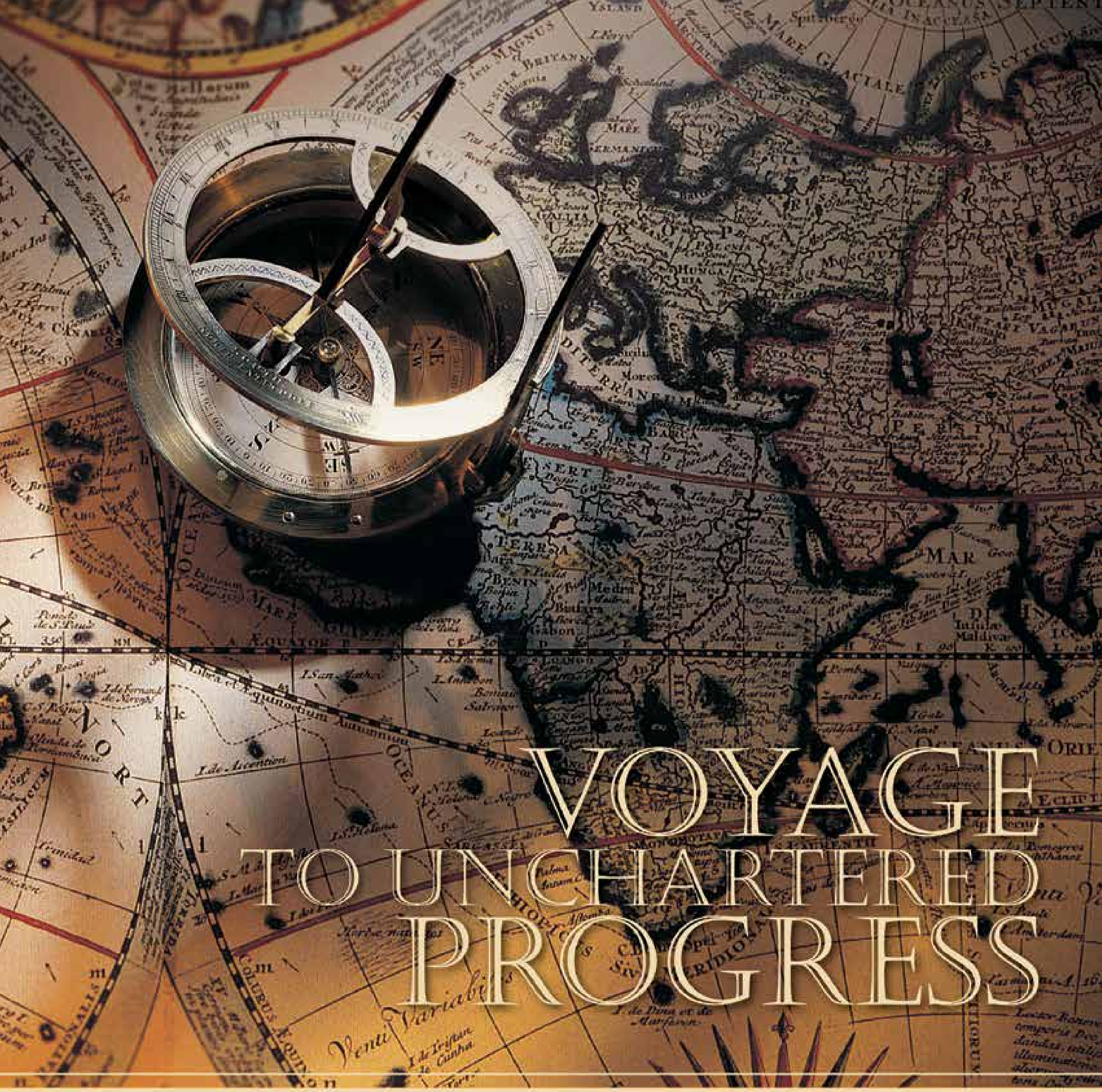


VOYAGE TO UNCHARTERED PROGRESS

MANAGEMENT REPORT OF LUCKY CEMENT FOR THE YEAR 2014

LUCKY CEMENT

Voyage To Unchartered Progress

The journey of a thousand miles begins with a single step – a confident stride in the quest of greater good is what makes the adventure truly rewarding.

For Lucky Cement, this course into the undiscovered realm of opportunities is what has made all the difference. In less than two decades, Lucky Cement has embarked on a trailblazing path that has paved the way for diversity and growth. Having vested in both, close and far-flung ventures, Lucky Cement has reached the epitome of innovation and success.

On our cover this year, we celebrate Lucky Cement's dauntless spirit, which has grown stronger with time and has spurred its epic voyage to unchartered progress.

YBG

Contents

1993

Incorporated in SECP as Lucky Cement Limited

1994

Listed on the Karachi, Lahore and Islamabad Stock Exchanges

1996

Entered into commercial business with a production capacity of 1.2 million tons per annum (with two Production Lines A&B at Pezu Plant)

2002

Delivered the first export consignment

2005

Inaugurated a new Production Line in Karachi

Became the largest cement exporter of Pakistan

Started a new Production Line at Pezu Plant

2006

Became the largest Cement Producer of Pakistan

Started two new Production Lines, one each, at the Karachi and Pezu Plant

Acquired a transportation fleet of bulkers and ship loaders

2007

Became the first Company in Pakistan to export loose cement through sea

OUR ROAD TO SUCCESS

2008

Set up a Cement Storage Facility at the Karachi Port with a capacity of 24,000 tons

Got listed in the London Stock Exchange and became the first Cement Company in Pakistan to issue GDRs

2009

Started the 7th Production Line at the Karachi Plant, bringing the total production capacity to 7.75 million tons per annum

2010

Installed eco-friendly Waste Heat Recovery projects at the Karachi and Pezu Plants

2011

Set up a plant to replace coal with Tyre Derived Fuel (TDF) to further reduce the cost of production and carbon emissions

Invested in a Joint-Venture Cement Plant in DR Congo

2012

Started supplying electricity to HESCO

Invested in a Joint-Venture for a Cement Grinding Plant in Iraq

Shared acquisition of ICI Pakistan Limited

2013

Became the first Pakistani Company to receive A+ rating from the Global Reporting Initiative

2014

Invested in 660 MW Coal-Based Power Plant in Karachi

Commenced the operations at Cement Grinding Facility in Iraq

Achieved the financial closure of JV investment of the Cement Plant in DR Congo

Became the only Pakistani Company to be listed in Forbes Asia's '200 Best Under a Billion' List

Vision

We envision being the leader of the cement industry in Pakistan, identifying and capitalizing on new opportunities in the global market, contributing towards industrial progress and sustainable future, while being responsible corporate citizens.

Mission

Our mission is to be a premium cement manufacturer by building a professional organisation, having state-of-the-art technology, identifying new prospects to reach globally and maintain service and quality standards to cater to the international construction needs with an environment-friendly approach.

Core Values

Customer Focused
- Quality and Consistency
- Commitment
- Customer satisfaction
- Fair Practices

Social Responsibility
- Sustainable Development
- Philanthropy
- Community Development
- Environmentally Conscious

Entrepreneurship
- Sense of Ownership
- Loyalty
- Identifying and Grabbing Opportunities
- Foresightedness
- Proactive Approach
- Value Creation & Addition
- Business Oriented

Ethics and Integrity
- Prestige
- Honesty
- Uprightness
- Reliability

Innovation
- Creative Solution
- Modernization
- First-movers Advantage
- Setting Trends

Excellence
- Benchmark Practices
- Continuous Improvement
- Efficient and Effective Performance

Business Strategies

1. **Holding and growing local dominance**
   Further reinforcing our strength is what we keep in focus when designing our business strategies for the local market.

2. **Increasing our share in the international market**
   Broadening our horizons, we have engaged our resources to the unconventional markets to become accessible to the construction industry worldwide.

3. **Efficiency (in terms of cost, energy and resource utilization)**
   Efficiency is reflected in all our business approaches, giving us an edge over our competitors in cost and energy, by the skillful utilization of resources.

4. **Sustainable Development (In terms of environmental and social responsibility)**
   We believe in giving back to the communities we operate in and to the society at large. We endeavor to stimulate environmental awareness among the stakeholders and have a broad vision for the sustainable world.

5. **HR Excellence**
   We believe in people development. Our Human Resource is our asset and an important factor in our success. Our Intellectual Capital provides a framework that serves as a guiding force for the organization as a whole.

Company Information

Board of Directors
Mr. Muhammad Yunus Tabba (Chairman)
Mr. Muhammad Ali Tabba
Mr. Muhammad Sohail Tabba
Mr. Jawed Yunus Tabba
Mrs. Rahila Aleem
Mrs. Zulekha Tabba Maskatiya
Mr. Muhammad Abid Ganatra
Mr. Tariq Iqbal Khan

Chief Executive
Mr. Muhammad Ali Tabba

Executive Director
Mr. Noman Hasan

Director Finance/ CFO & Chief Investment Officer
Mr. Muhammad Faisal

Chief Operating Officer
Mr. Amin Ganny

Company Secretary
Mr. Fayyaz Abdul Ghaffar

Statutory Auditors
M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

A member firm of Ernst & Young Global Limited

Cost Auditors
M/s. KPMG Taseer Hadi and Co. Chartered Accountants

Bankers
Allied Bank Limited
Askari Bank Limited
Bank AL-Habib Limited
Bank Alfalah Limited
Barclays Bank Plc
Citibank N.A.
Dubai Islamic Bank
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
KASB Bank Limited
MCB Bank Limited
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Registered Office
Pezu, District Lakki Marwat,
Khyber Pakhtunkhwa

Head Office
6-A, Muhammad Ali Housing Society,
A. Aziz Hashim Tabba Street,
Karachi - 75350
UAN: (021) 111-786-555
Website: www.lucky-cement.com
E-mail: info@lucky-cement.com

Production Facilities
1) Pezu, District Lakki Marwat,
Khyber Pakhtunkhwa
2) 58 Kilometers on
Main Super Highway,
Gadap Town, Karachi.

Share Registrar/Transfer Agent
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi.
(Toll Free): 0800 23275

BOARD COMMITTEES

Audit Committee
Mr. Tariq Iqbal Khan (Chairman)
Mr. Muhammad Ali Tabba
Mr. Muhammad Sohail Tabba
Mr. Jawed Yunus Tabba
Mrs. Zulekha Tabba Maskatiya
Mr. Muhammad Abid Ganatra

Human Resource and Remuneration Committee
Mrs. Rahila Aleem (Chairperson)
Mr. Muhammad Ali Tabba
Mr. Muhammad Sohail Tabba
Mr. Jawed Yunus Tabba
Mrs. Zulekha Tabba Maskatiya
Mr. Muhammad Abid Ganatra

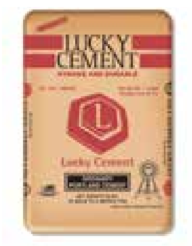
Budget Committee
Mr. Muhammad Sohail Tabba (Chairman)
Mr. Muhammad Ali Tabba
Mr. Jawed Yunus Tabba
Mr. Muhammad Abid Ganatra

Corporate Governance Committee
Mr. Jawed Yunus Tabba (Chairman)
Mr. Muhammad Abid Ganatra
Mrs. Rahila Aleem

LUCKY CEMENT at a glance

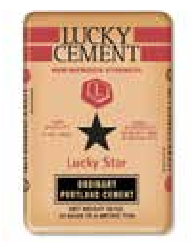
CORE BRANDS

Lucky Cement aims at producing cement to suit every user. The Company is producing different variations of Ordinary Portland Cement and Sulphate Resistant Cement to meet the needs of a wide range of customers. The following cement brands are available:

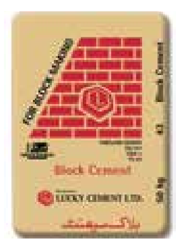


Lucky Cement (Regular): Lucky Cement (Regular) is our OPC brand and sells primarily in the North region markets of Pakistan.

