>

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

	Note	2014	2013
		-----Rupees in thousands-----	
21.4 Workers' Profit Participation Fund			
Opening balance		13,835	-
Allocation for the year	29	25,411	13,835
Interest on balance as at July 1		1,335	-
		<u>40,581</u>	<u>13,835</u>
Payments made during the year		(15,170)	-
Closing balance		<u>25,411</u>	<u>13,835</u>
22 ACCRUED MARK-UP			
Long term financing	22.1	27	83
Syndicated term finance facility	22.2	6,983	-
Short term borrowing	22.3	10,853	17,187
		<u>17,863</u>	<u>17,270</u>

22.1 This represents payable to National Bank of Pakistan, which is a related party.

22.2 This includes Rs. 2.444 million (June 30, 2013: Rs. Nil) payable to National Bank of Pakistan which is a related party.

22.3 This includes Rs. 6.216 million (June 30, 2013: Rs. 6.078 million) due to National Bank of Pakistan which is a related party.

23 SHORT TERM BORROWINGS

Running finance (RF)	<u>419,261</u>	<u>556,074</u>
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23.1 The aggregate running finance available from banks as at June 30, 2014 amounted to Rs. 650 million out of which Rs. 230.74 million remained unutilized at the year end. These facilities are renewable and secured by way of hypothecation of fixed assets and current assets. These carry mark-up at rates ranging between 12.08% to 13.18% (June 30, 2013: 11% to 15%) per annum chargeable monthly and payable quarterly.

23.2 This includes Rs. 186.012 million (June 30, 2013: Rs. 199.21 million) due to National Bank of Pakistan which is a related party.

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 The Company has adjusted minimum tax amounting to Rs. 31.55 million against its income tax liability in terms of Section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). However, during the year, Assistant Commissioner (AC) has passed an assessment order under section 122(1)(5) of the Ordinance, in respect of tax year 2012, wherein adjustment of minimum tax amounting to Rs. 15.721 million has not been allowed. The Company has filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) against the said assessment order which is pending for hearing.

Moreover, in view of Company's legal counsel opinion, the Company has strong arguable case and the matter can be agitated upto the level of Supreme Court of Pakistan. Accordingly, the Company is confident that the ultimate outcome in this regard would be favorable. Hence no provision in this respect has been made in these unconsolidated financial statements.

24.1.2 During the year Assistant Commissioner (AC) and Additional Commissioner Inland Revenue (ACIR) passed assessment orders under section 122(1)(5) and 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2012 and 2008 and made certain disallowances and additions in taxable income as reported in the tax returns of those years. The Company has filed appeals with Commissioner Inland Revenue - Appeals (CIR-A) against the said assessment orders which are pending for hearing. The management in consultation with its tax advisor, is confident that the outcome of such appeals will be in favour of the Company; hence no provision has been made in these unconsolidated financial statements.

24.1.3 Cases are pending with National Accountability Bureau (NAB) Courts for the misappropriation in recoveries from debtors and allowing excessive unauthorized rebate amounting to Rs. 66.902 million by the former employees and stockiest of the State Cement Corporation of Pakistan. The recovery proceedings are in progress under NAB law as explained in note 11.1.

24.1.4 Certain ex-employees of the Company contested the Company's gratuity policy and filed suit against the Company demanding 60 days gratuity instead of 30 days applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said suit has been decided in favour of the applicants. However, the Company has challenged the said order vide C.P. No. 591/2013 before Honourable High Court of Sindh at Hyderabad which has suspended the order subject to deposit of Rs. 14.9 million with Commissioner Workmen's Compensation. Now C.P. No. 591/2013 has been withdrawn and Appeal No. 04/2014 has been filed with Sindh Labour Court due to proper jurisdiction. In view of the Company's legal counsel, the Company has strong grounds to assail the order with the authority in appeal.

One more ex-employee of former holding company has filed CP # 86/2013 for recovery of total Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. However, in view of the Company's legal counsel all the claims of applicant are bogus and are against the applicable labour laws and will not materialise.

Besides this an ex-employee filed a suit for recovery of Rs. 24.95 million in respect of salary and other benefits, golden handshake and compensation for damages but the same stood rejected by the court. The ex-employee preferred an appeal in District Court, Thatta which was also dismissed on December 8, 2012. The said decision was further challenged before the High Court of Sindh at Karachi in appeal No. 03/2014 but that too met with the same fate and stood dismissed on May 19, 2014. Now the ex-employee's counsel has informed vide notice dated June 10, 2014, that the ex-employee intends to file leave to appeal before the Supreme Court of Pakistan. The outcome of the appeal will in all probability be the same and the claim will not materialise.

24.1.5 Two cement dealers had filed a suit against the Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Company in lieu of outstanding dues from these dealers. The Company's legal counsel is of the opinion that no liability is likely to arise in this case.

24.2 Commitments

- 24.2.1** Guarantee given by a commercial bank to Sui Southern Gas Company Limited on behalf of the Company amounts to Rs. 45 million (June 30, 2013: Rs. 45 million).
- 24.2.2** Other outstanding guarantees given on behalf of the Company by banks amounts to Rs. 81.372 million (June 30, 2013: Rs. 55.573 million).
- 24.2.3** Irrevocable letter of credit under revenue expenditure outstanding as on balance sheet date amounts to Rs. 0.712 million (June 30, 2013: Rs. nil).
- 24.2.4** Commitment in respect of capital expenditure as on balance sheet date was Rs. 151.075 million (June 30, 2013: Rs. 23.593 million).
- 24.2.5** As required under financing arrangements of Thatta Power (Pvt) Limited (TPPL), a subsidiary company, the Company being the Holding Company and Power Purchaser, to incorporate in Power Purchase Agreement sufficient arrangement to ensure fulfilment of obligation of TPPL under Deferred Payment Letter of Credit (DPLC). Therefore, the Power Purchase Agreement dated December 12, 2011 executed between the Holding Company and TPPL requires the Company to pay higher of the amount based on invoices during the year for actual Net Electrical Output or minimum payment of US\$ 2.593 million in equivalent Rupees per year till the retirement of DPLC.

		2014	2013
		-----Rupees in thousands-----	
25	SALES - NET		
Sales	- Local	2,594,583	2,829,199
	- Export	119,762	70,122
		<u>2,714,345</u>	<u>2,899,321</u>
Less:	- Federal Excise Duty	114,646	144,160
	- Sales tax	417,372	393,969
		<u>532,018</u>	<u>538,129</u>
		<u>2,182,327</u>	<u>2,361,192</u>

Note

2014	2013
-----Rupees in thousands-----	

26 COST OF SALES

Raw material consumed	26.1	145,373	154,244
Manufacturing expenses			
Packing material consumed	26.2	113,553	120,484
Stores, spare parts and loose tools consumed		107,660	136,689
Fuel and power		912,879	1,362,596
Salaries, wages and other benefits	26.3	204,500	172,814
Insurance		6,967	3,637
Repairs and maintenance		4,353	8,629
Depreciation	5.2	40,493	44,303
Provision for slow moving and dead stores and impairment of major stores and spares		3,392	-
Other production overheads		18,358	16,865
		<u>1,412,155</u>	<u>1,866,017</u>
Cost of production		<u>1,557,528</u>	<u>2,020,261</u>
Work-in-process			
Opening balance		267,359	124,450
Closing balance	10	(329,667)	(267,359)
		(62,308)	(142,909)
Cost of goods manufactured		<u>1,495,220</u>	<u>1,877,352</u>
Finished goods			
Opening balance		40,447	38,774
Closing balance	10	(35,355)	(40,447)
		5,092	(1,673)
		<u>1,500,312</u>	<u>1,875,679</u>
26.1 Raw material consumed			
Opening balance		22,099	42,505
Purchases		165,532	133,838
		<u>187,631</u>	<u>176,343</u>
Closing balance	10	(42,258)	(22,099)
		<u>145,373</u>	<u>154,244</u>
26.2 Packing material consumed			
Opening balance		26,871	23,994
Purchases		111,028	123,361
		<u>137,899</u>	<u>147,355</u>
Closing balance	10	(24,346)	(26,871)
		<u>113,553</u>	<u>120,484</u>

26.3 This includes employees' retirement benefits amounting to Rs. 14.05 million (June 30, 2013: Rs. 9.894 million).

-----Rupees in thousands-----

27 SELLING AND DISTRIBUTION COST

Salaries, wages and other benefits	27.1	10,356	5,590
Vehicle running expenses		840	734
Travelling and conveyance		288	132
Communication		481	303
Printing and stationery		41	38
Entertainment		90	76
Repair and maintenance		278	197
Rent, rates and taxes		1,037	988
Utilities		497	288
Advertisements		313	238
Sales promotion expense		259	367
Freight charges - local sale		669	29,212
Export logistics and related charges		15,746	8,765
Commission		18,810	14,257
Depreciation	5.2	1,991	1,551
Miscellaneous		5,849	3,355
		<u>57,545</u>	<u>66,091</u>

27.1 This includes employees' retirement benefit amounting to Rs. 0.811 million (June 30, 2013: Rs. 1.37 million).

28 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	28.1	49,097	34,333
Vehicle running expenses		2,944	2,284
Travelling and conveyance		1,217	762
Advertisements		224	202
Communication, postage, telegram		1,404	1,181
Printing and stationery		1,790	666
Rent, rates and taxes		1,327	4,456
Entertainment		919	1,181
Legal and professional charges		3,277	1,386
Insurance		135	239
Repairs and maintenance		1,289	1,489
Utilities		1,244	668
Fees and subscription		861	3,809
Corporate expenses		397	867
Charity and donation	28.2	76	8
Auditors' remuneration	28.3	870	756
Other auditors' remuneration	28.4	1,184	1,159
Depreciation	5.2	5,877	5,693
Amortization of intangible		130	9
Education expenses		2,901	-
Bad debts and Provision for doubtful debts		-	3,432
Impairment of intangibles		-	3,216
Miscellaneous		2,518	153
		<u>79,681</u>	<u>67,949</u>

28.1 This includes employees' retirement benefit amounting to Rs. 3.564 million (June 30, 2013: Rs. 2.13 million).

28.2 None of the Directors or their spouses have any interest in any donee's fund to which donation was made.

Note 2014 2013

-----Rupees in thousands-----

28.3	Auditors' remuneration			
	Annual audit fee		550	500
	Half yearly review fee		55	50
	Review fee for consolidated financial statements		28	25
	Fee for other services		57	50
	Out of pocket expenses		180	131
			<u>870</u>	<u>756</u>
28.4	Other auditors' remuneration			
	Cost audit fee		110	100
	Out of pocket expenses		10	10
			120	110
	Internal audit fee		940	940
	Out of pocket expenses		124	109
			1,064	1,049
			<u>1,184</u>	<u>1,159</u>
29	OTHER OPERATING EXPENSES			
	Workers' Welfare Fund		9,102	6,228
	Workers' Profit Participation Fund		25,411	13,835
	Impairment on available-for-sale investment	7.3	35,027	-
	Exchange loss		13,580	14,157
	Loss on disposal of property, plant and equipment	5.3	1,791	38
	Loss on sale of store items		-	1,414
			<u>84,911</u>	<u>35,672</u>
30	FINANCE COST			
	Mark-up on long term financing		11,875	19,179
	Mark-up on short term borrowings		56,875	62,524
	Mark-up on WPPF		1,335	-
	Bank charges and commission		1,412	1,364
			<u>71,497</u>	<u>83,067</u>
31	OTHER INCOME			
	Income from financial assets			
	Income on bank deposit accounts		356	355
	Revaluation gain on recognition of available-for-sale investment	7.3	50,188	-
	Gain on disposal of investment		2,035	-
			52,579	355
	Others			
	Management fee	31.1	12,000	-
	Scrap sales		5,198	6,016
	Rental income		6,941	6,628
	Others		8,060	11,311
			32,199	23,955
			<u>84,778</u>	<u>24,310</u>

31.1 This represents management fee income of Rs. 12 million (June 30, 2013: Rs. Nil) from Thatta Power (Pvt.) Limited, which is a subsidiary company.

2014 2013
-----Rupees in thousands-----

32 TAXATION

Current tax charge	144,168	68,876
Prior year charge	2,015	(18,929)
Deferred tax charge	28,589	58,619
	<u>174,772</u>	<u>108,566</u>

The returns of income have been filed upto and including tax year 2013 (corresponding to financial year ended June 30, 2013) while income tax assessments have been finalized upto and including tax year 2011 except for tax year 2008. However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the Company respectively.

32.1 Relationship between tax expense and accounting profit is as follows:

Profit before tax	<u>473,159</u>	<u>257,044</u>
Tax at 34% / 35%	160,874	89,965
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	(2,531)	4,934
- income charged at different rates	(2,735)	(2,065)
- exempt income	(5,847)	-
- tax credit claimed under section 65B of Income Tax Ordinance, 2001	(5,593)	(6,896)
	<u>(16,706)</u>	<u>(4,027)</u>
Charge/(reversal) of prior year's tax expense	2,015	(18,929)
Tax effect on taxable temporary differences - net	28,589	39,551
Others	-	2,006
	<u>174,772</u>	<u>108,566</u>

33 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation	<u>298,387</u>	<u>148,478</u>
	----- Number -----	
Weighted average number of ordinary shares	<u>99,718,125</u>	<u>99,718,125</u>
	----- Rupees -----	
Earnings per share - basic and diluted	<u>2.99</u>	<u>1.49</u>

Note

2014	2013
------	------

-----Rupees in thousands-----

34 CASH AND CASH EQUIVALENTS

Cash and bank balances		28,448	6,689
Short term borrowings		(419,261)	(556,074)
		<u>(390,813)</u>	<u>(549,385)</u>

35 CAPACITY AND ACTUAL PRODUCTION

Production capacity - clinker (tons)		450,000	450,000
Actual production - clinker (tons)	35.1	291,035	357,206
Actual production - cement (tons)	35.2	300,615	370,319

35.1 The production capacity utilization during the year has remained at 64.67% (June 30, 2013: 79.38%). The underutilization is mainly due to hard hitting competition in the industry.