Lucky Sulphate Resistant Cement: Developed specially for use along shore-lines and canal-linings, Lucky SRC sells across the entire country.

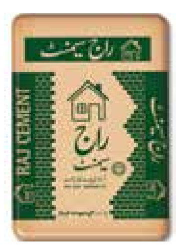


Lucky Star: Lucky Star is our OPC brand which sells primarily in the South region markets of Pakistan.



Lucky Block Cement: Developed specially for block makers with quick setting time, Lucky Block Cement is an OPC product which sells primarily in the Karachi market.

Lucky Gold: Lucky Gold is our OPC brand which was introduced to penetrate into the Faisalabad market and which now sells primarily in Faisalabad and surrounding areas.



Lucky Raj: In order to attract the price-conscious consumer, Lucky Raj is an OPC product introduced in the Karachi markets.

LOCAL AND INTERNATIONAL MARKETS

The Company has a well-established distribution network in Pakistan, making the quality products of Lucky Cement available from Karachi to Kashmir and from Gwadar to Gilgit.

In addition to the local market, the Company has successfully established a well-diversified export market to mitigate the risk of shortfall in local sales. Our high quality cement has been exported to the following countries over the years:

Asia:

- India
- Sri Lanka
- Central Asian countries
- Afghanistan

Africa:

- Tanzania
- Madagascar
- Mozambique
- South Africa
- Seychelles
- Comoros
- Kenya
- Uganda

Our brands are recognized and known as high quality products amongst their customers.

QUALITY ASSURANCE OF PRODUCTS

Lucky Cement Limited's product portfolio complies with a range of standards, depending upon the territory where these are being sold. We use advance equipment like Distributed Control System (DCS), Programmable Logic Controllers (PLCs) and on-line X-Ray Analyzers to ensure that the product quality is maintained. We also have one of the best equipped laboratories, with facilities for analysis of raw material, semi-furnished product, furnished product and fuel, which ensures the supply of high quality product to the market.

Lucky Cement has been accredited by the following international bureaus of standards over the years:

- Bureau of Indian Standards
- Sri Lankan Standard Institute
- Standards Organization of Nigeria
- Kenya Bureau of Standards
- South African Bureau of Standards
- Tanzania Bureau of Standards

Furthermore, in compliance with the South African and Kenyan standards, a safety notice has been embossed on the packaging of Lucky Cement's international products, that has educated the customers about the safety precautions that need to be followed such as clothing, dust masks and other protective measures.

Chairman

MUHAMMAD YUNUS TABBA

Mr. Yunus Tabba has taken YBG to a level which is appreciated by the local and international business communities.

Mr. Muhammad Yunus Tabba started his over forty-year long career with Yunus Brothers Group as one of its founding members and has seen it progress through manufacturing, sales management, marketing management and general management. With his expertise and diversified experience, he has taken Yunus Brothers Group to a level which is appreciated by local and international business communities. Muhammad Yunus Tabba has also been awarded "Businessman of the Year" by the Chambers of Commerce several times during his career.

Under Mr. Yunus Tabba's leadership, the Group has achieved considerable breakthroughs and has received many awards from local and international institutions.

DIRECTORSHIPS

Lucky Cement Limited

Fazal Textile Mills Limited

Gadoon Textile Mills Limited

Yunus Textile Mills Limited

Lucky Textile Mills Limited

Lucky Energy (Private) Limited

Y.B. Pakistan Limited

Yunus Energy Limited

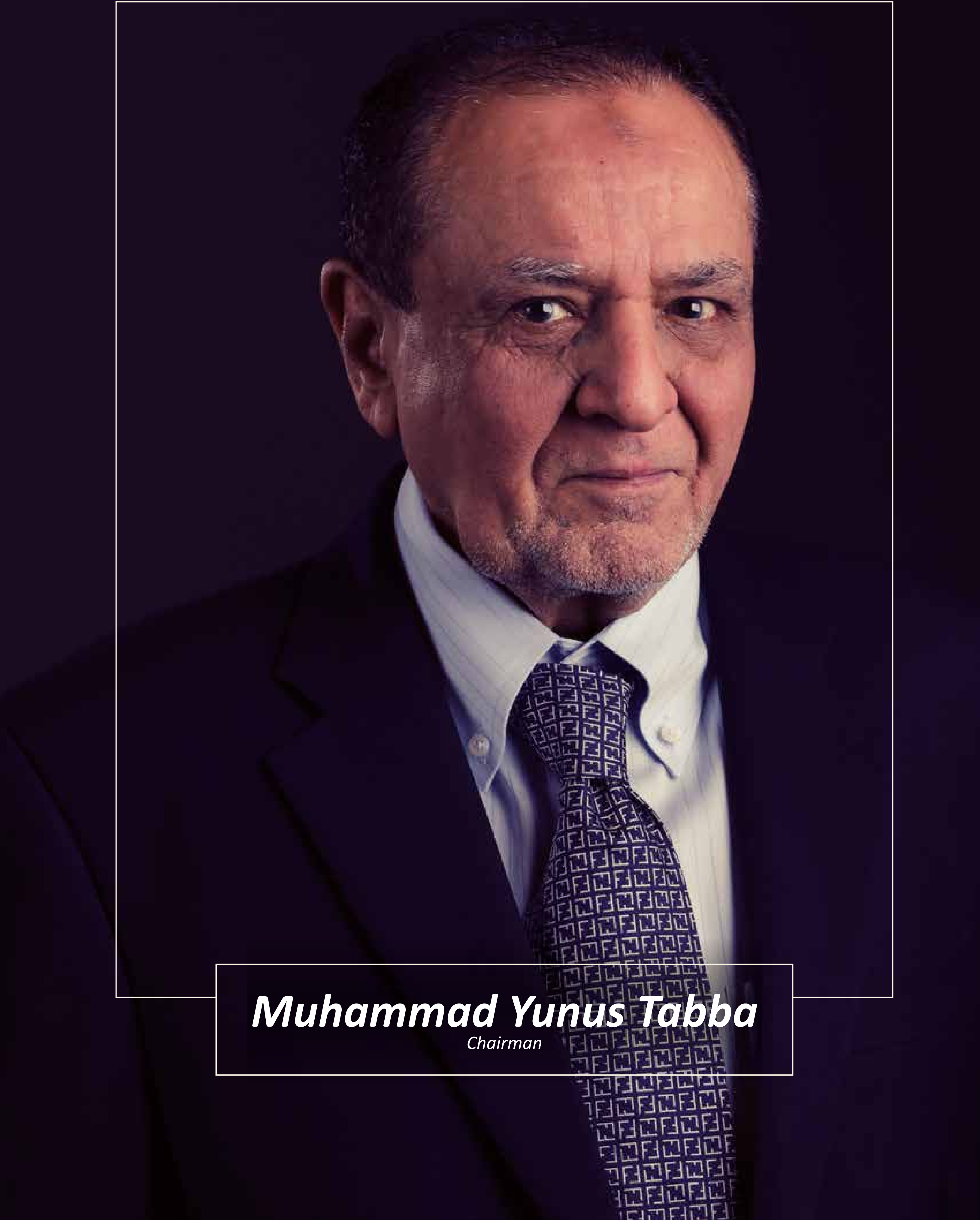
Lucky Air (Private) Limited

Fashion Textile Mills (Private) Limited

Security Electric Power Company Limited

Y.B. Holdings (Private) Limited

Lucky Electric Power Company Limited



Muhammad Yunus Tabba

Chairman

Chief Executive

MUHAMMAD ALI TABBA

Mr. Tabba was bestowed with the title of Young Global Leader (YGL) in recognition of his outstanding services and contributions by World Economic Forum (WEF) in 2010.

Mr. Muhammad Ali Tabba is the Chief Executive of Lucky Cement Ltd (LCL), succeeding his late father in 2005. He also serves as the Chief Executive of Yunus Textile Mills Ltd (YTM), a state-of-the-art home textile mill with subsidiaries in the US, Europe, Canada & France. Simultaneously spearheading both these organizations, he plays a pivotal role in the capacity of Vice Chairman in providing vision for ICI-Pakistan Limited as well.

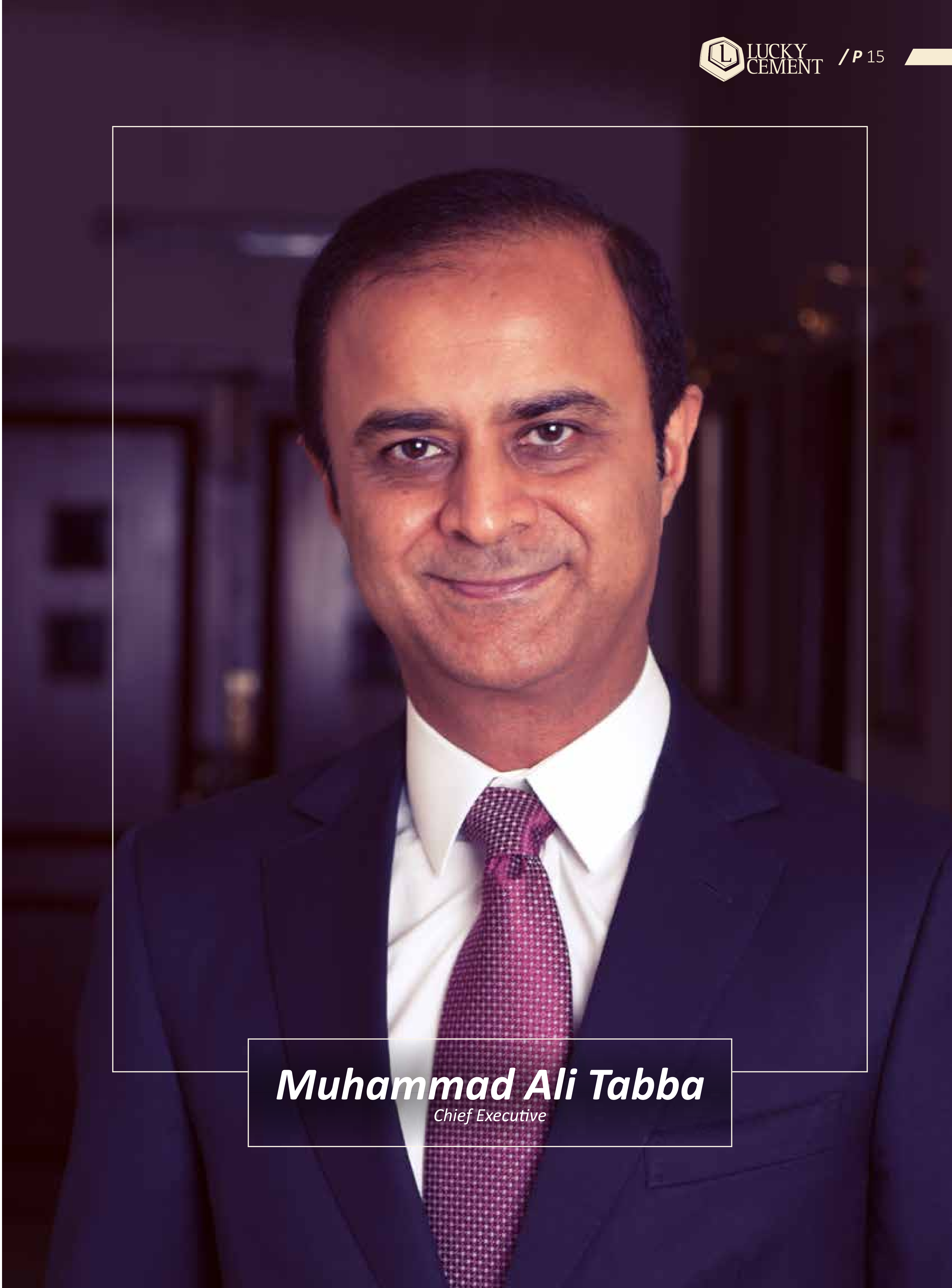
As a Graduate of Commerce, he started his career with Yunus Brothers Group (YBG) - a family conglomerate, in 1991. YBG is one of the premier business houses in Pakistan with diversified interests in Textiles, Energy, Chemicals, Cement and Real Estate Development. The Group's annual turnover is around $1.50 billion and the Group's annual export is around $600 million, which contributes substantially to the overall export of the country.

Mr. Tabba also serves as a Board Member of the Trade Development Authority of Pakistan (TDAP), the premier trade organization of the country which works under the Federal Ministry of Commerce. He is also a Trustee of the Fellowship Fund for Pakistan (FFFP) which sends a top Pakistani Scholar every year to United States Think Tank based in Washington DC, with an objective of increasing greater understanding amongst the top US diplomats and policy makers who are consistently deliberating the challenges as well as possible solutions to the complex dynamics of our country. In addition to these important roles, Mr. Tabba is also on Board with Pakistan Business Council (PBC), a business advocacy forum comprising of leading private-sector businesses. He has been nominated on board of Pakistan - India Joint Business Council (PIJBC), which promotes trade between the two countries. He has recently been appointed as Chairman of All Pakistan Cement Manufacturing Association (APCMA), a regulatory body of cement manufacturers in Pakistan.

With extensive engagements in many community welfare projects, Mr. Tabba serves on the Board of Governors at numerous renowned Universities, Institutions and Foundations. He is the Vice Chairman of a Not for Profit Organization, Aziz Tabba Foundation, which is working extensively in the field of education, health and housing. The Foundation runs state-of-the-art cardiac hospital; Tabba Heart Institute (THI) and a state-of-the-art kidney centre; Aziz Tabba Kidney Center (ATKC), in Karachi, Pakistan. Considering his commitments in the social development sector of the country, World Economic Forum (WEF) in 2010 bestowed the title of Young Global Leader (YGL) to Mr. Tabba, in recognition of his outstanding services and contributions.

DIRECTORSHIPS

Lucky Cement Limited
Gadoon Textile Mills Limited
Fazal Textile Mills Limited
Yunus Textile Mills Limited
Lucky Textile Mills Limited
ICI Pakistan Limited
Fashion Textile Mills (Private) Limited
Lucky Energy (Private) Limited
Yunus Textile (Private) Limited
Security Electric Power Company Limited
Lucky Paragon Readymix Limited
Luckyone (Private) Limited
Lucky Knits (Private) Limited
Yunus Energy Limited
Y.B. Pakistan Limited
Lucky Holdings Limited
Lucky Air (Private) Limited
Lucky Commodities (Private) Limited
Y.B. Holdings (Private) Limited
Oil and Gas Development Company Limited
Lucky Electric Power Company Limited



Muhammad Ali Tabba

Chief Executive

Board of Directors

MUHAMMAD SOHAIL TABBA
Non-Executive Director

Mr. Muhammad Sohail Tabba has vast experience in the manufacturing sector since he started his career around twenty years ago. Mr. Sohail Tabba is heading various spinning mills in the country as the Chief Executive. He is also the Chairman of the Board's Budget Committee.

Directorships

Fazal Textile Mills Limited
Gadoon Textile Mills Limited
Lucky Cement Limited
ICI Pakistan Limited
Yunus Textile Mills Limited
Lucky Energy (Private) Limited
Lucky Textile Mills Limited
Lucky Knits (Private) Limited
Y.B. Holdings (Private) Limited
Luckyone (Private) Limited
Yunus Energy Limited
Y.B. Pakistan Limited
Lucky Air (Private) Limited
Lucky Holdings Limited
Security Electric Power Company Limited
Lucky Paragon Readymix Limited
Lucky Commodities (Private) Limited
Lucky Electric Power Company Limited

MUHAMMAD JAWED TABBA
Non-Executive Director

Mr. Jawed Tabba has a rich experience in the textile industry and is currently the Managing Partner and Chief Executive of a renowned textile mill. His untiring efforts helped him acquire deep insight and expertise into the export and manufacturing activities. He is also the Chairman of the Corporate Governance Committee of the Board.

Directorships

Fazal Textile Mills Limited
Lucky Cement Limited
Gadoon Textile Mills Limited
Yunus Textile Mills Limited
ICI Pakistan Limited
Lucky Energy (Private) Limited
Luckyone (Private) Limited
Feroze 1888 Mills Limited
Yunus Energy Limited
Y.B. Pakistan Limited
Lucky Textile Mills Limited
Yunus Textile (Private) Limited
Security Electric Power Company Limited
Y.B. Holdings (Private) Limited

RAHILA ALEEM
Executive Director

Having a rich experience in the export industry, Mrs. Rahila Aleem has been previously involved in the export driven textile industry with a background in management and export quality assurance. Mrs. Rahila is an active Board Member and is also serving as a member in other Board Committees. She is also Chairperson of the Board's HR and Remuneration Committee.

Directorships

Fazal Textile Mills Limited
Lucky Cement Limited
Gadoon Textile Limited
Yunus Textile Mills Limited
Yunus Energy Limited
Y. B. Pakistan Limited
Lucky Textile Mills Limited

ZULEKHA TABBA MASKATIYA

Non-Executive Director

Having pursued a Bachelor's degree in Management Sciences from the University of Warwick and a Master's degree in Management, Organizations and Governance from the London School of Economics and Political Science, Mrs. Zulekha Tabba Maskatiya has been an indispensable part of the business since its inception. She not only holds a prestigious position within the Yunus Brothers Group but her educational background brings the values of business focus, corporate governance and social responsibility to the organization. In addition to this, she is also the Founder and the Creative Director of the luxury jewelry brand, Lazuli, based in Pakistan.

Directorships

Lucky Cement Limited
Yunus Textile Mills Limited
Yunus Energy Limited
Y.B Pakistan Limited
Lucky Textile Mills Limited
Y.B Holdings (Private) Limited
Lucky Electric Power Company Limited

MUHAMMAD ABID GANATRA

Non-Executive Director

Mr. Abid Ganatra has been associated with the Yunus Brothers Group since 1994. He has more than twenty years of diversified experience at senior management positions with emphasis on financial management, operational management, capital restructuring, mergers and acquisitions, corporate and legal affairs as well as taxation. Abid is a fellow member of the Institute of Chartered Accountants and Institute of Cost Management and Accountants of Pakistan. He has also gained a Master's Degree in Economics and Bachelor's in Law.

Directorships

Lucky Cement Limited
ICI Pakistan Limited

TARIQ IQBAL KHAN

Independent Non-Executive Director

Mr. Tariq Iqbal Khan is one of the leading professionals in the country, having a vast experience of the financial sector of Pakistan. Being a Fellow Chartered Accountant (FCA) who started his career from A.F. Ferguson & Co., Chartered Accountants, Mr. Khan has been leading policy making positions in various associations and institutes in the country including as the Founder Acting Director of Islamabad Stock Exchange, President Islamabad Stock Exchange, Commissioner SECP, acting Chairman SECP and Member Tax Policy and Coordination FBR. Mr. Tariq Iqbal Khan has also served as the Managing Director/Chairman at the Investment Corporation of Pakistan and the National Investment Trust Limited. He is also Chairman of Board's Audit Committee.

Directorships

Lucky Cement Limited
National Refinery Limited
Silk Bank Limited
Packages Limited
International Steel Limited
Gillette Pakistan Limited
Pakistan Oilfields Limited

Board Committees

AUDIT COMMITTEE

Terms of Reference

The terms of reference of the Audit Committee shall include the following:

(a) determination of appropriate measures to safeguard the Company's assets;

(b) review of quarterly, half-yearly and annual financial statements of the Company prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.

(c) review of preliminary announcements of results prior to publication;

(d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

(e) review of management letter issued by external auditors and management's response thereto;

(f) ensuring coordination between internal and external auditors of the Company;

(g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

(h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

(i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structures are adequate and effective;

(j) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

(k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

(l) determination of compliance with relevant statutory requirements;

(m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

(n) consideration of any other issue or matter as may be assigned by the Board of Directors.

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR COMMITTEE)

Terms of Reference

(a) To review and advise on the Human Resource policies of the Company and its revision from time to time as and when necessary.

(b) To determine the remuneration and terms of service of the Chief Officer and other Executives of the Company including their performance benefits and other benefits such as pension, gratuity, cars/car allowances and other contractual terms.

(c) To ensure that the best practices are adopted by the management of the Company with emphasis that:-

- the people of appropriately high ability and caliber are recruited, retained and motivated by offering market competitive packages.
- clear statement of job description and responsibilities for each individual position are defined for proper performance measurement.
- performance evaluation process / mechanism is in place and carried out annually.
- market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with Company's existing pay scale.

(d) To review and advice on the training, development and succession planning for the senior management of the Company.

(e) To devise a mechanism for the approval of HR related policies of the Company.

(f) To recommend any matter of significance to the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

Terms of Reference

(a) To adopt appropriate corporate governance policies and procedures with emphasis on the following and make appropriate changes whenever necessary:

- the roles and responsibilities of the Board.
- duties and responsibilities of directors and officers.
- conflict of interest policy and procedures.
- procedures for nomination, selection, and removal of directors.
- disclosures and transparency of the above policies

(b) To provide orientation and training programs for Board members with emphasis on :

- the organization's vision, mission and corporate strategy.
- the organization's budget and financial statements and their analysis.
- the roles, duties and responsibilities of the Board Committees, individual Directors and other Executives.

(c) To review the Company's "Statement of Compliance with the Code of Corporate Governance Practices" set out in the Company's Annual Report before publication.

(d) Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance issued by the Statutory auditors.

(e) To identify and assess the potential probable compliance risk and to devise measures to mitigate its impact.