35.2 Cement from clinker is produced in accordance with the market demand.

36 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice. Details of transactions during the year ended / outstanding balances as at June 30, 2014 with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

Transactions with related parties

- Summit Bank Limited	36.2		
Mark-up on RF and commission		7,914	12,769
Income on bank deposit accounts		173	232
Guarantee on behalf of Company as per normal banking terms		2,500	80,339
- National Bank of Pakistan			
Mark-up on RF, STFF, Participation Fee (PF), LTF and commission		51,897	43,236
Income on bank deposit accounts		844	60
Guarantee on behalf of Company as per normal banking terms		23,298	500
- Thatta Power (Pvt.) Limited			
Common shared expenses		2,879	-
Purchase of store items (inclusive of GST) - net		248	229
Purchase of electric power		481,352	214,591
Payment on account of electric power		508,007	132,852
Management fee charged (inclusive of SST)		13,920	-
Management fee received (inclusive of SST)		12,760	-
Receipts on account of common shared expenses		2,590	-
Payment on account of purchase of store items - net		460	-
- Power Cement Limited	36.2		
Common shared expenses		-	40
Purchase of store items (inclusive of GST) - net		-	2,523

	Note	2014	2013
-----Rupees in thousands-----			
- Rotocast Engineering Company (Pvt.) Limited	36.2		
Sale of leasehold improvements		-	31,960
Rent and repair and maintenance		-	4,139
- Thatta Cement Company (Pvt.) Limited (TCCPL)			
Expenses paid by Company on behalf of TCCPL		17,272	14,541
- Bandhi Sugar Mills (Pvt.) Limited			
Sale of cement		1,144	48,457
Receipt against sale of cement		27,855	27,313
- Sui Southern Gas Company Limited			
Purchase of gas excluding GST		19,099	16,226
Payment against purchase of gas excluding GST		19,646	16,219
- Key management personnel			
Salaries and benefits	37	67,827	36,835
Sale of vehicle	5.3	123	158
Sale of computer equipment		2	-
- Other related parties			
Contribution to employees' Gratuity Fund	21.2	7,106	8,444
Contribution to employees' Provident Fund		6,804	3,861
Balances with related parties			
- Summit Bank Limited	36.2		
PLS account balance			3,527
Running finance			100,183
Accrued mark-up - finance charge			2,935
Accrued interest - interest income			26
Guarantees on behalf of Company as per normal banking terms			80,339
- National Bank of Pakistan			
Term deposit account		1,000	1,000
PLS account balance		20,125	9
Current account balance		646	21
Running finance		186,012	199,210
Long term loans		73,865	131,784
Accrued mark-up - finance charge		8,687	6,160
Accrued interest - interest income		827	29
Guarantees on behalf of Company as per normal banking terms		43,532	20,234
Share in STFF		152,950	-
- Thatta Power (Pvt.) Limited			
Payable against purchase of electricity power (inclusive of GST)		55,083	81,738
Receivable against management fee (inclusive of SST)		1,160	-
Receivable against common shared expenses		289	-
Payable against sale / purchase of store items - net		17	229
- Power Cement Limited	36.2		
Payable against purchase of store items			870

	Note	2014	2013
		-----Rupees in thousands-----	
- Rotocast Engineering Company (Pvt.) Limited Receivable against sale of leasehold improvements	36.2		31,960
- Safe Mix Concrete Products Limited Advance against sale of cement	36.2		357
- Thatta Cement Company (Pvt.) Limited (TCCPL) Receivable against expenses paid by Company on behalf of TCCPL		31,813	14,541
- Bandhi Sugar Mills (Pvt.) Limited Receivable against sale of cement		-	26,711
- Sui Southern Gas Company Limited Payable against purchase of gas excluding GST		458	1,005
- Habib Bank Limited Current account balance		368	27

36.1 There are no transactions with key management personnel other than under their terms of employment.

36.2 During the year related party relationship ceased with Power Cement Limited, Summit Bank Limited and Safe Mix Concrete Products Limited on February 27, 2014 and Rotocast Engineering Company (Pvt.) Limited on July 11, 2013.

37 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the unconsolidated financial statements for the year in respect of remuneration to the Chief Executive, Directors and Executives are as follows:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousands -----			
Managerial remuneration	12,000	43,093	7,390	21,902
Bonus and LFA	1,574	5,561	973	2,489
Other benefits	1,484	3,753	1,380	2,322
Leave encashment	-	362	379	-
	<u>15,058</u>	<u>52,769</u>	<u>10,122</u>	<u>26,713</u>
Number of person(s)	<u>1</u>	<u>20</u>	<u>1</u>	<u>14</u>

37.1 The Chief Executive and Executives are provided with free use of Company maintained car(s) and other benefits in accordance with their entitlement as per rules of the Company.

37.2 An aggregate amount of Rs. 1.25 million (June 30, 2013: Rs. 1 million) was paid to Non-Executive Directors during the year on account of Board and Audit Committee meeting fee.

38 OPERATING SEGMENTS

- 38.1 These unconsolidated financial statements have been prepared on the basis of single reportable segment.
- 38.2 Revenue from sale of cement represents 100% (June 30, 2013: 100%) of the total revenue of the Company.
- 38.3 95% (June 30, 2013: 97%) sales of the Company relates to customers in Pakistan.
- 38.4 All non-current assets of the Company at June 30, 2014 are located in Pakistan.

39 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Taken as a whole the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Financial instruments of the Company are as under:

	2014	2013 (Restated)
	-----Rupees in thousands-----	
Financial Assets		
Long term deposits	1,006	1,006
Trade debts	117,390	133,092
Loans and advances	13,430	20,111
Trade deposits	869	2,445
Other receivables and accrued interest	113,723	49,506
Bank balances	28,161	6,526
	<u>274,579</u>	<u>212,686</u>
Financial Liabilities		
Long term financing	509,238	131,784
Long term deposits	5,971	5,971
Trade and other payables	469,984	239,558
Accrued mark-up	17,863	17,270
Short term borrowings	419,261	556,074
	<u>1,422,317</u>	<u>950,657</u>

Financial instruments and related disclosures

a) Financial Risk Management Objectives

The Company has exposure to the following risks from financial instrument:

- credit risk
- liquidity risk
- market risk
- operational risk

The Board of directors of the Company has the overall responsibility for establishment and oversight of the Company's risk management framework. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the company's financial risk exposure. The Company's overall risk management program focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

b) Credit Risk

Credit risk is a risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by change in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

At the reporting date, the company's total credit risk was concentrated in the following industrial/economic sectors:

	2014		2013 (Restated)	
	Rupees in thousands	%	Rupees in thousands	%
Banks	28,161	10%	6,526	3%
Others	246,418	90%	206,160	97%
	<u>274,579</u>	<u>100%</u>	<u>212,686</u>	<u>100%</u>

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customer. Except for customers relating to the Government and certain credit worthy customers, the management strictly adheres to this policy. For any balance receivable from such Government parties, the management continuously monitors the credit exposure towards them and make provisions against those balances considered doubtful. Cash is held only with banks with high quality credit worthiness. There is no significant risk exposure to loan and advances and other receivables.

2014	2013 (Restated)
-----Rupees in thousands-----	

The maximum exposure to credit risk at the reporting date is:

Long term deposits	1,006	1,006
Trade debt	117,390	133,092
Loans and advances	13,430	20,111
Trade deposits	869	2,445
Other receivables and accrued interest	113,723	49,506
Bank balances	28,161	6,526
	<u>274,579</u>	<u>212,686</u>

Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2014 trade debts of Rs. 69.288 million (June 30, 2013: Rs. 69.026 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2014	2013
	-----Rupees in thousands-----	
Not past due	48,102	64,066
Past due but not impaired		
- within 90 days	44,954	38,295
- 91 to 180 days	7,960	11,767
- over 180 days	16,374	18,964
	<u>117,390</u>	<u>133,092</u>

The credit quality of cash at bank (in Current, PLS and deposit accounts) as per credit rating agencies are as follows:

Credit ratings

Details of the credit ratings of bank balances as at June 30, 2014 are as follows:

Rating

A1 +	27,940	2,983
A1	24	4
A2	61	3,539
A3	136	-
	<u>28,161</u>	<u>6,526</u>

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligation to the Company. For trade debts, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of said limits is regularly monitored.

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 11. The aging analysis of these impaired trade debts is as follows:

Over five years	<u>72,980</u>	<u>72,980</u>
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c) Liquidity Risk Management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company is exposed to liquidity risk in respect of non current interest bearing liabilities, long term deposit, short term borrowings, trade and other payable and mark-up accrued.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors' and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Maturity analysis for financial liabilities

The table below analyses Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
-----Rupees in thousands-----					
Non-derivative Liabilities					
Long term financing	509,238	(757,613)	(46,401)	(51,936)	(659,276)
Long term deposits	5,971	(5,971)	-	-	(5,971)
Trade and other payables	469,984	(469,984)	(469,984)	-	-
Short term borrowings	419,261	(419,261)	(209,630)	(209,631)	-
Accrued mark-up	17,863	(17,863)	(17,863)	-	-
	<u>1,422,317</u>	<u>(1,670,692)</u>	<u>(743,878)</u>	<u>(261,567)</u>	<u>(665,247)</u>
	2013 ----- (Restated) -----				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
-----Rupees in thousands-----					
Non-derivative Liabilities					
Long term financing	131,784	(158,391)	(35,656)	(34,048)	(88,687)
Long term deposits	5,971	(5,971)	-	-	(5,971)
Trade and other payables	239,558	(239,558)	(239,558)	-	-
Short term borrowings	556,074	(556,074)	(278,037)	(278,037)	-
Accrued mark-up	17,270	(17,270)	(17,270)	-	-
	<u>950,657</u>	<u>(977,264)</u>	<u>(570,521)</u>	<u>(312,085)</u>	<u>(94,658)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30th. The rates of mark-up have been disclosed in the respective notes to these unconsolidated financial statements.

d) Market Risk

Market risk is the risk that changes in market interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

e) Interest / Mark-up Rate Risk Management

Interest / mark-up rate risk management arises from the possibility of changes in interest/mark-up rates which may affect the value of financial instruments. The Company has long term finance and short term borrowing at variable rates. Company is exposed to interest / mark-up rates risk on long term financing, interest rate risk for short term borrowing is covered by holding "Prepayment option" which can be exercised upon any adverse movement in the underlying interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

	Carrying amount	
	June 2014	June 2013
	-----Rupees in thousands-----	
Fixed rate instruments		
Financial assets	1,000	1,000
Variable rate instruments		
Financial assets	20,210	3,979
Financial liabilities	928,499	687,858

Fair Value Sensitivity Analysis for Fixed Rate Instruments:

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, change in interest rates at the reporting date would not affect profit and loss account.

Cash Flow Sensitivity Analysis for Variable Rate Instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 0.202 million (June 30, 2013: Rs 0.0397 million) higher / lower, mainly as a result of higher / lower interest income from these financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 9.28 million (June 30, 2013: RS. 6.87 million) higher / lower, mainly as a result of higher / lower interest expense of these financial liabilities.

A summary of the Company's interest rate gap position, categorised by the earlier of contractual repricing or maturity dates at the end of year is as follows:

	June 30, 2014				Total
	Mark-up /return(%)	Less than 6 months	6 months to 1 year	More than 1 year	
	-----Rupees in thousands-----				
Assets					
Bank balance	6.5%	5,500	1,085	14,625	21,210
Total assets		5,500	1,085	14,625	21,210
Liabilities					
Short term running finance	12-14%	(209,630)	(209,631)	-	(419,261)
Long term financing	12-13%	(46,401)	(51,936)	(659,276)	(757,613)
Total liabilities		(256,031)	(261,567)	(659,276)	(1,176,874)
On-balance sheet gap		(250,531)	(260,482)	(644,651)	(1,155,664)
Total interest risk sensitivity gap		(250,531)	(511,013)	(1,155,664)	(1,155,664)

f) Foreign Exchange Risk Management

Foreign exchange risk is the risk that the value of financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable/payable from /to the foreign entities and outstanding letters of credit and bills payable.

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

	2014		2013	
	Rupees	US \$	Rupees	US \$
	-----in thousands-----		-----in thousands-----	
Trade and other payables	(237,334)	(2,403)	-	-
	<u>(237,334)</u>	<u>(2,403)</u>	<u>-</u>	<u>-</u>

Currently, the Company does not obtain forward cover against the gross exposure. The following significant rates applied during the year:

	2014	2013	2014	2013
	Average Rate		Balance sheet date rate	
US Dollar to PKR	102.98	98.03	98.75	98.80

Sensitivity Analysis

A five percent strengthening / weakening of Rupee against US Dollar on June 30th would have increased /decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2013.

	Profit and loss Account	
	2014	2013
Effects in US Dollars gain / loss	<u>11,867</u>	<u>-</u>

g) Fair value of financial instruments

The carrying value of all the financial assets and liabilities reflected in the financial statements approximates their fair value. The methods used for determining fair values of each class of financial assets and liabilities are disclosed in respective policy notes.

h) Capital Risk Management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders and to maintain a strong base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and make adjustments to in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payable to the shareholders or issue new shares.

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

i) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other

than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objectives of becoming a profitable organisation, producing high quality cement and generating returns for investors. Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

40 CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	Rs. in thousands
Loans and advances	Property, plant and equipment	<u>50,710</u>

41 NUMBER OF EMPLOYEES

The total number of employees as at year end were 561 and average number of employees were 493.

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 16, 2014, have proposed for the year ended June 30, 2014, final cash dividend of Rs. 1.10 per share i.e. 11% (June 30, 2013: Rs. 0.5 per share i.e. 5%) amounting to Rs. 109.69 million (June 30, 2013: Rs. 49.86 million) for approval by the members of the Company in the Annual General Meeting to be held on October 20, 2014. The unconsolidated financial statements for the year ended June 30, 2014 do not include the effect of the proposed cash dividend, which will be recognized in the unconsolidated financial statements for the year ending on June 30, 2015.

43 DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on September 16, 2014 by the Board of Directors of the Company.

44 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.



CHIEF EXECUTIVE



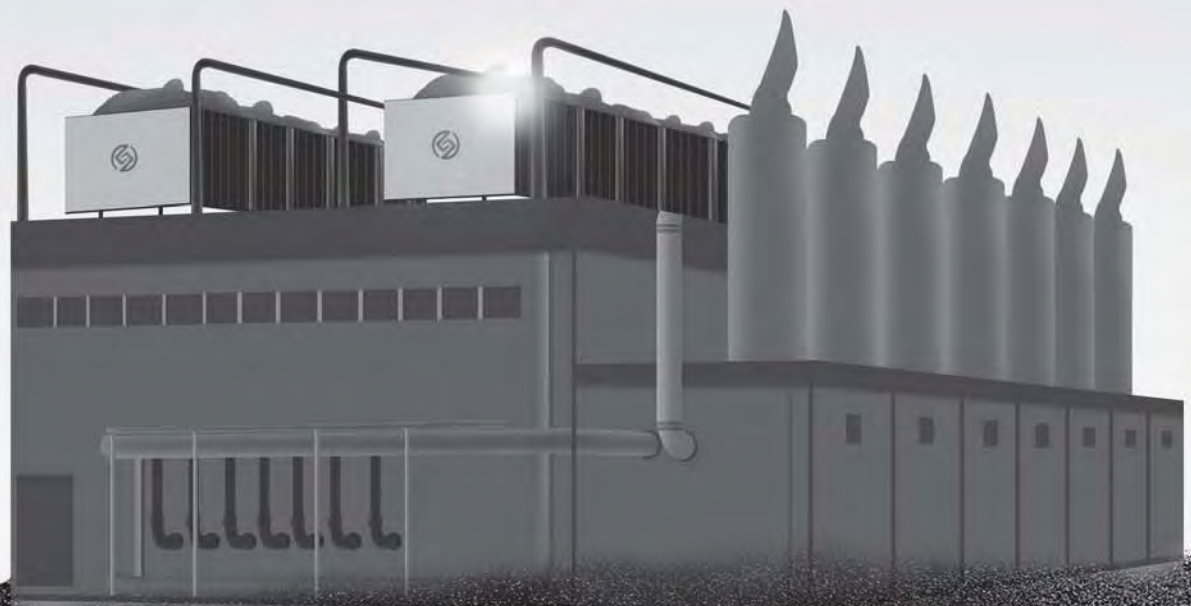
DIRECTOR

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Generating Long-Term Energy

Thatta Power (Private) Limited (TPPL), subsidiary of the Company had successfully started commercial operation on December 12, 2012. The principal business of the subsidiary is generation and supply of electrical power.

By constructing a captive power plant, Thatta Cement hopes to create an endeavor that will not only benefit the company, but also help achieve the long-term growth and increase the strength of Pakistan's communal surroundings.





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

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

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Thatta Cement Company Limited** ("the Holding Company") and its subsidiary company as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Thatta Cement Company Limited. Thatta Power (Private) Limited ("the Subsidiary Company") was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Thatta Cement Company Limited and its subsidiary company as at 30 June 2014 and the results of their operations for the year then ended.