(f) To recommend any matter of significance relating to the Corporate Governance to the Board of Directors.

(g) To comply with the Code of Corporate Governance prevailing in Pakistan as well as to introduce International Best Practices.

(h) To ensure disclosures and transparency of the above policies and material information to the shareholders in the timely manner.

BUDGET COMMITTEE

Terms of Reference

(a) To review and analyze the annualized budgets for revenue and capital expenditures as prepared by the Company and recommend the final budget to the Board for its approval.

(b) To review and analyze any revision in the budget and suggest such revision to the Board of Directors for its approval.

(c) To review and analyze the comparison of budget with actual results on quarterly and annual basis and give appropriate direction for any corrective action in case of major variances.

(d) To recommend any matter of significance to the Board of Directors.

ANNUAL EVALUATION OF BOARD'S PERFORMANCE:

The Corporate Governance Committee receives input on the Board's performance from Directors, which are then discussed with the Chairman of the Company in the presence of the full Board. Based on such discussions, the Board of Directors itself evaluates Board's performance to determine whether the Board and its Committees are operating effectively.

ORIENTATION & PROFESSIONAL DEVELOPMENT OF THE BOARD:

All Directors are required to go through a formal orientation of the Company upon their induction and are quarterly engaged in professional development programs with institutions like PICG and other corporate governance institutions.

CEO's Message

Dear stakeholder,

By the Grace of Allah, we have witnessed the best performing fiscal year in the history of Lucky Cement Limited. We have achieved the highest-ever profit after tax of Rs. 11.344 billion for the year 2013-14, which is an increase of 16.4% compared to the profit last year.

Our voyage to uncharted progress has not only reaped us great accomplishments but has also enabled us to win continuous confidence of all our stakeholders. Our seamless operations are driven by the success of our people who ensure that their individual efforts garner a performance which is unmatched in the whole industry.

We have managed to reduce greenhouse gas emissions through persistent focus on green-technology and stimulated use of renewable energy in our core operations. We have strong faith in the notion of continuous development and growth for this company in a manner which can also supplement the overall growth of the cement industry, as well as the community at large.

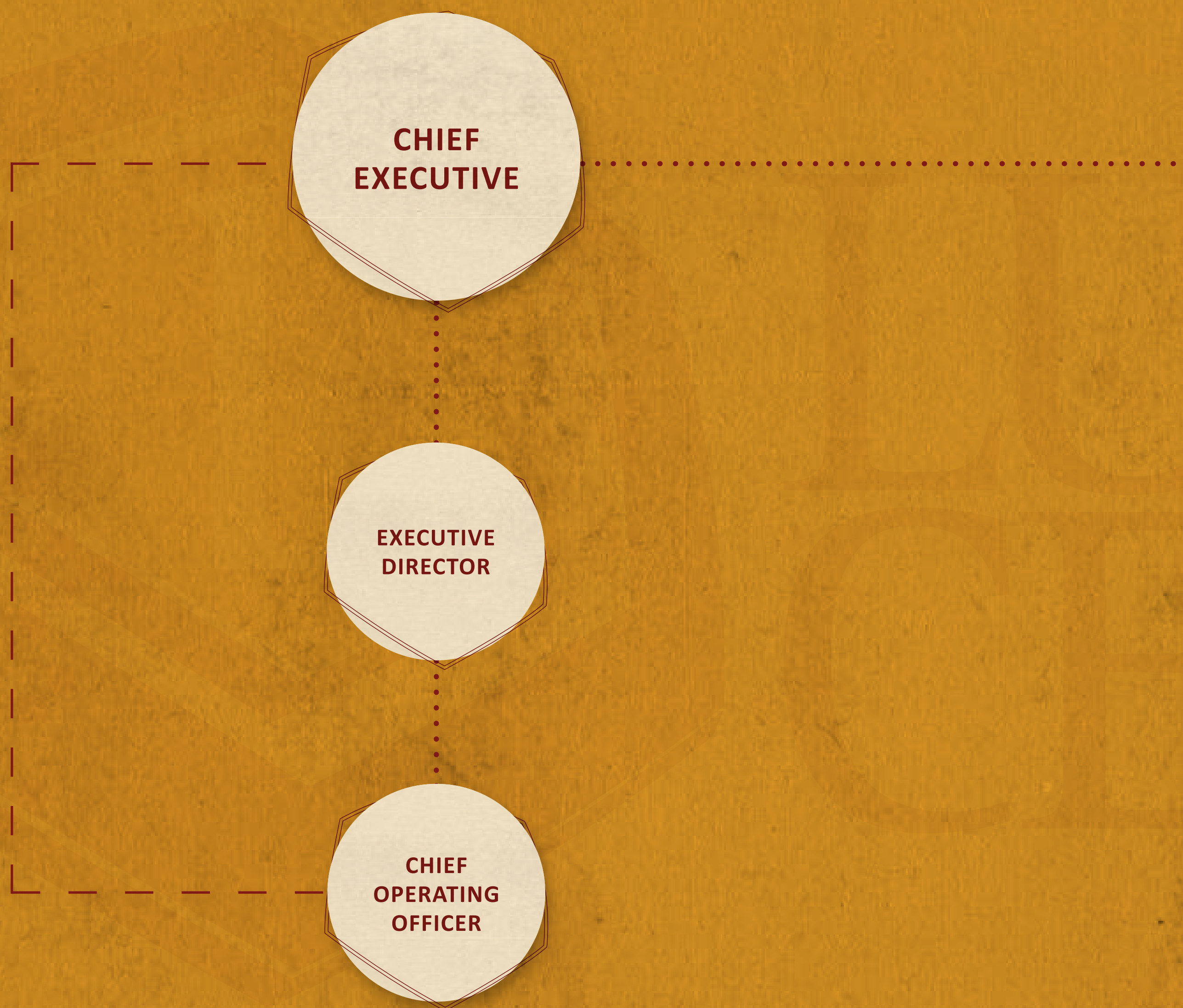
We are continuously investing to improve our efficiency, which has helped us to maintain our position as a low cost producer in Pakistan. Our continuous effort in improving our market share both domestically as well as internationally has helped the company to have a winning edge over our competition. We have started operations in Iraq in February 2014. Initially we were operating at 30% capacity, but today we have reached 90% capacity utilization.

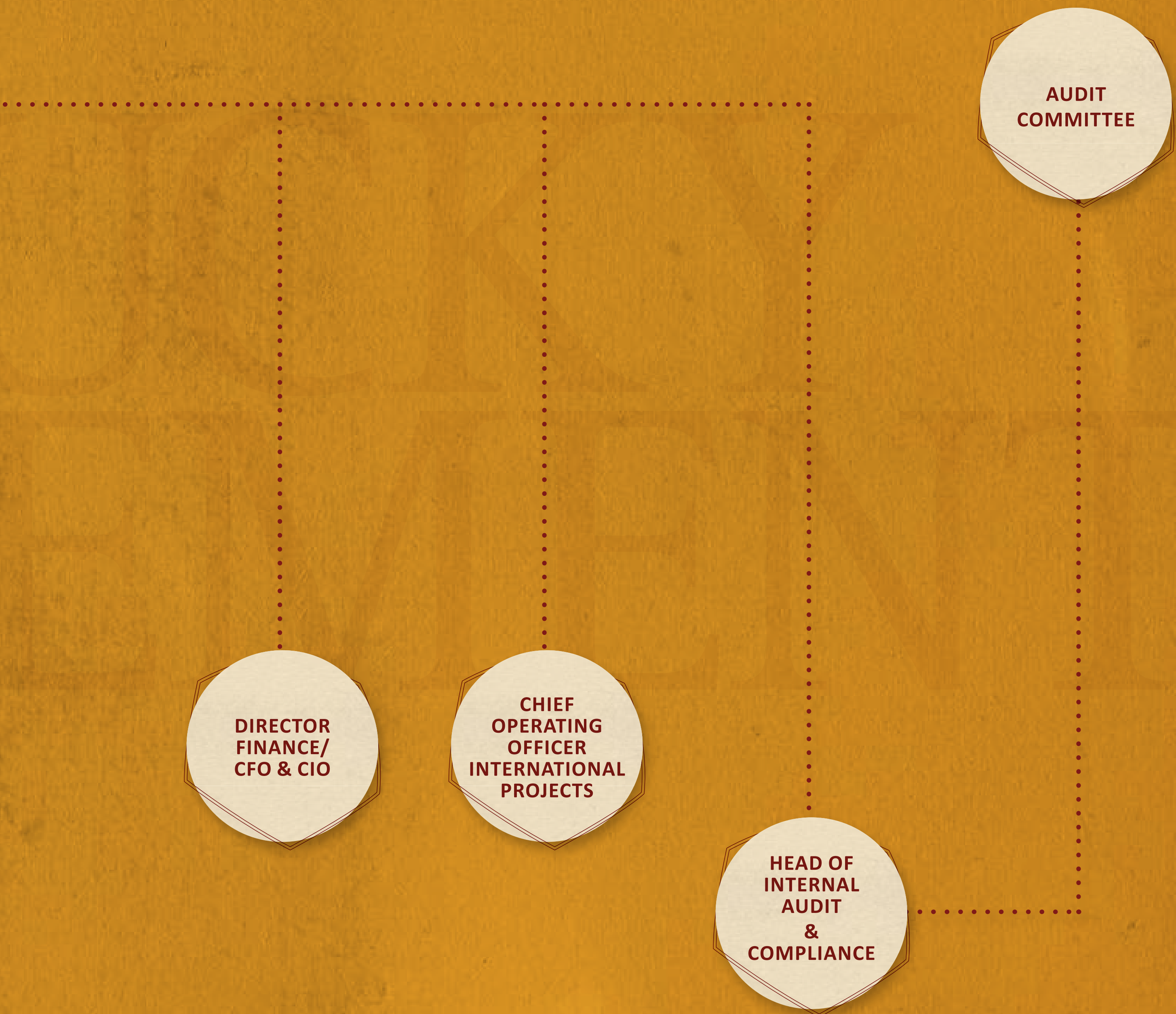
With our strong commitment to sustainable growth, we ensure that Inshallah Lucky Cement will uphold its leadership role, while sustaining its mark in the local and international markets. I would like to thank all our stakeholders who have placed their trust in Lucky Cement and look forward to their continuous support.

MUHAMMAD ALI TABBA

CEO / Director

Organogram


CHIEF EXECUTIVE
EXECUTIVE DIRECTOR
CHIEF OPERATING OFFICER


AUDIT COMMITTEE
DIRECTOR FINANCE/ CFO & CIO
CHIEF OPERATING OFFICER INTERNATIONAL PROJECTS
HEAD OF INTERNAL AUDIT & COMPLIANCE

Senior Management

MUHAMMAD ALI TABBA
Chief Executive

NOMAN HASAN
Executive Director

MUHAMMAD FAISAL
Director Finance/ CFO & Chief Investment Officer

AMIN GANNY
Chief Operating Officer

ADNAN AHMED
Chief Operating Officer International Projects

INTISAR-UL-HAQ-HAQQI
Director Power Generation

MUHAMMAD SHABBIR
GM Pezu Plant

MASHKOOR AHMED
GM Karachi Plant

FAISAL MAHMOOD
Head of Internal Audit & Compliance

KALIM MOBIN
Director Marketing (North)

SAIFUDDIN A. KHAN
GM Marketing (South)

WAQAS ABRAR
GM Human Resource

SYED NUSRAT ALI
GM Production (Karachi Plant)

SYED HASAN MAZHAR RIZVI
GM Power Plant (Karachi)

SYED NAJMUL ABSAR
GM Power Plant (Pezu)

FAIZ DURRANI
GM Legal and Corporate Affairs

MUHAMMAD ALI HAROON
GM Finance

AMIN HUSSAIN
GM Supply Chain

HUMAYUN KHAN
GM Govt. Relations & Administration (Islamabad)

Group Profile

The history of Yunus Brothers Group (YBG) can be traced back to 1962 when the foundation of a trading house was laid. The establishment of the fabric trading business house, which turned into one of the largest conglomerates in Pakistan in a period spanning four decades, served as the first milestone in this prolific journey.
Since then, Yunus Brothers Group has established various other business concerns in textiles, cement, construction and power generation sectors and has proved its business standing in the local and international markets by virtue of its outstanding achievements. It proudly owns one of the largest cement manufacturing facilities and the largest yarn manufacturing unit in the country.

The following companies are part of the Yunus Brothers Group:

Yunus Brothers (YB) 1962

In 1962, Yunus Brothers Group started as a trading house; exporting cotton yarn to Far-Eastern countries and gradually added other commodities in its business portfolio. It holds a strong reputation in provision of high-quality products; accompanied with reliability and excellent customer services.

Lucky Textile Mills Limited (LTML) 1983

Lucky Textile Mills Limited took off as a fabric manufacturing concern in 1983. However, it modified its operations and has currently transformed into a vertically integrated mill, having an annual production capacity of 60 Million meters. LTML has also exported its products and enjoys a strong presence in the international markets.

Aziz Tabba Foundation (ATF) 1987

Social activism has always been a hallmark of YB Group. Aziz Tabba Foundation, started in 1983, serves as a testimony to the philanthropic spirit of the Company's founders. The Foundation carries out various activities for the social welfare of the community in areas of health, education and enhancement of economic prosperity.

Fazal Textile Mills Limited (FTML) 1962

Fazal Textile Mills Limited is one of the top spinning mills in the country. It specializes in producing Cotton Ring Spun Yarn. FTML is equipped with state-of-the-art machinery from world's renowned textile machinery manufacturers and has the capacity to produce around 150 Metric tons of yarn daily.

Gadoon Textile Mills Limited (GTML) 1988

Established in 1988, Gadoon Textile Mills aim was to provide employment to the local natives of the Swabi District that used to rely on cultivation of poppy and opium on their lands for achieving their livelihood. Thus, not limited to a profit-making venture, GTML has a socially motivated reason as its essence. GTML holds the distinction of being the second largest textile mill in the world to introduce Compact Core Spun Yarn. However, in Pakistan, it's the largest spinning unit with an approximate number of 200,000 spindles under one roof.

Lucky Cement Limited (LCL) 1993

Lucky Cement Limited is Pakistan's largest Cement Manufacturing Company with an annual production capacity of 7.75 million tons. LCL is also Pakistan's first and largest exporter of loose cement and is the only cement manufacturer to have a loading and storage terminal at the Karachi Port. Other exclusive attributes that allow Lucky Cement to stand ahead of its competitors are its unique supply chain function with specialized loose cement carriers and ship loaders.

ICI Pakistan Limited (ICIP) 2012

Consequent to the acquisition of ICI Omicron B.V. shareholding by Lucky Holdings Limited in 2012, it is part of the Yunus Brothers Group. ICI Pakistan (formerly ICI Omicron B.V.) manufactures and trades in a diversified range of products including Polyester Staple Fiber, Soda Ash and Specialty Chemicals. It also markets toll-manufactured Pharmaceuticals and Animal Health products along with a range of Chemicals, Field Crop Seeds, Vegetable Seeds and other Agri Products. Its four businesses, Soda Ash, Polyester, Life Sciences and Chemicals manufacture and sell a wide range of industrial and consumer products.

Lucky Energy Private Limited (LEPL) 1993

In 1993, YB Group diversified in the energy sector with the establishment of Lucky Energy, a gas-based thermal power generation unit. It is equipped with one of the most sophisticated and highly-efficient generators from Caterpillar, USA. LEPL not only fulfills energy requirements of the Group companies but also sells electricity to the Government of Pakistan.

Aziz Tabba Kidney Centre (ATKC) 1995

Aziz Tabba Kidney Centre is a centre of excellence that provides cost-effective and state-of-the-art dialysis facilities to the underprivileged sections of the society. ATKC is also the only centre in Karachi where Hepatitis B (HB) positive patients are treated separately.

Yunus Textile Mills Limited (YTML) 1998

Yunus Textile Mills Limited is the producer and exporter of home textiles and beddings accessories. It is a fully vertically-integrated textile manufacturing facility, from spinning to stitching, with the annual production capacity of 100 million meters. Although, the manufacturing facility is based in Karachi, the Company has its distribution units in USA, Canada, France, United Kingdom and Spain.

Tabba Heart Institute (THI) 2005

Tabba Heart Institute, a state-of-the-art, yet not-for-profit cardiac hospital, was established with the aim to provide quality services and compassionate care at an affordable cost. THI is a 120–bed cardiac unit equipped with modern and up to date equipment, with renowned cardiologists and cardiac surgeons.

Lucky Commodities Private Limited (LCPL) 2013

Lucky Commodities Private Limited (LCPL) is one of the leading importers of coal in Pakistan and at present the largest importer of South African Coal. Last year, it catered to approximately 30% of Pakistan's coal market by providing the best quality coal to more than 150 companies in the country. Under the brand umbrella of Yunus Brothers, the company provides high quality standardized coal to its customers for fulfilling their energy requirements. Having begun with a focus on coal, it now plans to expand its trade activities in other energy resources and dry bulk commodities. In a short span of time, Lucky Commodities has acquired a significant share of Pakistan's coal market.

Business Growth & Diversity

Lucky Holdings Limited

Lucky Holdings Limited (LHL) is a holding Company of the Yunus Brothers Group (YBG), established in the year 2012. LHL has a majority shareholding of 75% from Lucky Cement Limited, with other group companies as shareholders in the same.

Under the holding Company, YBG has been able to expand its portfolio and its wings towards unchartered territories including diversification into the areas of Pharmaceuticals, Polyester, Soda Ash and Chemicals. Lucky Holdings Limited is the majority shareholder in ICI Pakistan Limited and has announced the formation of another Company, Lucky Electric Power Company Limited, under its wing.

ICI Pakistan Limited

Determined to expand its industry portfolio, Lucky Cement Limited acquired ICI Pakistan Limited through Lucky Holdings Limited in 2012, making it a part of YBG. ICI Pakistan (formerly ICI Omicron B.V.) manufactures and trades in a diversified range of products including Polyester Staple Fiber, Soda Ash and Specialty Chemicals. It also markets toll-manufactured Pharmaceuticals and Animal Health products along with a range of Chemicals, Field Crop Seeds, Vegetable Seeds and other Agri Products. Its four businesses: Soda Ash, Polyester, Life Sciences and Chemicals manufacture and sell a wide range of industrial and consumer products, sustaining its business diversity and growth strategy.

Lucky Cement Limited is building a strong portfolio by expanding internationally, including a cement plant in Congo and a joint venture for a 0.9m tons grinding facility in Iraq.

Al Mabrooka Cement

In the quest to expand internationally, Lucky Cement Limited entered into a joint venture of setting up a grinding facility, called Al-Mabrooka Cement, strategically located in Basra, Iraq. The plant has a capacity of approximately 1.0 million metric tons per annum with two state-of-the-art vertical grinding mills, producing high quality cement which meets the local and international cement standards.

Lucky Cement Limited aims to invest in new businesses, as it aggressively works to transform itself into a global player.

Lucky Electric Power Company Limited

Being a paradigm of perpetual progress, The YB Group has diversified into power generation sector by investing into Lucky Electric Power Company Limited which is a wholly owned subsidiary of Lucky Holding Limited (LHL). This makes it an indirect subsidiary of Lucky Cement Limited and by undertaking this venture, the YB Group aims to bypass the nation-wide crippling energy crisis.

Lucky Cement Limited will be investing an estimated amount of Rs. 20 Billion to set up a 660MW coal-based power project in Karachi. Being the largest importer of coal, Lucky Cement Limited's decision of investing in a coal-based power plant will create synergies amongst its existing diversified business portfolio. The investment will be made in debt to equity ratio of 75:25.

Nyumba Ya Akiba

Expanding its global footprint, Lucky Cement Limited laid the foundations of a joint venture cement manufacturing facility with Groupe Rawji of the Democratic Republic of Congo (DRC) named Nyumba Ya Akiba (NYA). The Company has its headquarters in Kinshasa and this venture will make Lucky Cement Limited the first Pakistani cement Company to sow the seeds for global development in Africa.

LCL, through the NYA joint venture, plans to develop a green field cement project in the Songologo Region of the Bas-Congo Province of DRC, approximately 250 km south-west of Kinshasa, the capital city of the DRC.

EXPLORING NEW HORIZONS

Directors' Report

The Directors of your Company have the pleasure in presenting to you the annual results of your Company, which include the Stand-alone as well as Consolidated Audited Financial Statements for the year ended June 30, 2014.


Financial
Indicators
July - June

Directors' Report

I. OVERVIEW

With the blessings of Almighty Allah, the financial year under review concluded as the best performing year of the Company. Your Company has managed to achieve a new sales revenue mark of Rs.43.08 billion which is an increase of 13.9% over the sales revenue reported last year. Your Company also managed to achieve the highest ever after-tax profit of Rs.11.34 billion during the year under review which is an increase of 16.8% over last year's profit after tax.

The Cement Industry in Pakistan grew by 2.5% to 34.28 million tons during the current year compared to 33.43 million tons reported last year. Local sales volume registered a growth of 4.3% to 26.15 million tons during the current year compared to 25.06 million tons of last year. For the first time in the history of the country, the industry touched the mark of 26.0 million tons of local sales. Export sales volume, however, declined by 2.8% to 8.14 million tons during the current year compared to 8.37 million tons of last year.

Your Company registered an overall growth of 9.2% to 6.62 million tons during the year compared to 6.06 million tons sold last year. Local sales volume grew by 9.6% to 4.13 million tons during the current year compared to 3.77 million tons of last year. While the industry registered a decline in export volumes, your Company was able to register a growth of 8.6% to 2.49 million tons during the current year compared to 2.29 million tons of last year.