Date: September 16, 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated Balance Sheet

As at June 30, 2014

	Note	2014	2013	2012
			-----Restated-----	
		-----Rupees in thousands-----		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	2,699,846	2,272,865	1,261,121
Intangible assets	6	349	548	3,534
Long term investment in associate	7	-	167,472	138,587
Long term investment - available-for-sale	7	140,106	-	-
Long term deposits		1,006	1,006	792
		<u>2,841,307</u>	<u>2,441,891</u>	<u>1,404,034</u>
CURRENT ASSETS				
Stores, spare parts and loose tools	8	413,092	297,648	283,555
Stock-in-trade	9	418,063	349,313	229,723
Trade debts	10	281,608	186,605	138,782
Short term investments - held to maturity	11	306,000	306,000	-
Loans and advances	12	18,774	20,156	36,808
Trade deposits and short term prepayments	13	26,535	12,579	9,118
Other receivables and accrued interest	14	161,085	70,152	3,528
Taxation - net		-	-	60,453
Sales tax refundable		-	13,927	-
Cash and bank balances	15	170,148	178,476	6,111
		<u>1,795,305</u>	<u>1,434,856</u>	<u>768,078</u>
		<u>4,636,612</u>	<u>3,876,747</u>	<u>2,172,112</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital 200,000,000 (June 30, 2013: 200,000,000) ordinary shares of Rs. 10/- each	16	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital	16	997,181	997,181	997,181
Share premium		99,718	99,718	99,718
Accumulated profit / (loss)		517,496	147,532	(119,536)
		1,614,395	1,244,431	977,363
Non-controlling interest		340,905	242,050	-
Advance against subscription for shares to non-controlling interest		-	-	27,000
		<u>1,955,300</u>	<u>1,486,481</u>	<u>1,004,363</u>
NON-CURRENT LIABILITIES				
Long term financing	17	1,141,222	1,066,503	131,785
Long term deposits	18	5,971	5,971	3,581
Long term employee benefit	19	13,185	10,111	9,544
Deferred taxation	20	132,039	105,177	48,080
		<u>1,292,417</u>	<u>1,187,762</u>	<u>192,990</u>
CURRENT LIABILITIES				
Trade and other payables	21	576,414	256,810	488,678
Accrued mark-up	22	31,997	34,952	11,816
Current maturity of long term financing	17	360,474	352,477	57,919
Taxation - net		749	2,191	-
Short term borrowings	23	419,261	556,074	416,346
		<u>1,388,895</u>	<u>1,202,504</u>	<u>974,759</u>
CONTINGENCIES AND COMMITMENTS				
	24	<u>4,636,612</u>	<u>3,876,747</u>	<u>2,172,112</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Consolidated Profit & Loss Account

For the year ended June 30, 2014

	Note	2014	2013
-----Rupees in thousands-----			
Sales - net	25	3,021,994	2,824,199
Cost of sales	26	<u>(1,914,575)</u>	<u>(2,069,463)</u>
Gross profit		1,107,419	754,736
Selling and distribution cost	27	<u>(57,545)</u>	<u>(66,091)</u>
Administrative expenses	28	<u>(82,915)</u>	<u>(70,919)</u>
		<u>(140,460)</u>	<u>(137,010)</u>
Operating profit		<u>966,959</u>	<u>617,726</u>
Other operating expenses	29	<u>(130,743)</u>	<u>(79,317)</u>
Finance cost	30	<u>(204,409)</u>	<u>(166,097)</u>
		<u>(335,152)</u>	<u>(245,414)</u>
Share of (loss) / profit from associate		(14,839)	28,885
Other income	31	95,846	47,372
Profit before taxation		<u>712,814</u>	<u>448,569</u>
Taxation	32	<u>(190,930)</u>	<u>(116,626)</u>
Profit after taxation		<u>521,884</u>	<u>331,943</u>
----- Rupees -----			
Earnings per share - basic and diluted	33	<u>4.24</u>	<u>2.74</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE




DIRECTOR

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		-----Rupees in thousands-----	
Profit after taxation		521,884	331,943
Other comprehensive loss			
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>			
Remeasurement of defined benefit liability	4.24.2	(4,933)	(4,347)
Recognition of deferred tax	4.24.2	1,727	1,522
		(3,206)	(2,825)
Total comprehensive income for the year		518,678	329,118
Total comprehensive profit for the period attributable to:			
- Equity holders of the Holding Company		419,823	270,564
- Non-controlling interest		98,855	58,554
		518,678	329,118

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.



CHIEF EXECUTIVE



DIRECTOR

Consolidated Cash Flow Statement

For the year ended June 30, 2014

	2014	2013 (Restated)
	-----Rupees in thousands-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	712,814	448,569
Adjustment for:		
Depreciation	92,903	76,495
Impairment of intangibles	-	3,216
Amortization of intangible assets	199	77
Impairment of major stores and spares / provision for slow moving and dead stores	3,392	(547)
Finance cost	204,409	166,097
Share of loss / (profit) from associate	14,839	(28,885)
Capital expenditure written off	1,597	-
Provision for gratuity	7,253	6,586
Provision for leave encashment	4,744	2,654
Provision for doubtful debt	-	711
Gain on disposal of long term investment in associate	(1,447)	-
Impairment on available-for-sale investment	35,027	-
Revaluation gain on initial recognition of available-for-sale investment	(25,988)	-
Revaluation gain on outstanding balance of deferred payment letter of credit	(180)	-
Loss on disposal of property, plant and equipment	1,791	38
	<u>338,539</u>	<u>226,442</u>
Operating cash flows before working capital changes	<u>1,051,353</u>	<u>675,011</u>
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(116,536)	(13,546)
Stock-in-trade	(68,750)	(119,590)
Trade debts	(95,003)	(48,534)
Loans and advances	1,382	16,652
Trade deposits and short term prepayments	(13,956)	(3,461)
Other receivable, accrued interest and sales tax refundable	(77,006)	(48,591)
	<u>(369,869)</u>	<u>(217,070)</u>
Increase / (decrease) in current liabilities		
Trade and other payables excluding gratuity payable and dividend payable	314,411	(234,357)
Cash generated from operations	<u>995,895</u>	<u>223,584</u>
Finance cost paid	(207,364)	(142,961)
Gratuity paid	(7,106)	(8,444)
Leave encashment paid	(1,670)	(2,087)
Tax (paid) / refund - net	(163,783)	4,637
	<u>(379,923)</u>	<u>(148,855)</u>
Net cash generated from operating activities	<u>615,972</u>	<u>74,729</u>

Consolidated Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		-----Rupees in thousands-----	
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(526,199)	(1,120,412)
Addition in intangible assets		-	(307)
Acquisition of short term investment		(306,000)	(306,000)
Sale proceeds upon maturity of short term investment		306,000	-
Dividend paid		(49,746)	-
Disposal of long term investment in associate		4,937	-
Proceeds from disposal of property, plant and equipment		625	175
Long term deposits - assets		-	(214)
Net cash used in investing activities		(570,383)	(1,426,758)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(352,477)	(185,635)
Long term financing obtained		435,373	1,414,911
Proceeds from issuance of shares to non-controlling interest		-	153,000
Long term deposits - liabilities		-	2,390
Net cash generated from financing activities		82,896	1,384,666
Net increase in cash and cash equivalents		128,485	32,637
Cash and cash equivalents at beginning of the year		(377,598)	(410,235)
Cash and cash equivalents at end of the year	34	(249,113)	(377,598)

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Equity attributable to owners of the Holding Company					Non -controlling interest	Advance against subscription for shares	Total
	Issued, subscribed and paid-up capital	Share premium	Deficit on revaluation of available- for-sale investment	Accumulated profit/ (loss)	Total			
-----Rupees in thousands-----								
Balance as at July 1, 2012	997,181	99,718	-	(119,578)	977,321	-	27,000	1,004,321
Effect of change in accounting policy - note 4.24	-	-	-	42	42	-	-	42
Balance as at July 1, 2012 - restated	997,181	99,718	-	(119,536)	977,363	-	27,000	1,004,363
<i>Transactions with owners recorded directly in equity</i>								
Shares issued to non-controlling interest	-	-	-	-	-	180,000	(27,000)	153,000
Share of profit transferred to non-controlling interest at the time of acquisition	-	-	-	(3,496)	(3,496)	3,496	-	-
<i>Total comprehensive income for the year ended June 30, 2013</i>								
Profit after taxation	-	-	-	273,389	273,389	58,554	-	331,943
Other comprehensive loss	-	-	-	(2,825)	(2,825)	-	-	(2,825)
	-	-	-	270,564	270,564	58,554	-	329,118
Balance as at June 30, 2013	997,181	99,718	-	147,532	1,244,431	242,050	-	1,486,481
Balance as at July 1, 2013 as previously reported	997,181	99,718	-	150,315	1,247,214	242,050	-	1,489,264
Effect of change in accounting policy - note 4.24	-	-	-	(2,783)	(2,783)	-	-	(2,783)
Balance as at July 1, 2013 - restated	997,181	99,718	-	147,532	1,244,431	242,050	-	1,486,481
<i>Transactions with owners recorded directly in equity</i>								
Final dividend @ Rs. 0.5 per share for the year ended June 30, 2013	-	-	-	(49,859)	(49,859)	-	-	(49,859)
<i>Total comprehensive income for the year ended June 30, 2014</i>								
Profit after taxation	-	-	-	423,029	423,029	98,855	-	521,884
Remeasurement of defined benefit liability - net of deferred tax	-	-	-	(3,206)	(3,206)	-	-	(3,206)
Deficit on revaluation of available-for-sale investment	-	-	(35,027)	-	(35,027)	-	-	(35,027)
Deficit on revaluation of available-for-sale investment transferred to profit and loss account on impairment	-	-	35,027	-	35,027	-	-	35,027
	-	-	-	419,823	419,823	98,855	-	518,678
Balance as at June 30, 2014	997,181	99,718	-	517,496	1,614,395	340,905	-	1,955,300

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE


DIRECTOR

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

1 THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of Thatta Cement Company Limited, the Holding Company and Thatta Power (Private) Limited, the Subsidiary Company (together referred to as "the Group").
- 1.2 Thatta Cement Company Limited ("the Holding Company") was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Karachi Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi - 75600. The production facility of the Company is located at Ghulamullah Road, Makli, District Thatta, Sindh.
- 1.3 Thatta Power (Private) Limited (TPPL) is a 62.43% owned subsidiary of the Holding Company as at June 30, 2014 (June 30, 2013: 62.43%). The principal business of the subsidiary is generation, supply and transmission of electrical power. As at June 30, 2014 TPPL has authorized and issued capital of Rs. 500 million and Rs. 479.16 million divided into 5,000,000 and 4,791,583 ordinary shares respectively.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

These consolidated financial statements are being submitted to the shareholders as required under section 237 of the Companies Ordinance, 1984 and the Karachi Stock Exchange Regulations.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of the Holding Company and subsidiary.

The financial statements of the subsidiary are included in the consolidated financial statements from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Upon loss of control, the Holding Company recognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss account.

The financial statements of the subsidiary are prepared for the same reporting period as of the holding company.

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis. The carrying value of investment held by the holding company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. Intra-group balances and transactions are eliminated.

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for certain employee retirement benefits and foreign currency liabilities which are stated as reported in their respective notes.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

2.5 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended June 30, 2013 except for as explained in note 2.5.1.

Management has made the following estimates and judgements which are significant to these consolidated financial statements:

a) Fixed assets

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The Group also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

b) Trade debts

The Group reviews its doubtful debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgement by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

c) Stock-in-trade and stores and spares

The Group reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade, stores and spares and corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sale.

d) Income taxes

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Group's future taxable profits are taken into account.

e) **Contingencies**

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, 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 with respect to evaluation based on element of issue involved and opinion of legal counsel.

f) **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements for actuarial valuation of present value of defined benefit obligation and leave encashment. Change in these assumptions in future years may affect the liability under the scheme in those years.

g) **Investments**

The Group determines that a significant and prolonged decline in the fair value of its investments below its cost is an objective evidence of impairment. The impairment loss is recognized when the carrying amount exceeds the higher of fair value less cost to sell and value in use.

2.5.1 Change in accounting estimate

During the year, the Holding Company changed the depreciation method of all items of plant and machinery except utilities equipment from reducing balance to units of production method (UoP) as the management believes that it better reflects the pattern in which the asset's future economic benefits are expected to be consumed. Management has incorporated the effect of change in estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements.

Had the said change not been made depreciation expense for the year would have been higher by Rs. 5.31 million. The effect of the change on future periods is not disclosed as it is considered impracticable.

3 STANDARDS, AMENDMENTS OR INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE YEAR

During the year certain amendments to Standards and new interpretations became effective; however, they did not have any material affect on these consolidated financial statements of the Group except as disclosed in notes 4.1.1 and 4.11.1.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 1, 2014:

- IFRIC 21 - Levies 'An interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on the consolidated financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on the consolidated financial statements.

- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.
- Amendments to IAS 19 'Employee Benefits' Employee contributions - a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after January 1, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the consolidated financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 1, 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a Group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.
- Securities and Exchange Commission of Pakistan vide SRO 633 (1) / 2014 dated July 10, 2014 has approved the below IFRSs to be effective for annual period beginning on or after January 1, 2015:
 - a. IFRS 10 'Consolidated Financial Statements'
 - b. IFRS 11 'Joint Arrangements'
 - c. IFRS 12 'Disclosure of Interest in Other Entities'
 - d. IFRS 13 'Fair Value Measurements'

The Group is currently evaluating the implication of aforementioned Standards in its consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all years presented except as described in note 4.1.1 and 4.11.1.

4.1 Property, plant and equipment

Property, plant and equipment (except freehold land) are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

Depreciation on plant and machinery of the Holding Company is charged to consolidated profit and loss account by applying Units of Production (UoP) Method except for depreciation on utilities (within plant and machinery) which is depreciated using reducing balance method. Depreciation on leasehold improvements is charged using straight line method. All other items of operating fixed assets are depreciated using reducing balance method. Majority items of plant and machinery of subsidiary company are depreciated on the basis of running hours (RH) of engines. Depreciation rates of each item is mentioned in note 5.1. Depreciation on addition is charged from the date when the asset is available for use and on disposal upto the date when the asset is classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or the date when the asset is derecognized, whichever is earlier. Assets' residual values and useful lives are reviewed, and adjusted, if appropriate at each balance sheet date.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. Normal maintenance and repairs are charged to consolidated profit and loss account as and when incurred whereas major renewals and improvements are capitalized.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in consolidated profit and loss account.

4.1.1 Change in accounting policy

Annual Improvements to IFRS 2009 - 2011 amended International Accounting Standard (IAS) 16 'Property, Plant and Equipment' to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment as in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, they are accounted for as consumable spares under IAS 2 'Inventories'. The change became effective to the Group from July 1, 2013 and is to be applied retrospectively.

As per the revised policy spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year are classified as property, plant and equipment under category of major stores and spares and will be carried at cost less accumulated impairment, if any. These will be transferred to relevant operating assets category as and when such items are available for use.

This change in accounting policy has been accounted for retrospectively in accordance with International Accounting Standard (IAS 8) 'Accounting Policies, Change in Accounting Estimate and Errors' resulting in restatement of financial statements of prior periods.

The effect of the above change in accounting policy for prior periods presented has been mentioned in note 4.24.

Further, had the Holding Company not changed its accounting policy, the property, plant and equipment would have decreased and stores, spare parts and loose tools would have increased by Rs. 94.112 million as at June 30, 2014.

4.2 Capital work-in-progress (CWIP)

Capital work-in-progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

4.3 Government grant

Government grants related to assets are presented by deducting the grant amount in arriving at the carrying amount of the asset. The grant is recognized in consolidated profit and loss account over the useful life of the asset as reduced by depreciation expense.

4.4 Intangible assets

Intangible assets are recognized when it is probable that the expected future economic benefits will flow to the entity and the cost of an asset can be measured reliably. Cost of intangible asset includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use. Costs associated with maintaining computer software are recognized as an expense as and when incurred. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged over the estimated useful life of the asset on a systematic basis by applying the straight line method. Useful lives of all intangible assets are reviewed at each balance sheet date and adjusted if the impact of amortization is significant. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates.