II. BUSINESS PERFORMANCE

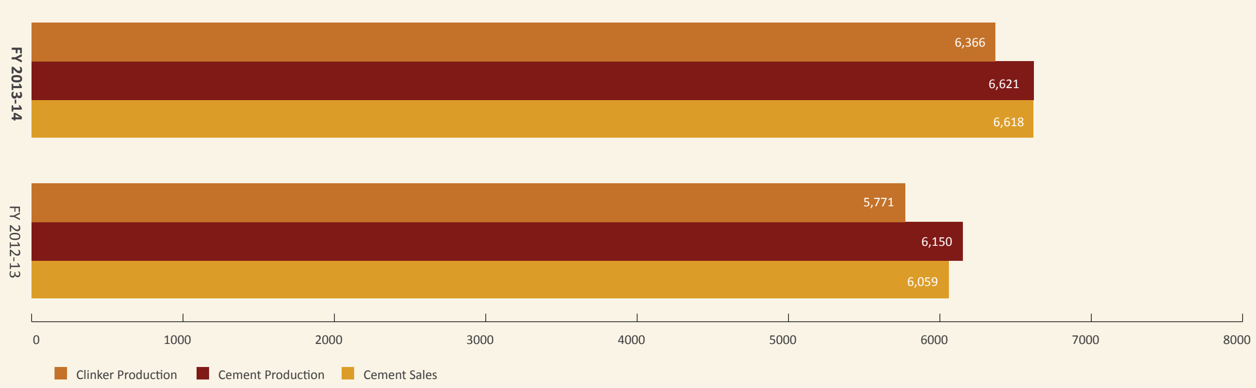
a) Production & Sales Volume Performance

The production and sales statistics of your Company for the financial year under review compared to last year are as follows:

Particulars	FY 2013-14	FY 2012-13	% Change
	-------Tons in '000 -------		
Clinker Production	6,366	5,771	10.31%
Cement Production	6,621	6,150	7.65%
Cement Sales	6,618	6,059	9.23%

The production and sales volume data is graphically presented as under:

Production and Sales
(Tons in '000')



A comparison between the dispatches of the Industry and your Company for the financial year ended June 30, 2014 with last year is as under:

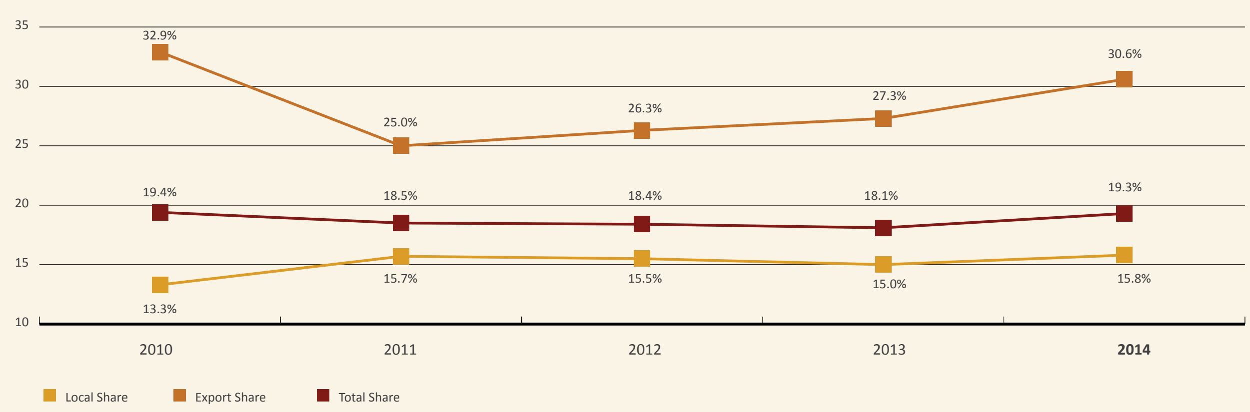
Particulars	FY 2013-14	FY 2012-13	Change	
	-------Tons in '000 -------		Tons in '000	%
Cement Industry				
Local Sales	26,145	25,059	1,087	4.3%
Export Sales (*Cement)*				
Bagged	7,818	7,868	(49)	(0.6%)
Loose	318	506	(188)	(37.2%)
Total Exports	8,137	8,374	(238)	(2.8%)
Grand Total	34,282	33,433	849	2.5%
Lucky Cement				
Local sales	4,132	3,770	362	9.6%
Export Sales (*Cement*)				
Bagged	2,168	1,783	385	21.6%
Loose	318	506	(188)	(37.2%)
Total Exports	2,487	2,289	197	8.6%
Grand Total	6,619	6,059	559	9.2%

** Industry source: APCMA website*

LCL - Market Share	FY 2013-14	FY 2012-13	% Change
Local Sales	15.8%	15.0%	5.0%
Export Sales (*Cement)*			
Bagged	27.7%	22.7%	22.4%
Loose	100.0%	100.0%	0.0%
Total Eports	30.6%	27.3%	11.8%
Grand Total	19.3%	18.1%	6.5%

A comparative year-wise analysis of market share of your Company is as under:

Yearwise LCL Market Share



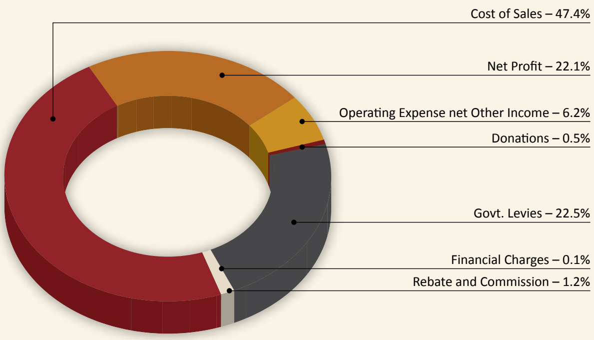
b) *Financial Performance*

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

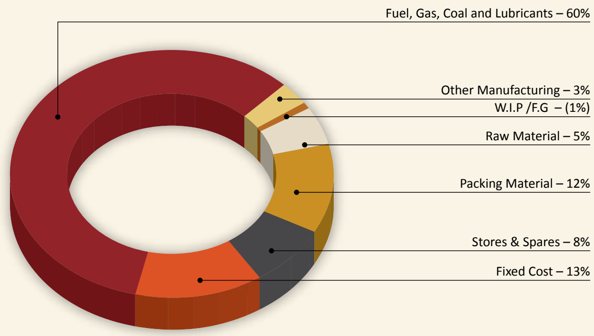
	FY 2013-14	FY 2012-13	% CHANGE
Revenue:	43,083	37,810	13.9%
GP:	18,690	16,756	11.5%
OP:	14,548	12,412	17.2%
EBITDA:	16,621	14,297	16.3%
NP:	11,344	9,748	16.4%
EPS:	35.08/share	30.15/share	16.4%

** Rupees in Million except EPS.*

Distribution of Revenue



Distribution of Cost



Revenues

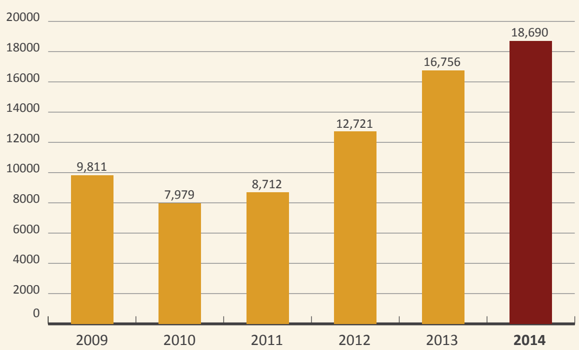
During the year under review, your Company's overall net sales revenue increased by 13.9% on account of 9.2% increase in volume and 4.7% increase in net retention.

Cost of Production

The per ton cost of sales of your Company increased by 6.1% during the financial year under review compared to last year, mainly due to increase in the Gas Tariff and the prices of packing material.

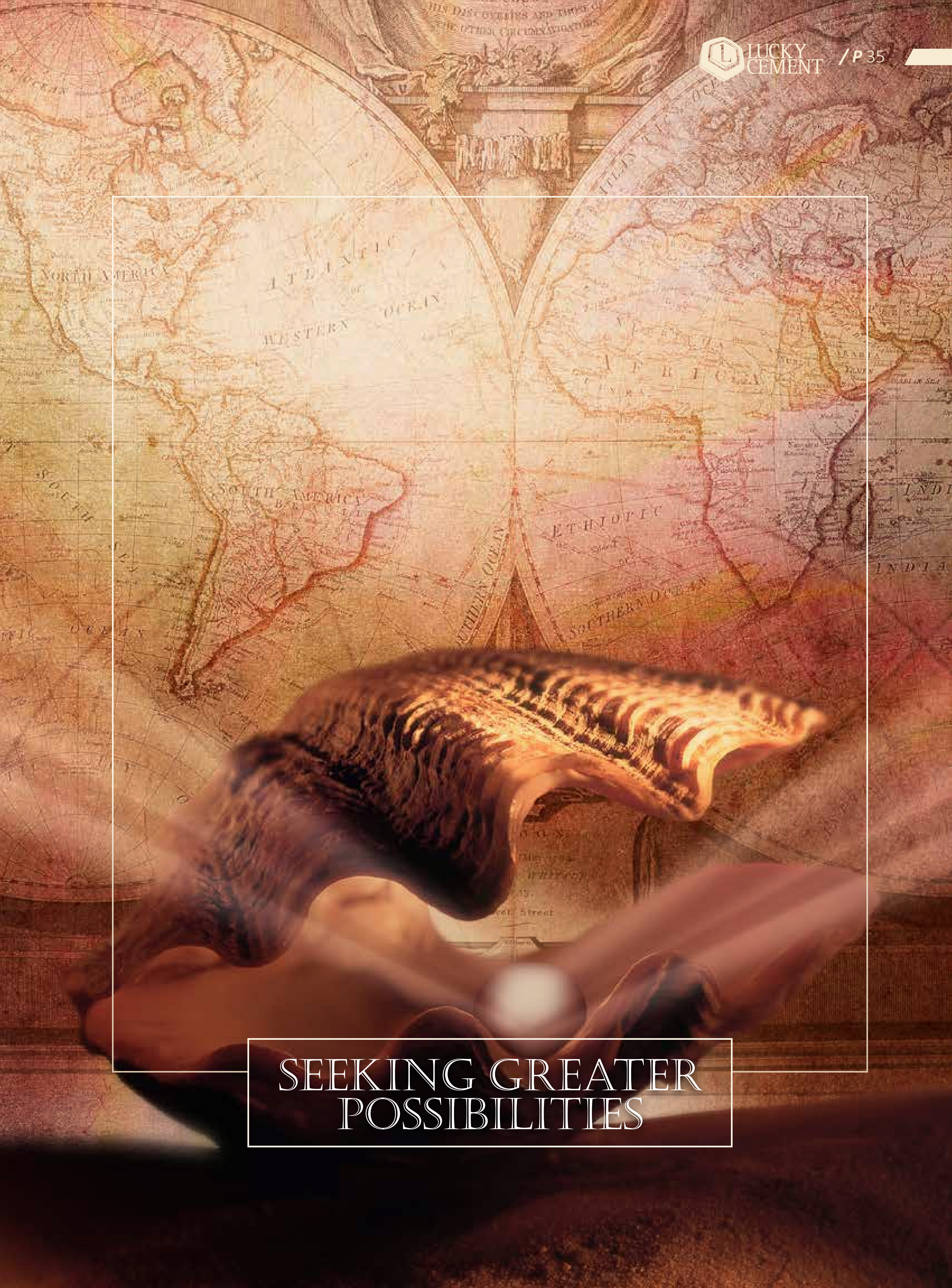
Gross Profit

(Rs. in million)



Gross Profit

Your Company achieved a gross profit rate of 43.4% during the year compared to 44.3% reported last year.



SEEKING GREATER POSSIBILITIES

Taxation

Your Company provided an amount of Rs. 2.89 billion on account of Income Taxes as compared to 0.28 billion provided during last year.

Deferred tax provision of Rs.221 million has been made in the accounts during the year making the cumulative deferred tax liability to Rs.4.80 billion as on June 30, 2014.

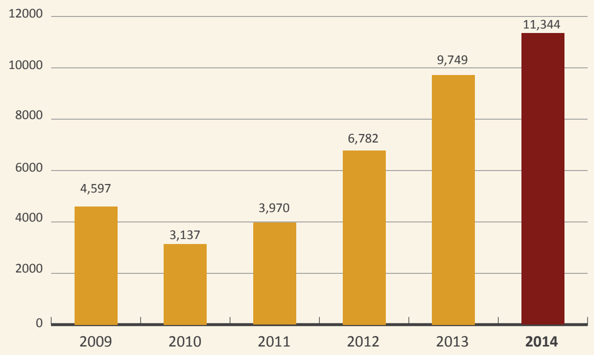
Profitability

Your Company achieved profit before tax of Rs. 14.46 billion during the current year compared to Rs. 11.75 billion reported last year. Similarly, after tax profit of Rs. 11.34 billion was achieved during the current year compared to Rs. 9.75 billion reported last year.

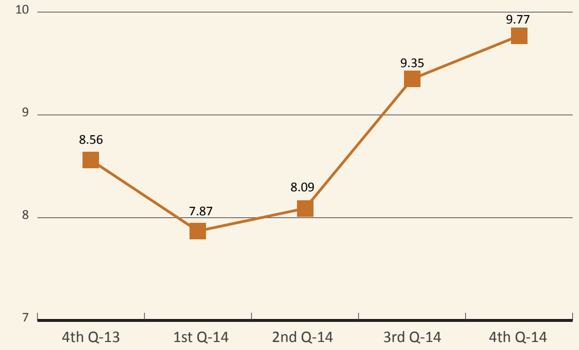
Earnings per share

The earnings per share of your Company for the year ended June 30, 2014 was Rs.35.08 as compared to Rs. 30.15 reported last year.

Net Profit
(Rs. in million)



Quarterwise EPS Trend



III. CASH FLOW STRATEGY

Your Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on a regular basis. Working capital requirements are planned mainly through internal cash generation.

During the year under review, an amount of Rs.15.92 billion was generated from operations of the Company which was mainly allocated for long term investments amounting to Rs.2.54 billion, distribution of dividends amounting to Rs.2.57 billion and capital expenditures amounting to Rs.3.07 billion.

The Board is satisfied that there are no short or long term financial constraints due to efficient and timely debt repayment history with effective financial management. The surplus liquidity has been effectively channelized to generate further revenues.

IV. PROJECTS

Waste Heat Recovery (WHR) Plants at Captive Power Plants

For a 5 MW WHR plant to be installed at the Karachi captive power plant, civil and existing structure modification work is in progress and the plant and machinery is expected to be installed by the end of the calendar year 2014. For another 5 MW WHR plant to be installed at Pezu captive power plant, the order for the plant and machinery has already been placed whereas the civil and mechanical work is expected to start soon at the plant site and plant and machinery is expected to be installed by the end of financial year 2015.

Vertical Grinding Mills at Karachi Plant

Two state-of-the-art vertical grinding mills to be installed at the Karachi Plant have already been received at the plant site. Civil and local fabrication work has been completed, whereas erection work at plant site is in progress. The first mill will become operational by the end of October 2014, whereas the second will become operational by the end of December 2014.

TDF Plant at Pezu

Your Company had planned to introduce Tyre Derived Fuel (TDF) plant at Pezu to replace coal. Since the coal prices in the international market have come down compared to what prevailed last year and are fairly stable, therefore, your Company has decided to defer the investment in this project.

Electricity Supply to PESCO

Your Company has secured an approval for power generation from NEPRA for the supply of surplus electricity from its Pezu power plant to the Peshawar Electric Supply Company (PESCO). Your Company is currently in the process of negotiation with PESCO.

V. INVESTMENTS

Investment in 660MW Coal Based Power Plant

As informed earlier, the Board of Directors of your Company have resolved to recommend to its shareholders to invest in setting up a 660MW Coal Based Power project in Karachi through its subsidiary M/s Lucky Holdings Limited (LHL) in which the Company holds 75% shares and has further recommended the same to be considered for the approval of the shareholders in the forthcoming Annual General Meeting of the Company which is scheduled to be held on 17th October 2014.

The Board has recommended for the approval of the shareholders, an equity investment of approximately PKR 20 billion (US$ 200.0 million approximately) for the above referred project to be set up by a newly formed entity by the name of 'Lucky Electric Power Company Limited' (LEPCL). LEPCL will be a wholly owned subsidiary of LHL and a 75% indirect subsidiary of your Company.

The power project will be set up with an estimated project cost of US$ 1.08 billion and financed in the debt / equity ratio of 75:25. Your Company will be the main sponsor of LEPCL investing an amount of approximately PKR 20 billion (US$ 200.0 million approximately) for the project and holding 75% equity stake of LECPL via LHL. Your Company has also consented to the Private Power and Infrastructure Board (PPIB) to continue to hold at least 20% indirect stake in the project from the date of the Letter of Support (LOS) to the 6th anniversary of the commercial operations date of the project. The implementation of the power project is subject to all necessary regulatory approvals and required consents.

Joint Venture Investment in Cement Plant in DR Congo

Contract for Plant and Machinery has been signed with a European equipment supplier FLSmidth and down payment as per the terms and conditions of the contract has been released to secure the timely delivery of Plant and Machinery to complete the project as per plan. Financing documents are being negotiated with multilaterals and international financial institutions and will be signed off by the end of September 2014 to achieve financial close. First drawdown under the project debt facility is expected by December 2014 / January 2015. Construction work has been planned to commence from September 2014 for which resources are being deployed at plant site. The project is expected to start commissioning by June 2016. The effect of 50% share of the net assets of the DR Congo plant has been reflected in the consolidated audited financial statements of the Company for the year ended June 30, 2014.

Joint Venture Investment in Cement Grinding Facility in Iraq

As informed earlier, the grinding mill in Iraq started commercial production in February 2014. During the first five months' operations up to June 2014, the grinding mill achieved cement production of 142,500 tons and sales volumes of 135,000 tons. Sales have picked up considerably since June 2014 and the plant is expected to maintain production at 70% - 80% of the capacity over the next financial year. The operations up to June 2014 posted a net loss of USD 361,251. The results of the Iraq grinding unit have been reflected in the consolidated audited financial statements of the Company for the year ended June 30, 2014 to the extent of 50% share of net assets and net loss. From July till August 2014 (2 months operations for the Financial Year 2014 / 2015) the sales have picked momentum and approximately 110,000 tons of cement has been sold. The Iraq grinding mill has come into profitable operations and it is expected that it will have a positively contribution to the Consolidated EPS of your Company for the financial year 2014/2015 and onwards.

Equity Investment in Associated Company in 50 MW Wind Farm

The EPC Contractors have been mobilized at site for the preliminary works and financial close with the consortium of local banks for project financing is expected to be achieved by the end of October 2014. The project is expected to be completed by January 2016.

VI. CODE OF CORPORATE GOVERNANCE

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. Your Company has taken all necessary steps to ensure Good Corporate Governance and full compliance of the Code.

As part of compliance of the code, we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- As required by the Code of Corporate Governance, we have included the following information in this report:
    - Statement of pattern of shareholding has been given separately.
    - Statement of shares held by associated undertakings and related persons has been given separately.
    - Statement of the board meetings held during the year and attendance by each director.
    - Key operating and financial statistics for the last six years have been given separately.

VII. ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

During the year under review four Board meetings were held and the attendance of each Director is as under:

S.No.	Name of Directors	No. of Meetings Attended
1	Mr. Muhammad Yunus Tabba	4
2	Mr. Muhammad Ali Tabba	4
3	Mr. Muhammad Sohail Tabba	1
4	Mr. Jawed Yunus Tabba	4
5	Mrs. Rahila Aleem	4
6	Mrs. Zulekha Tabba Maskatiya	3
7	Mr. Muhammad Abid Ganatra	4
8	Mr. Tariq Iqbal Khan	4

Following other meetings of the Committees of the Board were also held and the following is the summary of the attendance of Directors at those meetings:

Audit Committee – 4 meetings:

S.#	Name of Directors	No. of Meetings Attended
1	Mr. Tariq Iqbal Khan	4
2	Mr. Muhammad Ali Tabba	4
3	Mr. Muhammad Sohail Tabba	1
4	Mr. Jawed Yunus Tabba	3
5	Mrs. Zulekha Tabba Maskatiya	4
6	Mr. Muhammad Abid Ganatra	4

HR Committee – 1 meeting:

S.#	Name of Directors	No. of Meetings Attended
1	Mr. Muhammad Ali Tabba	1
2	Mr. Muhammad Sohail Tabba	1
3	Mr. Jawed Yunus Tabba	-
4	Mrs. Rahila Aleem	1
5	Mrs. Zulekha Tabba Maskatiya	1

VIII. CORPORATE SOCIAL RESPONSIBILITY

Your Company is devoted towards educational improvements and community development by aligning our business operations with the Corporate Social Responsibility road map.

Following this principle, your Company is committed to offering educational assistance to deserving students of prestigious local and international universities. Focusing our efforts towards educational infrastructure, your Company generously donated to a local NGO for the construction of a school at Hub. We have also contributed towards enhancing the learning experience of physically challenged students by partnering with Family Education Support Fund. Furthermore, the Company has extended a helping hand to local NGOs working in the field of education.

Sustaining our core value of social development, your Company has enthusiastically participated in numerous health projects across Pakistan. These include support to SIUT for the betterment of medical facilities to the general public and support of a leading cardiac hospital and a urology hospital through a leading philanthropic foundation.

Adopting the role of being an environmentally conscious entity, your Company collaborated with Schneider Electric to install solar panels in rural areas addressing the issue of power outages. Moreover, our pro-environment projects such as Tyre Derived Fuel (TDF) and Refused Dual Fuel (RDF) have qualified for Clean Development Mechanism (CDM) under the Kyoto Protocol through which the Company has started to generate Certified Emission Reduction (CER) credits.

Your Company ensures that it adopts a front-line demeanor in adopting an eco-friendly operational framework. In essence, your Company aims to reduce environmental footprints of its corporate activities and acknowledges its duty for the greater good of the community and its people.

IX. CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company contributed an amount of Rs.12 billion (2013: Rs. 8.42 billion) into the Government Treasury on account of taxes, levies, excise duty and sales tax. Moreover, precious foreign exchange to the tune of USD 147.34 million was also generated for the Country from the export of cement during the year under review.