4.5 Impairment

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.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk 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).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.6 Investments

Investment in associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of voting power of another entity or has significant influence through common directorship. Investment in associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The consolidated financial statements include the Group's share of its associate's post acquisition profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date the significant influence commences until the date that significant influence ceases.

Investment - available-for-sale

The Group classifies its other long term investment as 'Available-for-sale' (AFS) investments which are non-derivatives and are either designated in this category or not classified as 'Financial assets at fair value through profit or loss', 'Loans and receivables' or 'Held to maturity financial assets'.

Available-for-sale investment is initially recorded at fair value and subsequently remeasured at fair value at each reporting date. Changes in fair value are taken to consolidated statement of other comprehensive income. When investment classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in consolidated statement of other comprehensive income are included in the consolidated profit and loss account. Dividend on available-for-sale investment is recognized in consolidated profit and loss account as part of 'other operating income' when the Group's right to receive payment is established.

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale investment is impaired. For such investment, a significant prolonged decline in the fair value of the investment below the carrying value is considered as an indicator that the investment is impaired. If any such evidence exists, the cumulative loss is transferred from consolidated statement of other comprehensive income to consolidated profit and loss account. Impairment losses previously recognized in the consolidated profit and loss account on available-for-sale investment is not reversed through consolidated profit and loss account.

Investment - held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and maturity where management has a positive intention and ability to hold till maturity.

4.7 Stores, spare parts and loose tools

These are stated at lower of cost (calculated on moving average) and net realisable value, less provision for dead and slow moving stores and spares. Store and spares in transit are valued at invoice value plus other charges incurred thereon as on balance sheet date.

Provision for dead and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost necessary to be incurred to make the sale.

4.8 Stock-in-trade

Stock of raw and packing material, work in process and finished goods are valued at the lower of cost and net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at cost on moving average basis. Stocks in transit are valued at cost comprising invoice value plus other charges directly attributable to the acquisition of related purchase incurred upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessary to be incurred in order to make the sale.

4.9 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment and provision for doubtful debts, if any. Provision for impairment and provision for doubtful debts are established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

Export debts are initially recognized at the exchange rate prevailing on the date when significant risks and rewards of ownership are transferred and subsequently remeasured at each balance sheet date. Exchange gain / (loss) on remeasurement is taken to consolidated profit and loss account.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand, with banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

4.11 Employee retirement benefits

Defined benefit plan

The Holding Company operates an approved funded gratuity scheme covering all permanent employees. The scheme is administered by the trustees nominated under the trust deed. The liability recognized in respect of gratuity is the present value of the Holding Company's obligations under the scheme at the balance sheet date less the fair value of plan assets, together with adjustment for unrecognized actuarial gains or losses. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Actuarial Cost Method.

The present value of obligations are determined by discounting the estimated future cash outflows using interest rates of government bonds. The government bonds are consistent with the estimated term of the post-employment benefit obligations.

Defined contribution plan

The Holding Company also operates an approved contributory Provident Fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees at the rate of 10% of basic salary.

Leave encashment

The liability for accumulated leave encashment of employees is recognised on the basis of actuarial valuation in the period in which employees render service that increases their entitlement to future leave encashment.

4.11.1 Change in accounting policy

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

- a) The standard requires past service cost to be recognised immediately in consolidated profit or loss;
- b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- d) The amendment requires an entity to recognise remeasurements immediately in statement of other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The Group management believes that the effects of these changes would not have significant effect on these consolidated financial statements except for the changes referred to in (d) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

This change in accounting policy has no effect on consolidated profit and loss account for the years ended June 30, 2012 and June 30, 2013 as no actuarial gain / loss was charged to the consolidated profit and loss for these years in accordance with the corridor approach as previously applied.

The effect of the above change in accounting policy for prior periods presented has been mentioned in note 4.24.

Further, had the Holding Company not changed its accounting policy, there would be no change in 'Other Comprehensive Income' whereas change on 'Profit and Loss Account' would be immaterial for the year ended June 30, 2014.

4.12 Borrowings and finance cost

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing cost incurred on long term finances directly attributable for the construction / acquisition of qualifying asset are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to consolidated profit and loss account.

4.13 Taxation

Current

Provision for current taxation of the Holding Company is computed in accordance with the provisions of Income Tax Ordinance, 2001. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior year including those arising from assessment and amendments in assessments during the year in such years.

The profits and gains of the subsidiary company derived from electric power generation are exempt from tax in terms of Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the conditions and limitations provided therein. Under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the subsidiary company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001. However, full provision is made in the consolidated profit and loss account on income from other sources not covered under the above clauses at current rate of taxation after taking into account tax credits and rebates available, if any.

Deferred

The Holding Company accounts for deferred taxation on all temporary differences using liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax has not been provided in these consolidated financial statements for the subsidiary company as the Group's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the subsidiary company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in the Income Tax Ordinance, 2001.

4.14 Trade and other payables

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

4.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate.

4.16 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as sharing of electricity, gas, water, repair and maintenance relating to the head office, shared with associated companies, which are based on the advices received.

4.17 Revenue recognition

Thatta Cement Company Limited

Revenue is recognized to the extent it is probable that the 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. Revenue from sales is recognised upon passage of the title to the customers usually on dispatch of goods. Export sales are recognised as revenue when significant risks and rewards of ownership are transferred. Interest and rental / other income is recognised on accrual basis.

Thatta Power (Private) Limited

Revenue from the sale of electric power is recorded based upon the output delivered and capacity available at rates specified under the Power Purchase Agreements whereas income on short term investments is recorded on accrual basis using effective interest rate method.

4.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Group loses control of the contractual rights that comprises the financial assets. Financial liabilities are derecognized at the time when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled, or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to consolidated profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

4.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

4.21 Foreign currency transactions

Transaction in foreign currencies are translated into Pak Rupees using the exchange rates prevailing on the date of each transaction. Monetary assets and liabilities in foreign currencies are reported in Pak Rupees using the exchange rates approximating those prevailing on the balance sheet date. All exchange differences are taken into consolidated profit and loss account.

4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4.23 Dividends and appropriations

Dividends and reserve appropriations are recognized in the period in which these are declared / approved.

4.24 Summary of effect of changes

4.24.1 Effect of changes on balance sheet

	As at June 30, 2012				Restated
	As previously reported	Note 4.11.1	Note 4.1.1	Note 40	
-----Rupees in thousands-----					
Total assets					
Property, plant and equipment	1,214,654	-	46,467	-	1,261,121
Stores, spare parts and loose tools	330,022	-	(46,467)	-	283,555
Others	627,436	-	-	-	627,436
	<u>2,172,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,172,112</u>
Equity and liabilities					
Total liabilities					
Deferred taxation	48,058	22	-	-	48,080
Payable to gratuity fund	7,244	(64)	-	-	7,180
Others	1,112,489	-	-	-	1,112,489
	<u>1,167,791</u>	<u>(42)</u>	<u>-</u>	<u>-</u>	<u>1,167,749</u>
Total equity					
Accumulated loss	(119,578)	42	-	-	(119,536)
Others	1,123,899	-	-	-	1,123,899
	<u>1,004,321</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>1,004,363</u>
	<u>2,172,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,172,112</u>

	As at June 30, 2013				Restated
	As previously reported	Note 4.11.1	Note 4.1.1	Note 40	
-----Rupees in thousands-----					
Total assets					
Property, plant and equipment	2,161,681	-	60,474	50,710	2,272,865
Stores, spare parts and loose tools	358,122	-	(60,474)	-	297,648
Loans and advances	70,866	-	-	(50,710)	20,156
Others	1,286,078	-	-	-	1,286,078
	<u>3,876,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,876,747</u>
Equity and liabilities					
Total liabilities					
Deferred taxation	106,677	(1,500)	-	-	105,177
Payable to gratuity fund	5,386	4,283	-	-	9,669
Others	2,275,420	-	-	-	2,275,420
	<u>2,387,483</u>	<u>2,783</u>	<u>-</u>	<u>-</u>	<u>2,390,266</u>
Total equity					
Accumulated loss	150,315	(2,783)	-	-	147,532
Others	1,338,949	-	-	-	1,338,949
	<u>1,489,264</u>	<u>(2,783)</u>	<u>-</u>	<u>-</u>	<u>1,486,481</u>
	<u>3,876,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,876,747</u>

4.24.2 Effect of changes on other comprehensive loss

	For the year ended June 30, 2013			Restated
	As previously reported	Note 4.11.1	Note 4.1.1	
-----Restated----- -----Rupees in thousands-----				
Remeasurement of defined benefit liability	-	(4,347)	-	(4,347)
Recognition of deferred tax	-	1,522	-	1,522
	<u>-</u>	<u>(2,825)</u>	<u>-</u>	<u>(2,825)</u>

5 PROPERTY, PLANT AND EQUIPMENT

Note	2014	2013
		(Restated)
		-----Rupees in thousands-----
Operating fixed assets	5.1	2,101,747
Capital work-in-progress	5.4	503,987
Major stores and spares	4.24 & 5.5	94,112
		<u>2,699,846</u>
		<u>2,272,865</u>

5.1 Operating fixed assets

	2014											
	COST				Depreciation rate per annum	ACCUMULATED DEPRECIATION						
	As at July 1, 2013	Additions	Disposals	Transfer / Adjustment		As at June 30, 2014	As at July 1, 2013	Charge for the year	Accumulated depreciation on disposals	Transfer / Adjustment	As at June 30, 2014	Net book value as at June 30, 2014
	-----Rupees in thousands-----					-----Rupees in thousands-----						
Freehold land	6,421	-	-	-	6,421	-	-	-	-	-	6,421	
Leasehold improvements	2,585	-	-	-	2,585	20%	270	517	-	787	1,798	
Quarries and improvements	11,963	-	-	-	11,963	5%	11,773	10	-	11,783	180	
Factory building on freehold land	479,026	618	-	-	479,644	10% & 4%	191,204	14,826	-	206,030	273,614	
Electrical installations	56,367	-	-	-	56,367	5%	5,515	2,543	-	8,058	48,309	
Housing colonies	72,293	1,418	-	-	73,711	5%	53,308	995	-	54,303	19,408	
Office building on freehold land	22,281	-	-	-	22,281	5%	17,812	223	-	18,035	4,246	
Cooling towers	73,235	-	-	-	73,235	7%	2,823	5,126	-	7,949	65,286	
Plant and machinery	2,709,285	56,727	(3,951)	-	2,762,061	UoP & RH	1,110,600	55,453	(1,775)	1,164,278	1,597,783	
Quarry equipment	18,040	-	-	-	18,040	20%	18,018	4	-	18,022	18	
Railway sidings	14,905	-	-	-	14,905	10%	12,996	191	-	13,187	1,718	
Vehicles	49,049	9,358	(1,507)	-	56,900	10% & 20%	23,809	5,579	(1,269)	28,119	28,781	
Furniture and fixtures	12,084	-	-	-	12,084	10%	5,342	677	-	6,019	6,065	
Office equipment	14,029	1,071	(39)	-	15,061	10%	4,026	1,043	-	5,069	9,992	
Medical equipment	629	-	-	-	629	10%	621	1	-	622	7	
Laboratory equipment	54,174	463	-	-	54,637	10%	18,163	3,612	-	21,775	32,862	
Computers	14,469	1,133	(95)	-	15,507	30%	8,238	2,103	(93)	10,248	5,259	
	<u>3,610,835</u>	<u>70,788</u>	<u>(5,592)</u>	<u>-</u>	<u>3,676,031</u>		<u>1,484,518</u>	<u>92,903</u>	<u>(3,137)</u>	<u>-</u>	<u>1,574,284</u>	<u>2,101,747</u>

	2013											
	COST				Depreciation rate per annum	ACCUMULATED DEPRECIATION						
	As at July 1, 2012	Additions	Disposals	Transfer / Adjustment		As at June 30, 2013	As at July 1, 2012	Charge for the year	Accumulated depreciation on disposals	Transfer / Adjustment	As at June 30, 2013	Net book value as at June 30, 2013
	-----Rupees in thousands-----					-----Rupees in thousands-----						
Freehold land	6,421	-	-	-	6,421	-	-	-	-	-	6,421	
Leasehold improvements	45,656	2,585	(45,656)	-	2,585	10% & 20%	12,555	1,411	(13,696)	-	270	2,315
Quarries and improvements	11,963	-	-	-	11,963	5%	11,763	10	-	11,773	190	
Factory building on freehold land	237,543	241,483	-	-	479,026	10% & 4%	180,145	11,059	-	191,204	287,822	
Electrical installations	25,657	30,710	-	-	56,367	5%	3,660	1,855	-	5,515	50,852	
Housing colonies	72,293	-	-	-	72,293	5%	52,309	999	-	53,308	18,985	
Office building on freehold land	22,281	-	-	-	22,281	5%	17,577	235	-	17,812	4,469	
Cooling towers	-	73,235	-	-	73,235	7%	-	2,823	-	2,823	70,412	
Plant and machinery	1,642,568	1,069,947	-	(3,230)	2,709,285	5% & RH	1,066,885	46,632	-	(2,917)	1,110,600	1,598,685
Quarry equipment	18,040	-	-	-	18,040	20%	18,012	6	-	18,018	22	
Railway sidings	14,905	-	-	-	14,905	10%	12,784	212	-	12,996	1,909	
Vehicles	39,788	9,866	(605)	-	49,049	10% & 20%	19,565	4,691	(447)	23,809	25,240	
Furniture and fixtures	6,264	5,820	-	-	12,084	10%	4,918	424	-	5,342	6,742	
Office equipment	6,319	7,790	(80)	-	14,029	10%	3,459	603	(36)	4,026	10,003	
Medical equipment	629	-	-	-	629	10%	620	1	-	621	8	
Laboratory equipment	49,922	4,252	-	-	54,174	10%	14,282	3,881	-	18,163	36,011	
Computers	10,316	4,213	(60)	-	14,469	30%	6,634	1,653	(49)	8,238	6,231	
	<u>2,210,565</u>	<u>1,449,901</u>	<u>(46,401)</u>	<u>(3,230)</u>	<u>3,610,835</u>		<u>1,425,168</u>	<u>76,495</u>	<u>(14,228)</u>	<u>(2,917)</u>	<u>1,484,518</u>	<u>2,126,317</u>

Note	2014	2013
		-----Rupees in thousands-----

5.2 Allocation of depreciation

The depreciation charge for the year has been allocated as under:

Cost of sales	26	85,009	69,225
Selling and distribution cost	27	1,991	1,551
Administrative expenses	28	5,903	5,719
		<u>92,903</u>	<u>76,495</u>

5.3 The details of operating fixed assets having book value of above Rs. 50,000/- disposed off during the year are as follows:

Particulars	Note	Cost	WDV	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
-----Rupees in thousands-----							
Plant and machinery	5.4.1	3,951	2,176	-	(2,176)	As per agreement	ABB (Pvt.) Limited
Vehicle		722	115	500	385	Insurance claim	EFU General Insurance Limited
Vehicle		785	123	123	-	As per Holding Company policy	Mr. Zubair Iqbal (ex-employee)
During the year ended June 30, 2014		5,458	2,414	623	(1,791)		
During the year ended June 30, 2013		46,261	32,118	32,118	-		

5.4 Capital work-in-progress

	Note	Cost as at July 1, 2013	Capital expenditure incurred during the year	Transferred to operating fixed assets / stores / goods in transit	Cost as at June 30, 2014
(Restated) -----Rupees in thousands-----					
Plant and machinery under USAID project	5.4.1	33,767	2,220	(35,987)	-
Balancing, Modernization and Rehabilitation project	5.4.2	50,710	452,489	-	503,199
Construction of rooms and security check post		1,597	1,406	(2,215)	788
As at June 30, 2014		86,074	456,115	(38,202)	503,987
As at June 30, 2013		429,257	1,015,619	(1,358,802)	86,074

5.4.1 The Holding Company acquired plant and machinery items from ABB (Pvt.) Limited under USAID Energy Efficiency and Capacity Program. The program offers 50% subsidy to replace inefficient motors and variable speed drives with certified energy efficient equipment. The replaced motors and variable speed drives were handed over to ABB (Pvt.) Limited for destruction as per agreement for acquiring energy efficient motors and variable speed drives.

5.4.2 To improve cement plant efficiencies and ensure sustainable operations, the Holding Company has worked on BMR program for which a contract has been signed with the world renowned supplier FLSmidth for supply of equipment and engineering. The BMR will equip the plant with state of the art pyro process technology and efficient production facility. The BMR is expected to be completed in first quarter of next calendar year. The completion of BMR would advance manifold benefits to the Holding Company in terms of improved efficiency, productivity, lowering cost of production, sustainability of operations etc.

Note

2014

2013

-----Rupees in thousands-----

5.5 Major stores and spares

Cost

Opening balance	73,061	59,054
Additions during the year	71,392	17,318
Transferred to operating fixed assets and capital work-in-progress	(35,454)	(3,311)
Closing balance	108,999	73,061

Accumulated impairment

Opening balance	(12,587)	(12,587)
Impairment charge for the year	(2,300)	-
Closing balance	(14,887)	(12,587)

94,11260,474

6 INTANGIBLE ASSETS

The Group's intangible assets comprise of computer software and monogram licence. The carrying amount as at June 30 is as follows:

Cost	667	667
Less: Accumulated amortization	(318)	(119)
	349	548
Capital work-in-progress	6.1 -	-
	<u>349</u>	<u>548</u>

6.1 Capital work-in-progress

Opening balance	-	3,366
Addition during the year	-	150
Transferred to intangible assets	-	(300)
Impairment charged during the year	-	(3,216)
Closing balance	<u>-</u>	<u>-</u>

7 LONG TERM INVESTMENT

7.1 Long term investment in associate

During the year the associated undertaking relationship ceased with an associated undertaking i.e. Power Cement Limited. This investment was accounted for in accordance with International Accounting Standard 28 'Investments in Associates and Joint Ventures'; however, on cessation of associated undertaking relationship, the same investment is now accounted for as an 'Available-for-sale' investment in accordance with International Accounting Standard 39 'Financial Instruments - Recognition and Measurement'.

7.2 Long term investment - available-for-sale

	June 30, 2013	Disposal	Reclassified to available -for-sale investment	June 30, 2014	Market value as on June 30, 2014
	-----Number of Shares -----				Rupees in thousands
Power Cement Limited	<u>25,600,000</u>	<u>581,000</u>	<u>25,019,000</u>	<u>25,019,000</u>	<u>140,106</u>

7.3 Impairment on long term investment - available-for-sale

	Carrying value as on February 27, 2014	Revaluation gain on February 27, 2014	Market value as on February 27, 2014	Impairment charge for the year	Market value as on June 30, 2014
	-----Rupees in thousands -----				
Power Cement Limited	<u>149,145</u>	<u>25,988</u>	<u>175,133</u>	<u>(35,027)</u>	<u>140,106</u>

8 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2014	2013 (Restated)
		-----Rupees in thousands-----	
Stores	8.1	310,677	194,116
Spare parts		130,233	130,211
Loose tools		201	248
		<u>441,111</u>	<u>324,575</u>
Less: Provision for dead stores		(2,828)	(1,485)
Provision for slow moving stores and spares	8.2	(25,191)	(25,442)
		<u>(28,019)</u>	<u>(26,927)</u>
		<u>413,092</u>	<u>297,648</u>

8.1 This includes stores in transit of Rs. 184.874 million (June 30, 2013: Rs. 3.054 million) as at the balance sheet date.

8.2 Reconciliation of carrying amount of above provision:

Opening balance	26,927	27,474
Provision / (reversal) made during the year	1,092	(547)
Closing balance	<u>28,019</u>	<u>26,927</u>

	Note	2014	2013
		-----Rupees in thousands-----	
9	STOCK-IN-TRADE		
	Raw material	42,258	22,099
	Packing material	24,346	26,871
	Work-in-process	317,003	261,445
	Finished goods	34,456	38,898
		<u>418,063</u>	<u>349,313</u>
10	TRADE DEBTS		
	Considered good		
	Local - unsecured	281,608	186,605
	Considered doubtful		
	Cement stockiest	10.1 60,801	60,801
	Excessive rebate allowed	10.1 6,101	6,101
	Controller Military Accounts	5,126	5,126
	Other customers	952	952
		<u>72,980</u>	<u>72,980</u>
	Less: Provision for doubtful debts	10.2 (72,980)	(72,980)
		<u>281,608</u>	<u>186,605</u>
10.1	This includes balances outstanding for more than 5 years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Holding Company, when the Holding Company was operating under State Cement Corporation of Pakistan (SCCP), whose services had been terminated. Accordingly, the management had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in the preceding years. Due to promulgation of National Reconciliation Ordinance (NRO), the recoveries were stopped / held up. Besides discussion and correspondence on the subject matter in previous years, two letters have been written to NAB officials during the year ended June 30, 2014, however, reply has not yet been received, therefore provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.		
10.2	Reconciliation of carrying amount of above provision:		
	Opening balance	72,980	72,269
	Provision made during the year - net	-	711
	Closing balance	<u>72,980</u>	<u>72,980</u>
11	SHORT TERM INVESTMENTS - HELD TO MATURITY		
	Term deposit with National Bank of Pakistan	<u>306,000</u>	<u>306,000</u>
11.1	The term deposit is placed with National Bank of Pakistan, which is a related party, for a period of one year at the rate of 9.85% (June 30, 2013: 9.38%) per annum and has been pledged by TPPL against the bank guarantee issued to Sui Southern Gas Company Limited by National Bank of Pakistan on behalf of TPPL.		

		2014	2013
		(Restated)	
		-----Rupees in thousands-----	
12	LOANS AND ADVANCES		
	Considered good		
	To employees	111	86
	Advances		
	- against letter of credit	-	7,411
	- guarantee margin	1,162	2,423
	- advance to vendors	16,211	9,006
	- others	1,290	1,230
		18,663	20,070
		<u>18,774</u>	<u>20,156</u>

Note

2014	2013
-----Rupees in thousands-----	

13	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits	869	2,445
	Short term prepayments	25,666	10,134
		<u>26,535</u>	<u>12,579</u>

14	OTHER RECEIVABLES AND ACCRUED INTEREST			
	Interest receivable from banks	14.1	27,657	20,702
	Pre-incorporation and pre-commencement expenses of Thatta Cement Company (Private) Limited	14.2	31,813	14,541
	Refund against Fuel Price Adjustment		26,157	-
	Deposit with Commissioner Workmen's Compensation	24.1.4	14,915	-
	Others		60,543	34,909
			<u>161,085</u>	<u>70,152</u>

14.1 This also includes receivable amounting to Rs. 27.60 million (June 30, 2013: Rs. 20.64 million) from National Bank of Pakistan which is a related party.

14.2 This represents the amount receivable from Thatta Cement Company (Private) Limited (TCCPL), a related party, established by the Holding Company in Sri Lanka to setup a cement grinding and packing plant. TCCPL will issue shares in future subject to all regulatory approvals.

Progress on the said project has been temporarily suspended due to the reason that Sri Lanka Ports Authority (SLPA) has not yet executed the Land Lease Agreement (LLA) despite the fact that basic engineering of the project has been completed by TCCPL. Further, SLPA has signed a business venture agreement for car transshipment in the close vicinity of the proposed cement project without anticipating the expected operational conflicts.

Further, SLPA has proposed another site to TCCPL for setting up the cement project. Also, the matter has been taken up by the Pakistan High Commission in Sri Lanka who has requested Honourable Minister of Economic Development to intercede with SLPA and Central Environmental Agency for the utmost and timely resolution and signing of LLA.

Note 2014 2013

-----Rupees in thousands-----

15 CASH AND BANK BALANCES

Cash in hand		297	177
Balances with banks			
- in current accounts	15.1	12,180	1,634
- in PLS accounts	15.2 & 15.3	156,671	175,665
- in term deposit accounts	15.4	1,000	1,000
		<u>169,851</u>	<u>178,299</u>
		<u>170,148</u>	<u>178,476</u>

15.1 This includes Rs. 0.368 million (June 30, 2013: Rs. 0.03 million) and Rs. 0.732 million (June 30, 2013: Rs. 0.107 million) in current accounts with Habib Bank Limited and National Bank of Pakistan respectively, which are related parties.

15.2 As at June 30, 2014 the mark-up rate on PLS accounts is 6.5% to 8.5% (June 30, 2013: 5.5% to 8.5%) per annum.

15.3 This includes Rs. 156.572 million (June 30, 2013: Rs. 167.233 million) in various PLS project accounts with National Bank of Pakistan, which is a related party, as a covenant of syndicated term finance agreements and deferred payment letter of credit facility agreement. The funds are to be used strictly in accordance with financing agreements .

15.4 This is kept under lien of National Bank of Pakistan (NBP) against bank guarantee issued by NBP, which is a related party, carrying mark-up rate of 6.5% (June 30, 2013: 6%) per annum.

16 SHARE CAPITAL

2014 2013

-----Number of Shares-----

2014 2013

-----Rupees in thousands-----

Authorized

<u>200,000,000</u>	<u>200,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
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Issued, subscribed and paid-up

89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration paid in cash	894,181	894,181
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000
<u>99,718,125</u>	<u>99,718,125</u>		<u>997,181</u>	<u>997,181</u>

16.1 As on June 30, 2014, associated companies M/s Sky Pak Holding (Private) Limited and M/s Rising Star Holding (Private) Limited hold 20.444 million shares (June 30, 2013: 19.343 million shares) comprising 20.5% (June 30, 2013: 19.4%) and 6.309 million shares (June 30, 2013: 5.908 million shares) comprising 6.33% (June 30, 2013: 5.93%) respectively.

17 LONG TERM FINANCING (LTF)

Loan from Banking companies - secured

- Syndicated term finance facility (STFF) - TCCL	17.1 & 17.2	435,373	-
- Syndicated term finance facility (STFF) - TPPL	17.3, 17.4 & 17.7	634,532	710,675
- Liability against deferred payment letter of credit	17.5, 17.6 & 17.7	357,926	576,521

Loan from related parties

- National Bank of Pakistan	17.8 & 17.10	67,198	85,117
- National Bank of Pakistan	17.9 & 17.10	6,667	46,667
		73,865	131,784

Less : Current maturity (360,474) (352,477)

1,141,222 1,066,503

- 17.1 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries a floating mark-up linked to 3 months KIBOR as base rate plus 2% on annualized basis. The tenure of financing is 8 years including grace period of 24 months and the facility is payable in 24 equal quarterly installments of Rs. 58.167 million each starting after two year from the date of first drawdown i.e. March 17, 2014. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties of the Holding Company.
- 17.2 This includes Rs. 152.95 million (June 30, 2013: Rs. Nil) from National Bank of Pakistan which is a related party.
- 17.3 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited and Summit Bank Limited. The facility carries a floating mark-up linked to 3 months KIBOR as base rate plus 3% on annualized basis. The tenure of financing is 7 years and 9 months and facility is repayable in 28 equal quarterly instalments of Rs. 25.381 million each starting after one year from the date of first drawdown. The drawdown date of entire facility i.e. Rs. 710.675 million is November 21, 2012.
- 17.4 This includes Rs. 356.38 million (June 30, 2013: Rs. 399.14 million) from National Bank of Pakistan which is a related party.
- 17.5 A Deferred Payment Letter of Credit (DPLC) amounting to USD 9.152 million was established for supply of Gas Fired Engines by GE Jenbacher, Austria. Advance of USD 1.373 million was paid to the supplier and the remaining amount of USD 7.779 million is payable in 6 half yearly installments of USD 1.296 million each starting from April, 2013. The first three installments of USD 1.296 million each have been paid on April 25, 2013, October 25, 2013 and April 25, 2014 respectively. DPLC facility is provided by the syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Bank Alfalah Limited.
- 17.6 This includes Rs. 175.99 million (June 30, 2013: Rs. 283.48) from National Bank of Pakistan which is a related party.
- 17.7 The syndicated term finance facility and deferred payment letter of credit facility provided by the syndicate of banks as explained in notes 17.3 and 17.5 are secured by first joint pari passu charge by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building), mortgage over all present and future immoveable assets including land and building, first joint pari passu hypothecation charge on current assets, lien over import documents, assignment over receivables and insurance policies of subsidiary and pledge of subsidiary's shares owned by the Holding Company.

17.8 This represents first disbursement of Rs. 107 million of the aggregate facility of Rs. 260 million allowed by the bank. This carries a floating mark-up linked to 6 months KIBOR as base rate plus 2% on annualised basis. The tenure of financing is 7 years and is repayable in 24 equal quarterly instalments of Rs. 4.48 million starting in 15th month from the date of first disbursement.

17.9 This represents second disbursement of Rs. 120 million of the facility mentioned in 17.8 above. The tenure of financing is 3 years and is repayable in 36 equal monthly instalments of Rs. 3.33 million each starting from the month following the disbursement and has been fully repaid in August 2014.

17.10 The aggregate facility is secured by first equitable mortgage over land and building of the Company and first charge by way of hypothecation over all present and future plant and machinery of the Company to the extent of Rs. 372 million.

	Note	2014	2013
-----Rupees in thousands-----			
18	LONG TERM DEPOSITS		
	Dealers	18.1	5,110
	Suppliers and contractors	18.1	861
		5,971	5,971

18.1 These represent interest free security deposits, received from dealers, suppliers and contractors and are repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

19 LONG TERM EMPLOYEE BENEFIT

This represents accrual for staff leave balances and includes liability in respect of permanent employees amounting to Rs. 13.185 million (June 30, 2013: Rs. 10.111 million).

		2014	2013
-----Rupees in thousands-----			
20	DEFERRED TAXATION		
	Taxable temporary differences		
	Accelerated tax depreciation	175,916	144,006
	Deductible temporary differences		
	Provision for gratuity	(4,819)	(2,914)
	Other provisions - for doubtful debts and stores	(39,058)	(35,915)
		132,039	105,177

21 TRADE AND OTHER PAYABLES

	Trade creditors		32,820	30,185
	Accrued liabilities		150,297	117,490
	Bills payable		237,334	-
	Advances from customers		52,443	25,180
	Contractors retention money		175	24,568
	Excise duty and sales tax payable		10,756	13,979
	Payable to Gratuity Fund	21.1	14,749	9,669
	Payable to Provident Fund	21.2	2	802
	Workers' Profit Participation Fund	21.3	49,873	22,970
	Workers' Welfare Fund		20,147	10,363
	Unclaimed dividend		113	-
	Other liabilities		7,705	1,604
			576,414	256,810

21.1 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at June 30, 2014 are as follows:

- Discount rate used for year end obligation is 13.25% per annum (June 30, 2013: 10.5% per annum).
- Discount rate used for interest cost in profit and loss account is 10.5% per annum (June 30, 2013: 13% per annum).
- Expected rate of increase in salary level at 12.25% per annum (June 30, 2013: 9.5% per annum).
- Mortality rate used is SLIC 2001 - 2005 (June 30, 2013: EFU 61 - 66)

	2014	2013 (Restated)
	-----Rupees in thousands-----	

The amount recognised in the consolidated balance sheet is as follows:

Present value of defined benefit obligation	46,415	33,881
Fair value of plan assets	(31,666)	(24,212)
Liability as at June 30	<u>14,749</u>	<u>9,669</u>

Movement in present value of defined benefit obligation

Obligation as at July 1	33,881	26,246
Current service cost	6,994	5,652
Interest cost	3,300	3,413
Benefits paid / payable	(4,914)	(6,998)
Remeasurement loss due to change in experience adjustments	7,154	5,568
Obligation as at June 30	<u>46,415</u>	<u>33,881</u>

Movement in the fair value of plan assets

Fair value as at July 1	24,212	19,066
Expected return on plan assets	3,041	2,479
Employer contribution	7,106	8,444
Benefits paid / payable	(4,914)	(6,998)
Return on plan assets excluding interest income	2,221	1,221
Fair value as at June 30	<u>31,666</u>	<u>24,212</u>

Movement in liabilities

Balance as at July 1	9,669	7,180
Charge for the year	7,253	6,586
Employer contribution	(7,106)	(8,444)
Remeasurements chargeable in other comprehensive income	4,933	4,347
Balance as at June 30	<u>14,749</u>	<u>9,669</u>

The amount recognised in consolidated profit and loss account is as follows:

Current service cost	6,994	5,652
Interest cost	3,300	3,413
Expected return on plan assets	(3,041)	(2,479)
	<u>7,253</u>	<u>6,586</u>

	2014	2013 (Restated)
-----Rupees in thousands-----		
The amount recognised in consolidated statement of other comprehensive income is as follows:		
Remeasurement loss due to change in experience adjustments	7,154	5,568
Return on plan assets excluding interest income	(2,221)	(1,221)
	4,933	4,347

Return on plan assets is as follows:

Expected return on plan assets	3,041	2,479
Return on plan assets excluding interest income	2,221	1,221
	5,262	3,700

Analysis of present value of defined benefit obligation and fair value of plan assets for current and previous four years are as follows:

	2014	2013	2012	2011	2010
---(Restated)--- -----Rupees in thousands-----					
Present value of defined benefit obligation	(46,415)	(33,881)	(26,246)	(21,684)	(16,377)
Fair value of plan assets	31,666	24,212	19,066	13,173	11,955
Deficit	(14,749)	(9,669)	(7,180)	(8,511)	(4,422)

	2014	2013
-----Rupees in thousands-----		

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

Cash and cash equivalents (adjusted for current liabilities)	20,890	839
Mutual funds		
- Islamic Income Fund	2,477	2,294
- Stock Market Fund	7,289	5,093
- Income Fund	1,010	1,096
	10,776	8,483
Term deposit receipts	-	14,890
	31,666	24,212

Balance sheet date sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	2014			
	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
-----Rupees in thousands-----				
Present value of defined benefit obligation	44,566	48,505	48,565	44,480

	2014	2013
	-----Rupees in thousands-----	
The charge for the year has been allocated as follows:		
Cost of sales	5,875	5,335
Selling and distribution cost	435	395
Administrative expenses	943	856
	<u>7,253</u>	<u>6,586</u>

21.2 The following information is based on the audited financial statements of the fund:

Size of the fund - Total assets	<u>38,403</u>	<u>28,369</u>
Cost of investment made	<u>36,858</u>	<u>25,626</u>
Percentage of investments made	<u>100%</u>	<u>97%</u>
Fair value of investments	<u>38,400</u>	<u>27,513</u>

The break-up of fair value of investment is:

	2014		2013	
	Rupees in thousands	%	Rupees in thousands	%
Bank balances	1,510	4%	3,036	11%
Term deposit securities	25,331	66%	19,125	70%
Mutual funds	11,559	30%	5,352	19%
	<u>38,400</u>	<u>100%</u>	<u>27,513</u>	<u>100%</u>

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and rules formulated for this purpose.

	Note	2014	2013
		-----Rupees in thousands-----	
21.3 Workers' Profit Participation Fund			
Opening balance		22,970	-
Allocation for the year	29	40,738	22,970
Interest on balance as at July 1		1,335	-
		<u>65,043</u>	<u>22,970</u>
Payments made during the year		(15,170)	-
Closing balance		<u>49,873</u>	<u>22,970</u>
22 ACCRUED MARK-UP			
Long term financing	22.1	27	83
Syndicated term finance facility	22.2	16,370	10,035
Short term borrowing	22.3	10,853	17,187
Deferred payment letter of credit		4,747	7,647
		<u>31,997</u>	<u>34,952</u>

- 22.1 This represents payable to National Bank of Pakistan, which is a related party.
- 22.2 This includes Rs. 7.716 million (June 30, 2013: Rs. 5.636 million) payable to National Bank of Pakistan which is a related party.
- 22.3 This includes Rs. 6.216 million (June 30, 2013: Rs. 6.078 million) due to National Bank of Pakistan which is a related party.

Note	2014	2013
	-----Rupees in thousands-----	

23 SHORT TERM BORROWINGS

Running finance (RF)	23.1 & 23.2	<u>419,261</u>	<u>556,074</u>
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23.1 The aggregate running finance available from banks as at June 30, 2014 amounted to Rs. 650 million out of which Rs. 230.74 million remained unutilized at the year end. These facilities are renewable and secured by way of hypothecation of fixed assets and current assets. These carry mark-up at rates ranging between 12.08% to 13.18% (June 30, 2013: 11% to 15%) per annum chargeable monthly and payable quarterly.

23.2 This includes Rs. 186.012 million (June 30, 2013: Rs. 199.21 million) due to National Bank of Pakistan which is a related party.

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 The Holding Company has adjusted minimum tax amounting to Rs. 31.55 million against its income tax liability in terms of Section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). However, during the year, Assistant Commissioner (AC) has passed an assessment order under section 122(1)(5) of the Ordinance, in respect of tax year 2012, wherein adjustment of minimum tax amounting to Rs. 15.721 million has not been allowed. The Holding Company has filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) against the said assessment order which is pending for hearing.

Moreover, in view of the Holding Company's legal counsel opinion, the Holding Company has strong arguable case and the matter can be agitated upto the level of Supreme Court of Pakistan. Accordingly, the Holding Company is confident that the ultimate outcome in this regard would be favorable. Hence no provision in this respect has been made in these consolidated financial statements.

24.1.2 During the year Assistant Commissioner (AC) and Additional Commissioner Inland Revenue (ACIR) passed assessment orders under section 122(1)(5) and 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2012 and 2008 of the Holding Company and made certain disallowances and additions in taxable income as reported in the tax returns of those years. The Holding Company has filed appeals before the Commissioner Inland Revenue - Appeals (CIR-A) against the said assessment orders which are pending for hearing. The management in consultation with its tax advisor is confident that the outcome of such appeals will be in favour of the Holding Company; hence no provision has been made in these consolidated financial statements.

24.1.3 Cases are pending with National Accountability Bureau (NAB) Courts in respect of the Holding Company for the misappropriation in recoveries from debtors and allowing excessive unauthorized rebate amounting to Rs. 66.902 million by the former employees and stockiest of the State Cement Corporation of Pakistan. The recovery proceedings are in progress under NAB law as explained in note 10.1.

24.1.4 Certain ex-employees of the Holding Company contested the Holding Company's gratuity policy and filed suit against the Holding Company demanding 60 days gratuity instead of 30 days applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said suit has been decided in favour of the applicants. However, the Holding Company has challenged the said order vide C.P. No. 591/2013 before

Honourable High Court of Sindh at Hyderabad which has suspended the order subject to deposit of Rs. 14.9 million with Commissioner Workmen's Compensation. Now C.P. No. 591/2013 has been withdrawn and Appeal No. 04/2014 has been filed with Sindh Labour Court due to proper jurisdiction. In view of the Holding Company's legal counsel opinion, the Holding Company has strong grounds to assail the order with the authority in appeal.

One more ex-employee of former holding company has filed CP # 86/2013 for recovery of total Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. However, in view of the Holding Company's legal counsel opinion, all the claims of applicant are bogus against the applicable labour laws and will not materialise.

Besides this an ex-employee of the Holding Company filed a suit for recovery of Rs. 24.95 million in respect of salary and other benefits, golden handshake and compensation for damages but the same stood rejected by the court. The ex-employee preferred an appeal in District Court, Thatta which was also dismissed on December 8, 2012. The said decision was further challenged before the High Court of Sindh at Karachi in appeal No. 03/2014 but that too met with the same fate and stood dismissed on May 19, 2014. Now the ex-employee's counsel has informed vide notice dated June 10, 2014, that the ex-employee intends to file leave to appeal before the Supreme Court of Pakistan. The outcome of the appeal will in all probability be the same and the claim will not materialise.

24.1.5 Two cement dealers had filed a suit against the Holding Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Holding Company in lieu of outstanding dues from these dealers. The Holding Company's legal counsel is of the opinion that no liability is likely to arise in this case.

24.1.6 As disclosed in the consolidated financial statements for the year ended June 30, 2013, the subsidiary company entered into Power Purchase Agreement (PPA) with Hyderabad Electric Supply Company Limited (HESCO) on May 14, 2011 to sell electricity at rates agreed in the said agreement. The agreement was executed in accordance with the Policy Framework for New - Captive Power Producers (N-CPPs). Subsequently, National Electric Power Regulatory Authority (NEPRA) issued an order revising the tariff formula resulting in reduced tariff. In view of the said order, HESCO intimated to pay its dues for electricity purchased as per the revised tariff formula. In response, the subsidiary company instituted a suit before the Honourable High Court of Sindh, against HESCO, on the grounds that HESCO failed to pay the dues to the subsidiary company as per PPA. The Court issued a stay order and instructed the parties to continue to fulfill the terms and conditions of the PPA including financial obligations. During the financial year ended June 30, 2014, the subsidiary company has also filed a constitutional petition against NEPRA and has also obtained a stay order on the operation of NEPRA's tariff determination. The management of the Group is confident, based on the subsidiary company's legal counsel opinion, that it will not be exposed to any loss on account of the cases. Moreover, the financial impact of revision in the rates cannot be reliably measured at this stage.

24.1.7 During the year, income tax audit for the tax year 2013 of the subsidiary company was initiated by the concerned Commissioner - Inland Revenue (C-IR) of Federal Board of Revenue under section 177 of the Income Tax Ordinance, 2001. The C-IR has rejected the basic income tax exemption of subsidiary company's business income allowed to it under clause 132 of part I of Second Schedule of Income Tax Ordinance, 2001 and has also amended the taxable income of the subsidiary Company. The C-IR has raised an order demanding the tax payment of Rs. 153.8 million including WWF. The subsidiary company has filed an appeal before the C-IR Appeals against the said assessment order which is pending for hearing. The subsidiary company has also obtained a stay order from Honourable High Court of Sindh restraining the C-IR for initiating any recovery proceedings under the said impugned order. The management of the Group is confident, based on the subsidiary company's legal counsel opinion, that it will not be exposed to any loss on account of the case.

24.2 Commitments

24.2.1 Guarantees given by commercial banks to Sui Southern Gas Company Limited on behalf of the Group amounts to Rs. 351 million (June 30, 2013: Rs. 351 million).

- 24.2.2 Other outstanding guarantees given on behalf of the Group by banks amounts to Rs. 81.372 million (June 30, 2013: Rs. 55.573 million).
- 24.2.3 Irrevocable letter of credit under revenue expenditure outstanding as on balance sheet date amounts to Rs. 0.712 million (June 30, 2013: Rs. nil).
- 24.2.4 Commitment in respect of capital expenditure as on balance sheet date was Rs. 151.075 million (June 30, 2013: Rs. 335.587 million).
- 24.2.5 Commitment in respect of mark-up on liability against deferred payment letter of credit in favour of GE Jenbacher as on balance sheet date was Rs. 21.446 million (June 30, 2013: Rs. 56.355 million).

	Note	2014	2013
-----Rupees in thousands-----			
25 SALES - NET			
Sales - Local		3,576,774	3,366,455
- Export		119,762	70,122
		<u>3,696,536</u>	<u>3,436,577</u>
Less: - Federal Excise Duty		114,646	144,160
- Sales tax		559,896	468,218
		<u>674,542</u>	<u>612,378</u>
		<u>3,021,994</u>	<u>2,824,199</u>
26 COST OF SALES			
Raw material consumed	26.1	145,373	154,244
Manufacturing expenses			
Packing material consumed	26.2	113,553	120,484
Stores, spare parts and loose tools consumed		136,310	147,977
Fuel and power		1,206,399	1,497,497
Salaries, wages and other benefits	26.3	204,500	172,814
Insurance		16,939	8,727
Repairs, operations and maintenance		35,116	17,534
Depreciation	5.2	85,009	69,225
Provision for slow moving and dead stores and impairment of major stores and spares		3,392	-
Other production overheads		19,100	18,080
		<u>1,820,318</u>	<u>2,052,338</u>
Cost of production		<u>1,965,691</u>	<u>2,206,582</u>
Work-in-process			
Opening balance		261,445	124,450
Closing balance	9	(317,003)	(261,445)
		<u>(55,558)</u>	<u>(136,995)</u>
Cost of goods manufactured		<u>1,910,133</u>	<u>2,069,587</u>
Finished goods			
Opening balance		38,898	38,774
Closing balance	9	(34,456)	(38,898)
		<u>4,442</u>	<u>(124)</u>
		<u>1,914,575</u>	<u>2,069,463</u>

	Note	2014	2013
		-----Rupees in thousands-----	
26.1			
Raw material consumed			
Opening balance		22,099	42,505
Purchases		<u>165,532</u>	<u>133,838</u>
		187,631	176,343
Closing balance	9	(42,258)	(22,099)
		<u>145,373</u>	<u>154,244</u>
26.2			
Packing material consumed			
Opening balance		26,871	23,994
Purchases		<u>111,028</u>	<u>123,361</u>
		137,899	147,355
Closing balance	9	(24,346)	(26,871)
		<u>113,553</u>	<u>120,484</u>
26.3			
This includes employees' retirement benefits amounting to Rs. 14.05 million (June 30, 2013: Rs. 9.894 million).			
27			
SELLING AND DISTRIBUTION COST			
Salaries, wages and other benefits	27.1	10,356	5,590
Vehicle running expenses		840	734
Travelling and conveyance		288	132
Communication		481	303
Printing and stationery		41	38
Entertainment		90	76
Repair and maintenance		278	197
Rent, rates and taxes		1,037	988
Utilities		497	288
Advertisements		313	238
Sales promotion expense		259	367
Freight charges - local sale		669	29,212
Export logistics and related charges		15,746	8,765
Commission		18,810	14,257
Depreciation	5.2	1,991	1,551
Miscellaneous		5,849	3,355
		<u>57,545</u>	<u>66,091</u>
27.1			
This includes employees' retirement benefit amounting to Rs. 0.811 million (June 30, 2013: Rs. 1.37 million).			

28 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	28.1	49,097	34,333
Vehicle running expenses		2,944	2,284
Travelling and conveyance		1,217	818
Advertisements		224	202
Communication, postage, telegram		1,407	1,213
Printing and stationery		1,792	675
Rent, rates and taxes		2,027	4,456
Entertainment		919	1,192
Legal and professional charges		4,981	3,504
Insurance		138	242
Repairs and maintenance		1,378	1,539
Utilities		1,244	668
Fees and subscription		934	3,944
Corporate expenses		397	867
Charity and donation	28.2	76	8
Auditors' remuneration	28.3	1,035	921
Other auditors' remuneration	28.4	1,565	1,426
Depreciation	5.2	5,903	5,719
Amortization of intangible		199	77
Education expenses		2,901	-
Bad debts and Provision for doubtful debts		-	3,432
Impairment of intangibles		-	3,216
Miscellaneous		2,537	183
		<u>82,915</u>	<u>70,919</u>

28.1 This includes employees' retirement benefit amounting to Rs. 3.564 million (June 30, 2013: Rs. 2.13 million).

28.2 None of the Directors or their spouses have any interest in any donee's fund to which donation was made.

28.3 Auditors' remuneration

Annual audit fee	700	650
Half yearly review fee	55	50
Review fee for consolidated financial statements	28	25
Fee for other services	57	50
Out of pocket expenses	195	146
	<u>1,035</u>	<u>921</u>

28.4 Other auditors' remuneration

Cost audit fee	110	100
Out of pocket expenses	10	10
	120	110
Internal audit fee	1,260	1,180
Out of pocket expenses	185	136
	1,445	1,316
	<u>1,565</u>	<u>1,426</u>

Note 2014 2013

-----Rupees in thousands-----

29	OTHER OPERATING EXPENSES			
	Workers' Welfare Fund		14,926	9,699
	Workers' Profit Participation Fund		40,738	22,970
	Impairment on available-for-sale investment	7.3	35,027	-
	Exchange loss		38,261	45,196
	Loss on disposal of operating fixed assets	5.3	1,791	38
	Loss on sale of store items		-	1,414
			<u>130,743</u>	<u>79,317</u>
30	FINANCE COST			
	Mark-up on long term financing		133,203	95,077
	Mark-up on short term borrowings		56,875	62,524
	Mark-up on WPPF		1,335	-
	Bank charges and commission		12,996	8,496
			<u>204,409</u>	<u>166,097</u>
31	OTHER INCOME			
	Income from financial assets			
	Income on bank deposit accounts		47,738	23,134
	Revaluation gain on recognition of available-for-sale investment	7.3	25,988	-
	Gain on disposal of investment		1,447	-
			75,173	23,134
	Others			
	Scrap sales		6,217	6,299
	Rental income		6,396	6,628
	Others		8,060	11,311
			20,673	24,238
			<u>95,846</u>	<u>47,372</u>
32	TAXATION			
	Current tax charge		160,624	76,948
	Prior year charge		1,717	(18,941)
	Deferred tax charge		28,589	58,619
			<u>190,930</u>	<u>116,626</u>

The returns of income have been filed upto and including tax year 2013 (corresponding to financial year ended June 30, 2013) while income tax assessments have been finalized upto and including tax year 2011 except for tax year 2008. However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the Company respectively.

The returns of income of subsidiary company have been filed upto and including tax year 2013 (corresponding to financial year ended June 30, 2013) while income tax assessments have been finalized upto and including tax year 2012. However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the subsidiary company respectively.

	2014	2013
	-----Rupees in thousands-----	
32.1 Relationship between tax expense and accounting profit is as follows:		
Profit before tax	<u>712,814</u>	<u>448,569</u>
Tax at 34% / 35%	242,357	156,999
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	(2,531)	4,934
- exempt income	(77,994)	(51,464)
- unrealised profit	2,075	2,612
- tax effect on share of profit from associate	5,045	(10,110)
- income charged at different rates	(2,735)	(2,065)
- tax credit claimed under section 65B of Income Tax Ordinance, 2001	(5,593)	(6,896)
	(81,733)	(62,989)
Charge / (reversal) of prior year's tax expense	1,717	(18,941)
Tax effect on taxable temporary differences - net	28,589	39,551
Others	-	2,006
	<u>190,930</u>	<u>116,626</u>

33 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to equity holders' of the Holding Company	<u>423,029</u>	<u>273,389</u>
	----- Number -----	
Weighted average number of ordinary shares	<u>99,718,125</u>	<u>99,718,125</u>
	----- Rupees -----	
Earnings per share - basic and diluted	<u>4.24</u>	<u>2.74</u>

Note 2014 2013

34 CASH AND CASH EQUIVALENTS

Cash and bank balances	170,148	178,476
Short term borrowings	(419,261)	(556,074)
	<u>(249,113)</u>	<u>(377,598)</u>

2014 2013

35 CAPACITY AND ACTUAL PRODUCTION

35.1 Thatta Cement Company Limited

Production capacity - clinker (Tons)		450,000	450,000
Actual production - clinker (Tons)	35.1.1	291,035	357,206
Actual production - cement (Tons)	35.1.2	300,615	370,319

35.1.1 The production capacity utilization during the year has remained at 64.67% (June 30, 2013: 79.38%). The underutilization is mainly due to hard hitting competition in the industry.

35.1.2 Cement from clinker is produced in accordance with the market demand.

	2014	2013
35.2 Thatta Power (Private) Limited		
Installed capacity (kWh)	202,356,000	111,261,150
Total output (kWh)	121,548,400	66,985,200
Load factor (%)	60.07%	60.21%

35.2.1 Installed capacity has been computed on the basis of 8,760 hours (June 30, 2013: 4,816.5 hours taken from the date of COD being December 12, 2012 till June 30, 2013). Output produced by the plant was dependent on the gas and plant availability, the plant remained under utilized mainly due to gas unavailability.

36 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings and related group companies, directors of the Group, key management personnel and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice. Details of transactions during the year ended / outstanding balances as at June 30, 2014 with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

	Note	2014	2013
		-----Rupees in thousands-----	
Transactions with related parties			
- Summit Bank Limited	36.2		
Mark-up on RF and commission		12,728	18,709
Income on bank deposit accounts		177	609
Guarantee on behalf of Company as per normal banking terms		2,500	80,339
- National Bank of Pakistan			
Mark-up on RF, STFF, Participation Fee (PF), LTF and commission		106,357	97,696
Income on bank deposit accounts		47,819	47,035
Guarantee on behalf of Company as per normal banking terms		23,298	306,500
- Power Cement Limited	36.2		
Common shared expenses		-	40
Purchase of store items (inclusive of GST) - net		-	2,523
- Rotocast Engineering Company (Pvt.) Limited	36.2		
Sale of leasehold improvements		-	31,960
Rent and repair and maintenance		-	4,139
- Thatta Cement Company (Pvt.) Limited (TCCPL)			
Expenses paid by Company on behalf of TCCPL		17,272	14,541
- Bandhi Sugar Mills (Pvt.) Limited			
Sale of cement		1,144	48,457
Receipt against sale of cement		27,855	27,313

	Note	2014	2013
-----Rupees in thousands-----			
- Sui Southern Gas Company Limited			
Purchase of gas excluding GST		724,032	374,705
Payment against purchase of gas excluding GST		712,237	324,874
- Key management personnel			
Salaries and benefits	37	67,827	36,835
Sale of vehicle	5.3	123	158
Sale of computer equipment		2	-
- Other related parties			
Contribution to employees' Gratuity Fund	21.1	7,106	8,444
Contribution to employees' Provident Fund		6,804	3,861
Balances with related parties			
- Summit Bank Limited			
	36.2		
PLS account balance			3,612
Current account balance			-
Running finance			100,183
Accrued mark-up - finance charge			3,769
Accrued interest - interest income			56
Guarantees on behalf of Company as per normal banking terms			80,339
Share in STFF			59,062
- National Bank of Pakistan			
Term deposit account		1,000	1,000
PLS account balance		156,572	167,233
Current account balance		732	107
Running finance		186,012	199,210
Long term loans		73,865	131,784
Accrued mark-up - finance charge		13,959	11,796
Accrued interest - interest income		27,602	20,642
Guarantees on behalf of Company as per normal banking terms		349,532	326,234
Share in STFF		509,328	399,143
Share in DPLC		175,992	283,475
Short term investment - held to maturity		306,000	306,000
- Power Cement Limited			
	36.2		
Payable against purchase of store items			870
- Rotocast Engineering Company (Pvt.) Limited			
	36.2		
Receivable against sale of leasehold improvements			31,960
- Safe Mix Concrete Products Limited			
	36.2		
Advance against sale of cement			357
- Thatta Cement Company (Pvt.) Limited (TCCPL)			
Receivable against expenses paid by Company on behalf of TCCPL		31,813	14,541
- Bandhi Sugar Mills (Pvt.) Limited			
Receivable against sale of cement		-	26,711

	2014	2013
	-----Rupees in thousands-----	
- Sui Southern Gas Company Limited Payable against purchase of gas excluding GST	62,624	50,829
- Habib Bank Limited Current account balance	368	27

36.1 There are no transactions with key management personnel other than under their terms of employment.

36.2 During the year related party relationship has ceased with Power Cement Limited, Summit Bank Limited and Safe Mix Concrete Products Limited on February 27, 2014 and with Rotocast Engineering Company (Pvt.) Limited on July 11, 2013.

37 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for the year in respect of remuneration to the Chief Executive, Directors and Executives are as follows:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousands -----			
Managerial remuneration	12,000	43,093	7,390	21,902
Bonus and LFA	1,574	5,561	973	2,489
Other benefits	1,484	3,753	1,380	2,322
Leave encashment	-	362	379	-
	<u>15,058</u>	<u>52,769</u>	<u>10,122</u>	<u>26,713</u>
Number of person(s)	<u>1</u>	<u>20</u>	<u>1</u>	<u>14</u>

37.1 The Chief Executive and Executives are provided with free use of Company maintained car(s) and other benefits in accordance with their entitlement as per rules of the Group.

37.2 An aggregate amount of Rs. 1.25 million (June 30, 2013: Rs. 1 million) was paid to Non-Executive Directors during the year on account of Board and Audit Committee meeting fee.

38 OPERATING SEGMENTS

For management purposes the Group is organized into following major business segments.

Cement Engaged in manufacturing and marketing of cement.

Power Engaged in generation, supply and transmission of electrical power.

38.1 Revenues

	Cement		Power		Intra group adjustment		Consolidated	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
----- Rupees in thousands -----								
Revenue	2,182,327	2,361,192	1,251,079	647,397	(411,412)	(184,390)	3,021,994	2,824,199
Cost of sales	(1,500,312)	(1,875,679)	(820,121)	(370,711)	405,858	176,927	(1,914,575)	(2,069,463)
Gross profit	682,015	485,513	430,958	276,686	(5,554)	(7,463)	1,107,419	754,736
Selling and distribution cost	(57,545)	(66,091)	-	-	-	-	(57,545)	(66,091)
Administrative expenses	(79,681)	(67,949)	(15,234)	(2,970)	12,000	-	(82,915)	(70,919)
	(137,226)	(134,040)	(15,234)	(2,970)	12,000	-	(140,460)	(137,010)
Operating profit	544,789	351,473	415,724	273,716	6,446	(7,463)	966,959	617,726
Other operating expenses	(84,911)	(35,672)	(45,832)	(43,645)	-	-	(130,743)	(79,317)
Finance cost	(71,497)	(83,067)	(132,912)	(83,030)	-	-	(204,409)	(166,097)
	(156,408)	(118,739)	(178,744)	(126,675)	-	-	(335,152)	(245,414)
Other income	84,778	24,310	48,401	23,062	(37,333)	-	95,846	47,372
Share of (loss) / profit from associate	(14,839)	28,885	-	-	-	-	(14,839)	28,885
	69,939	53,195	48,401	23,062	(37,333)	-	81,007	76,257
Segment results	458,320	285,929	285,381	170,103	(30,887)	(7,463)	712,814	448,569
Unallocated expenditures	-	-	-	-	-	-	-	-
Profit before tax	458,320	285,929	285,381	170,103	(30,887)	(7,463)	712,814	448,569
Tax	(174,772)	(108,566)	(16,158)	(8,060)	-	-	(190,930)	(116,626)
Profit after tax	283,548	177,363	269,223	162,043	(30,887)	(7,463)	521,884	331,943

38.2 Other information

	Cement		Power		Intra group adjustment		Consolidated	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
----- Rupees in thousands -----								
	(Restated)				(Restated)			
Segment assets	2,969,513	2,069,104	2,044,775	2,047,114	(377,676)	(406,943)	4,636,612	3,709,275
Investment in associates	-	127,847	-	-	-	39,625	-	167,472
Unallocated corporate assets	-	-	-	-	-	-	-	-
Total assets	2,969,513	2,196,951	2,044,775	2,047,114	(377,676)	(367,318)	4,636,612	3,876,747
Segment liabilities	1,620,256	1,093,016	1,124,408	1,395,970	(63,352)	(98,720)	2,681,312	2,390,266
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Total liabilities	1,620,256	1,093,016	1,124,408	1,395,970	(63,352)	(98,720)	2,681,312	2,390,266
Capital expenditure	524,756	187,566	1,443	933,153	-	-	526,199	1,120,719
Depreciation	48,361	51,547	44,542	24,948	-	-	92,903	76,495
Non-cash expenses other than depreciation	86,450	66,849	134,398	83,099	24,788	-	245,636	149,947

38.3 Reconciliation of reportable segment revenues, profit and loss, assets and liabilities

		Consolidated	
		June 2014	June 2013
		-----Rupees in thousands-----	
38.3.1	Operating revenues		
	Total revenue of reportable segments	3,433,406	3,008,589
	Elimination of intra group revenue	(411,412)	(184,390)
	Consolidated revenue	<u>3,021,994</u>	<u>2,824,199</u>
38.3.2	Profit and loss		
	Total profit before tax of reportable segments	743,701	456,032
	Adjustment of unrealized profit and intra group transactions	(30,887)	(7,463)
	Consolidated profit before tax	<u>712,814</u>	<u>448,569</u>

		Consolidated	
		June 2014	June 2013
		(Restated)	
		-----Rupees in thousands-----	
38.3.3	Assets		
	Total assets of reportable segments	5,014,288	4,244,065
	Elimination of intra group balances	(354,258)	(381,125)
	Reclassifications for consolidation purposes	(23,418)	(25,818)
	Investment in associate carried at cost	-	(127,847)
	Investment in associate - equity accounted	-	167,472
	Consolidated assets	<u>4,636,612</u>	<u>3,876,747</u>
38.3.4	Liabilities		
	Total liabilities of reportable segments	2,744,664	2,488,986
	Elimination of intra group balances	(55,100)	(81,968)
	Reclassifications for consolidation purposes	(8,252)	(16,752)
	Consolidated liabilities	<u>2,681,312</u>	<u>2,390,266</u>

38.4 Geographical segment analysis

	Revenue		Total Assets		Net Assets	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
----- Rupees in thousands -----						
Pakistan	2,902,232	2,754,077	4,636,612	3,876,747	1,955,300	1,486,481
Sudan	119,762	70,122	-	-	-	-
	<u>3,021,994</u>	<u>2,824,199</u>	<u>4,636,612</u>	<u>3,876,747</u>	<u>1,955,300</u>	<u>1,486,481</u>

38.5 Information about major customers

Major customers for cement segment are various individual dealers whereas major customer for power segment is Hyderabad Electric Supply Company Limited.

39 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Taken as a whole the Group's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Financial instruments of the Group are as under:

	2014	2013 (Restated)
	-----Rupees in thousands-----	
Financial Assets		
Long term deposits	1,006	1,006
Trade debts	281,608	186,605
Short term investments	306,000	306,000
Loans and advances	18,774	20,156
Trade deposits	869	2,445
Other receivables and accrued interest	161,085	70,152
Sales tax refundable	-	13,927
Bank balances	169,851	178,299
	<u>939,193</u>	<u>778,590</u>
Financial Liabilities		
Long term financing	1,501,696	1,418,980
Long term deposits	5,971	5,971
Trade and other payables	523,971	231,630
Accrued mark-up	31,997	34,952
Short term borrowings	419,261	556,074
	<u>2,482,896</u>	<u>2,247,607</u>

Financial instruments and related disclosures

a) Financial Risk Management Objectives

The Group has exposure to the following financial risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

The Board of Directors of the Group has the overall responsibility for establishment and oversight of the Group's risk management framework. To assist the Board in discharging its oversight responsibility, the group management has been made responsible for identifying, monitoring and managing the Group's financial risk exposure. The Group's overall risk management program focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

b) Credit Risk

Credit risk is a risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by change in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

At the reporting date, the Group's total credit risk was concentrated in the following industrial/economic sectors:

	2014		2013	
	Rupees in thousands	%	(Restated) Rupees in thousands	%
Banks	475,851	51%	484,299	62%
Others	463,342	49%	294,291	38%
	<u>939,193</u>	<u>100%</u>	<u>778,590</u>	<u>100%</u>

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Group has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain credit worthy customers, the Group's management strictly adheres to this policy. For any balance receivable from such Government parties, the Group's management continuously monitors the credit exposure towards them and make provisions against those balances considered doubtful. Cash is held only with banks with high quality credit worthiness. There is no significant risk exposure to loan and advances and other receivables.

The maximum exposure to credit risk at the reporting date is:

	2014	2013
	(Restated) -----Rupees in thousands-----	
Long term deposits	1,006	1,006
Trade debts	281,608	186,605
Short term investments	306,000	306,000
Loans and advances	18,774	20,156
Trade deposits	869	2,445
Other receivables and accrued interest	161,085	70,152
Sales tax refundable	-	13,927
Bank balances	169,851	178,299
	<u>939,193</u>	<u>778,590</u>

Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2014 trade debts of Rs. 162.85 million (June 30, 2013: Rs. 69.026 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2014	2013
	-----Rupees in thousands-----	
Not past due	118,758	117,579
Past due but not impaired		
- within 90 days	137,863	38,295
- 91 to 180 days	7,960	11,767
- over 180 days	17,027	18,964
	<u>281,608</u>	<u>186,605</u>

The credit quality of cash at bank (in Current, PLS and deposit accounts) as per credit rating agencies are as follows:

Credit ratings

Details of the credit ratings of bank balances as at June 30, 2014 are as follows:

	2014	2013
	-----Rupees in thousands-----	
Rating - Bank balances		
A1 +	169,539	174,671
A1	24	4
A2	61	3,624
A3	227	-
	<u>169,851</u>	<u>178,299</u>

Rating - Short term investments

Term deposit (A1+)	<u>306,000</u>	<u>306,000</u>
--------------------	----------------	----------------

Due to Group's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, the Group's management does not expect non-performance by these counterparties on their obligation to the Group. For trade debts, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the Group's management. The utilization of said limits is regularly monitored.

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 10. The aging analysis of these impaired trade debts is as follows:

Over five years	<u>72,980</u>	<u>72,980</u>
-----------------	---------------	---------------

c) Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Group is exposed to liquidity risk in respect of non current interest bearing liabilities, long term deposit, short term borrowings, trade and other payable and mark-up accrued.

The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's management closely monitors the Group's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Maturity analysis for financial liabilities

The table below analyses Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
-----Rupees in thousands-----					
Non-derivative Liabilities					
Long term financing	1,501,696	(2,037,083)	(252,802)	(268,460)	(1,515,821)
Long term deposits	5,971	(5,971)	-	-	(5,971)
Trade and other payables	523,971	(523,971)	(523,971)	-	-
Short term borrowings	419,261	(419,261)	(209,630)	(209,631)	-
Accrued mark-up	31,997	(31,997)	(31,997)	-	-
	<u>2,482,896</u>	<u>(3,018,283)</u>	<u>(1,018,400)</u>	<u>(478,091)</u>	<u>(1,521,792)</u>

	2013 ----- (Restated) -----				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
-----Rupees in thousands-----					
Non-derivative Liabilities					
Long term financing	1,418,980	(1,829,044)	(215,600)	(253,664)	(1,359,780)
Long term deposits	5,971	(5,971)	-	-	(5,971)
Trade and other payables	231,630	(231,630)	(231,630)	-	-
Short term borrowings	556,074	(556,074)	(278,037)	(278,037)	-
Accrued mark-up	34,952	(34,952)	(34,952)	-	-
	<u>2,247,607</u>	<u>(2,657,671)</u>	<u>(760,219)</u>	<u>(531,701)</u>	<u>(1,365,751)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30th. The rates of mark-up have been disclosed in the respective notes to these consolidated financial statements.

d) Market Risk

Market risk is the risk that changes in market interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

e) Interest / Mark-up Rate Risk Management

Interest / mark-up rate risk management arises from the possibility of changes in interest/mark-up rates which may affect the value of financial instruments. The Group has long term financing and short term borrowings at variable rates. Group is exposed to interest / mark-up rates risk on long term financing, interest rate risk for short term borrowings is covered by holding "Prepayment option" which can be exercised upon any adverse movement in the underlying interest rates. At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments is:

	Carrying amount	
	June 2014	June 2013
	-----Rupees in thousands-----	
Fixed rate instruments		
Financial assets	307,000	307,000
Financial liabilities	357,926	576,521
Variable rate instruments		
Financial assets	156,671	175,665
Financial liabilities	1,563,031	1,398,533

Fair Value Sensitivity Analysis for Fixed Rate Instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, change in interest rates at the reporting date would not affect consolidated profit and loss account.

Cash Flow Sensitivity Analysis for Variable Rate Instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 1.567 million (June 30, 2013: Rs 1.757 million) higher / lower, mainly as a result of higher / lower interest income from these financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 15.63 million (June 30, 2013: RS. 13.98 million) higher / lower, mainly as a result of higher / lower interest expense of these financial liabilities.

A summary of the Group's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity dates at the end of year is as follows:

	June 30, 2014				Total
	Mark-up /return(%)	Less than 6 months	6 months to 1 year	More than 1 year	
	-----Rupees in thousands-----				
Assets					
Bank balance	6.50%	5,500	1,085	151,086	157,671
Short term investments	9.85%	-	306,000	-	306,000
Total assets		5,500	307,085	151,086	463,671
Liabilities					
Short term running finance	12-14%	(209,630)	(209,631)	-	(419,261)
Long term financing	12-13%	(252,802)	(268,460)	(1,515,821)	(2,037,083)
Total liabilities		(462,432)	(478,091)	(1,515,821)	(2,456,344)
On-balance sheet gap		(456,932)	(171,006)	(1,364,735)	(1,992,673)
Total interest risk sensitivity gap		(456,932)	(627,938)	(1,992,673)	(1,992,673)

f) **Foreign Exchange Risk Management**

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities including amount payable in US Dollars to GE Jenbacher GmbH & Co. OC, Austria against credit secured by way of deferred payment letter of credit facility provided by syndicate of banks and outstanding letter of credit and bills payable. The Group's exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees	US \$	Rupees	US \$
	-----in thousands-----		-----in thousands-----	
Trade and other payables	(237,334)	(2,403)	-	-
Long term financing	(357,926)	(3,625)	(576,521)	(5,835)
Mark-up accrued on liability against DPLC	(4,747)	(48)	(7,647)	(77)
	<u>(600,007)</u>	<u>(6,076)</u>	<u>(584,168)</u>	<u>(5,912)</u>

Currently, the Group does not obtain forward cover against the gross exposure. The following significant rates applied during the year:

	2014	2013	2014	2013
	Average Rate		Balance sheet date rate	
US Dollar to PKR	102.98	98.03	98.75	98.80

Sensitivity Analysis

A five percent strengthening / weakening of Rupee against US Dollar on June 30th would have increased / decreased equity and consolidated profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2013.

	Profit and loss Account	
	2014	2013
	-----Rupees in thousands-----	
Effects in US Dollars gain / loss	<u>30,000</u>	<u>29,205</u>

g) **Fair value of financial instruments**

The carrying value of all the financial assets and liabilities reflected in the consolidated financial statements approximates their fair value. The methods used for determining fair values of each class of financial assets and liabilities are disclosed in respective policy notes.

h) **Capital Risk Management**

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders and to maintain a strong base to support the sustained development of its business.

The Group manages its capital structure by monitoring return on net assets and make adjustments to in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payable to the shareholders or issue new shares.

The Group finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

i) **Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities, either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objectives of becoming a profitable organisation, producing high quality cement and uninterrupted power generation to generate returns for investors. Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

40 **CORRESPONDING FIGURES**

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

Reclassification from component	Reclassification to component	Rupees in thousands
Loans and advances	Property, plant and equipment	<u>50,710</u>

41 **NUMBER OF EMPLOYEES**

The total number of employees as at year end were 561 and average number of employees were 493.

42 **NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Holding Company in their meeting held on September 16, 2014, have proposed for the year ended June 30, 2014, final cash dividend of Rs. 1.10 per share i.e. 11% (June 30, 2013: Rs. 0.5 per share i.e. 5%) amounting to Rs. 109.69 million (June 30, 2013: Rs. 49.86 million) for approval by the members of the Holding Company in the Annual General Meeting to be held on October 20, 2014. The consolidated financial statements for the year ended June 30, 2014 do not include the effect of the proposed cash dividend, which will be recognized in the consolidated financial statements for the year ending on June 30, 2015.

43 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on September 16, 2014 by the Board of Directors of the Holding Company.

44 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.


CHIEF EXECUTIVE


DIRECTOR

To: All Shareholders of the Company

Dividend Mandate Form

It is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs the Company to pay dividend through his / her / its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No. 18 of 2012 dated June 05, 2012, all the registered shareholders of Thatta Cement Company Limited hereby given the opportunity to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company.

Please note that this dividend mandate is optional and not compulsory, in case you do not wish your dividend to be directly credited into your bank account, then the same shall be paid to you through the dividend warrants.

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of dividend warrants. Please tick " " any of the following boxes.

Yes

No

If yes, then please provide the following information:

Shareholder's Detail	
Name of the Shareholder	
Folio No/CDC Participant ID& A/C #	
CNIC No.	
Passport No. (In case of Foreign Shareholder)	
Landline number of Shareholder/Transferee	
Cell number of Shareholder/Transferee	
Shareholder's Bank Detail	
Title of the Bank Account	
Bank Account Number	
Bank's Name	
Branch name and Address	

It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of member/shareholder

To: All Shareholders of the Company

Copy of Computerized National Identity Card (CNIC)

As per directions to all listed companies by Securities and Exchange Commission of Pakistan vide S.R.O. 831/2012 dated July 5, 2012, the "DIVIDEND WARRANT(S)" should bear the Computerized National Identity Card (CNIC) number of the registered member(s), except in the case of minor(s) and corporate members, and dividend warrant cannot be issued without inserting the CNIC number of the member(s).

For this purpose, please provide us a copy of your CNIC (if not provided earlier) on **MOST URGENT BASIS** for compliance of the directions of SECP, failing which your future dividend warrant(s), if any, will be withheld till the compliance of the above referred notification.

You must mention your folio number on the face of your CNIC copy for identification.

Copy of your CNIC may please be sent to our Share Registrar Office at the following address:

THK Associates (Pvt) Limited
Second Floor, State Life Building No. 3
Dr Ziauddin Ahmed Road,
Karachi - 75530

Telephone # : (92-21) 111-000-322
Fax # : (92-21) 35655595
Email : secretariat@thk.com.pk
: info@thk.com.pk
Website : www.thk.com.pk

Shareholders are requested to immediately notify the change of address, if any.

Yours truly
For Thatta Cement Company Limited

Muhammad Taha Hamdani
Company Secretary

FORM OF PROXY

The Secretary
Thatta Cement Company Ltd.
Office No. 606-608A 6th Floor,
Continental Trade Centre,
Block 8, Clifton
Karachi

Please quote:

No. of shares held _____

Folio No _____

I / We _____

of _____

member (s) of Thatta Cement Company Limited, hereby appoint _____

_____ or failing him _____

_____ of _____

_____ as proxy in my / our behalf at the Annual General Meeting to be held at Beach Luxury Hotel, M.T. Khan Road, Lalazar Karachi, on Monday, October 20, 2014 at 11:00 am and at any adjournment thereof.

As witness my hand this _____ day of _____ 2014 _____

signed by _____

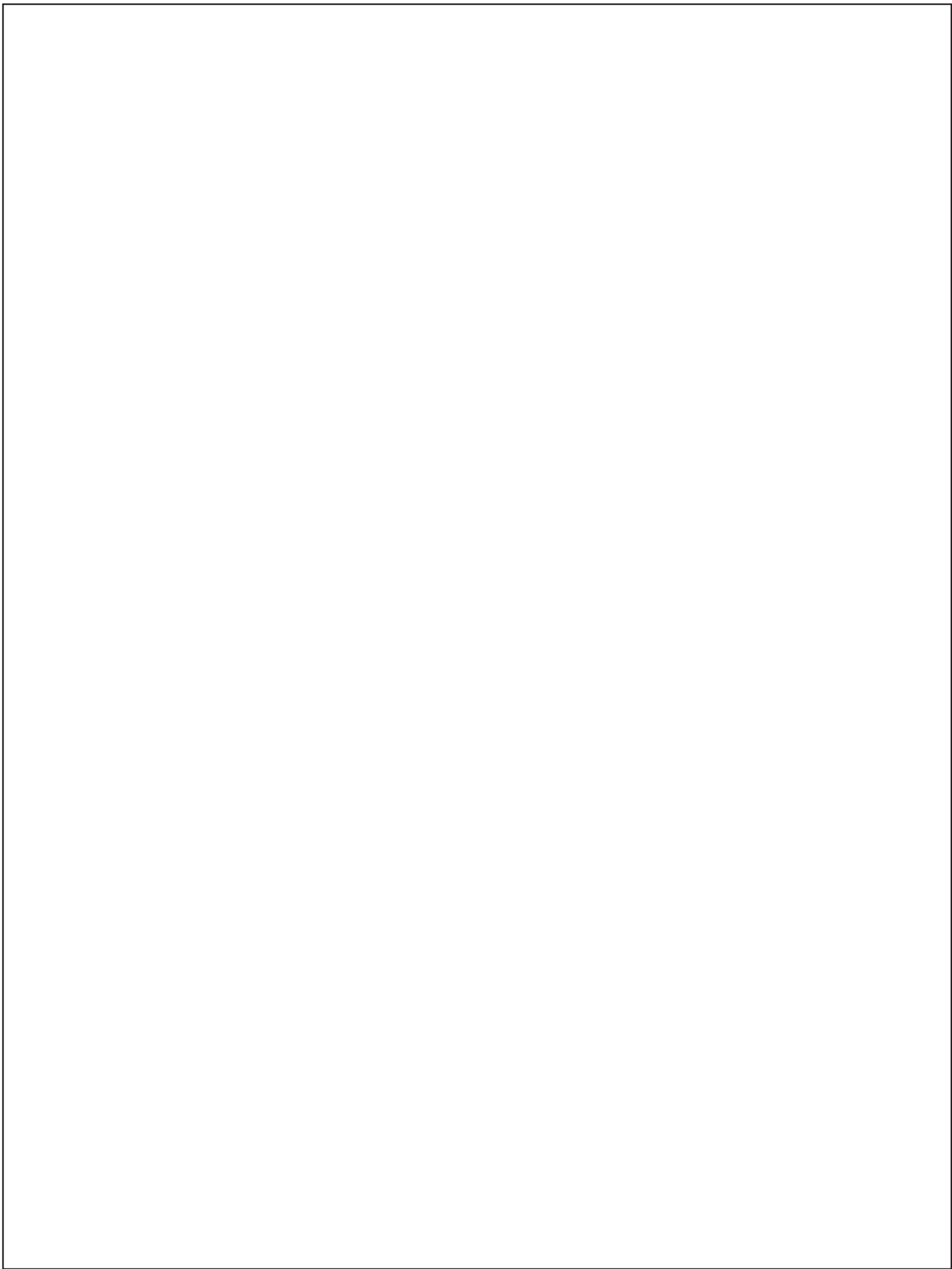
In the presence of _____

Signature

Rupee five
revenue
stamp

Important:

1. This Form of Proxy duly completed must be deposited at our Registered Office or Company's Registrar office M/s. THK Associates (Pvt) Ltd, Second Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road Karachi, not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a shareholder of the Company





THATTA CEMENT
C O M P A N Y L I M I T E D

Head Office
Office # 606 - 608A, 6th Floor,
Continental Trade Center, Block 8, Clifton, Karachi
www.thattacement.com

Factory
Ghulamullah Road, Makli,
District Thatta, Sindh