X. FORWARD LOOKING STATEMENT

The financial year under review was the best performing year in the history of your Company. Your Company's strong financial position and free cash flow generating ability has enabled it to keep investing in projects and avenues which would continue to bring in further efficiencies and increase shareholder value in the years to come. On the other hand, stable coal prices in the international market and Pak Rupee against US$ will have a positive contribution on the earnings of your Company in the next financial year.

XI. DIVIDEND

Taking into account the current capital and equity investment plans, the Board has proposed the final dividend of Rs.9/- per share for the financial year ended June 30, 2014.

This approach remains in line with our commitment to consistently return sustainable value to our shareholders.

Movement in un-appropriated profit is as follows:

Lucky Cement Limited – Stand-alone Results	Rs. in '000
Net Profit for the Year	
Un-appropriated profit at the beginning of the year	-
Profit available for appropriation	11,343,740
Appropriations	
Proposed dividend for the Financial Year 2013-14 @ Rs.9/- per share	(2,910,375)
Proposed transfer to General Reserves	(8,433,365)
Un-appropriated profit at the end of the year	-
Basic and diluted earnings per share - Rs.	**35.08**

XII. AUDITORS

The retiring auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible offer themselves for reappointment.

XIII. ACKNOWLEDGEMENT

Your Directors take this opportunity to express their deep sense of gratitude to all the stakeholders for their encouragement and support.

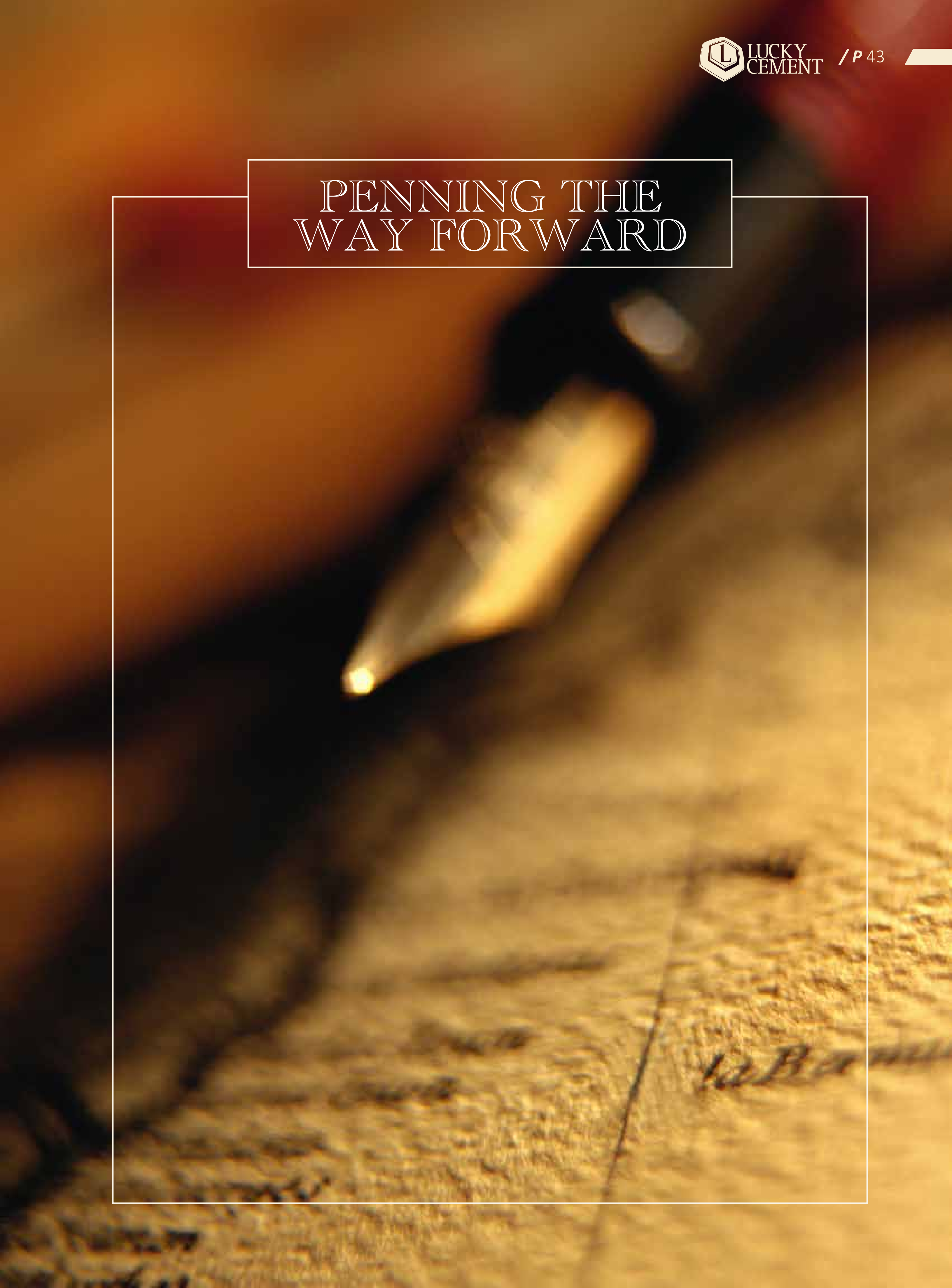
We would like to place on record our sincere appreciation for the commitment, dedication and hard work put in by every member of the Lucky family.

And also our shareholders, who have always shown their confidence and faith in the Company.

On behalf of the Board,

MUHAMMAD YUNUS TABBA
Chairman / Director
Karachi: September 02, 2014.

PENNING THE WAY FORWARD



Additional Information

CAPITAL STRUCTURE:

The capital structure of your Company is mainly based on equity finance, as major parts of long-term finance were paid off during the last financial period. Capital reserves at the year-end increased by 23.2% to stand at Rs. 46.6 billion. This increase is mainly due to the profits for this year.

Your Company is now completely debt free and has zero gearing. The liquidity of your Company improved significantly with the favorable increase in revenues earned during the current financial year.

INDICATORS PROSPECTS OF THE ENTITY:

Indicators are categorized into financial and non-financial measures. Financial indicators are set on Revenue & Profitability, P/E Ratio, EPS, Gearing (Debt/Equity) and Liquidity while non-financial indicators include Market Share, Productivity and Sustainable growth, Human Asset, Consumer Preference, Innovation, Expansion and Diversification.

Targets	Measures
Profitability	YoY comparative growth through increased volume and cost curtailments.
Cost Reduction	Cost leadership through innovative alternative energy sources which includes installation of TDF/RDF Plant, WHR on both Cement and Power Generation plants.
Market Leadership	Achieving sales targets by maintaining quality of product and focusing on customer retention.
Cash Flows	Better management and utilization of funds.
Expansion	Investment outside Pakistan which includes the Cement Grinding Facility in Iraq and Green Field Cement Plant in DR-Congo.
Employee Development	Regular in-house and external trainings of employees.
Diversification	Acquisition of ICI Pakistan Limited and investment in the 660 MW Coal Based Power Plant.

The liquidity of your Company improved significantly due to improved margins and cost curtailments during the current financial year and also because of the fact that your Company has already paid-off substantial amount of debt in prior years.

MANAGEMENT OBJECTIVES:

Your Company's management objective is to be a premium cement manufacturer by building a professional organization, having state-of-the-art technology, identifying new prospects to reach globally and maintaining service and quality standards to cater to the international construction needs with an environment-friendly approach. The Company is retaining local dominance and increasing share in export markets through efficient resource utilization and stimulating environmental awareness and people development.

Your Company is successful in achieving its objective by great margins as evident from current year and prior year results. This is in continuation to the organizational policy to align its objectives to its vision and mission statement and as this journey is continuing, there has been no significant change in your Company's objectives and strategies from previous periods.

Objectives	Strategies	Relation with entity's result
Sustainable Growth / Profitability	• Sales Volumes target • Market Share target • Profitability target	Our returns grew significantly and all our organizational health indicators showed remarkable improvement. As a result, we sustained our image of being among the best corporate companies of Pakistan.
Improving and Maintaining Market Share through Cost Leadership	• Variable and Fixed Cost per ton target • Efficiency of the Plant	We have maintained our cost leadership which is evident from our profitability.
Quality and Reliability of the Product Customer First Approach	• Quality and Strength of the Product – target • Early Resolution of Customer Complaints	We strive to be the first choice of the consumers by enhancing quality to gain customer satisfaction.
Corporate Social Responsibility	• Educational Development efforts by offering scholarships for higher education. • Poverty Alleviation and provision of Medical Facilities.	The Company remains resolute to its role as a responsible corporate citizen by addressing social issues through its collaboration with reputable organizations. Lucky Cement has been receiving numerous CSR awards highlighting our incessant efforts to support and improve social development.
Human Resource Development	• Attracting and Retaining Talent • Succession Planning • Training and Development of Human Resource	We ensure employee engagement & talent development through various trainings along with implementing a motivating performance and reward methods.
Safety, Health & Environment	• Zero Loss Work Day Injury • Compliance with National Emission Standards	We follow international human rights and labor practices to overcome occupational health and safety concerns efficaciously.
IT Infrastructure	• Revival of IT Steering Committee • Uplifting IT Infrastructure, Avoiding Redundancies and Duplication of Work and Utilizing a System for Generating Reliable Information for Decision Making Purposes.	We have cultivated our IT strategy keeping in perspective our key business strategies while ensuring adequate information security through an effectual disaster recovery process.

CEO REMUNERATION:

The board of directors of your company has resolved to increase the remuneration of CEO from Rs. 3.5 Million to Rs. 5.0 Million with effect from August 01, 2014 in addition to all the benefits and perquisites as allowed under the company's policy.

Appropriate disclosure as required under Section 218 of Companies Ordinance 1984 has already been made.

BUSINESS CONTINUITY PLAN:

The Business Continuity Plan empowers your Company to execute its critical operations, preparing it for adverse circumstances. Upholding the Company's core value of 'Excellence', we are committed to perpetual progress lacing the pathway towards efficient and effective performance by molding our benchmark practices according to international standards. For this purpose, it is crucial to have a disaster recovery plan to ensure smooth running of our core business practices in case of unforeseen predicaments.

Your Company has taken various steps towards developing a comprehensive Business Continuity Plan. Moreover, a fire alarm system is installed in the premises of our Head Office and Area Offices to ensure protection of our employees and assets. A detailed Process Documentation Activity is taking place Companywide whereby all the processes are documented to enable the continuity of business activities in absence of a particular employee and will primarily serve as an SOP for all practices.

Your Company has employed adequate security at both plants which enables them to continue with cement production regardless of the political situation and other external factors. Your Company ensures backup of all the assets whether physical or virtual; the physical assets are backed by insurance whereas backup of virtual asset and data is created frequently on a timely basis.

SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

The acquisition of ICI Pakistan is part of the Management's strategy to diversify the business of the Yunus Brothers Group into five well-established business segments which are tabulated below:

Financial Position	Cement	Polyester	Soda Ash	Life Science	Chemicals
Revenue Growth	13.95%	99.26%	119.99%	123.79%	107.59%
GP Margin	43.38%	(1.95%)	24.17%	27.43%	18.15%
OP Margin	33.77%	(4.00%)	19.41%	11.80%	9.32%
Segment Assets	43.9bn	7.6bn	15.9bn	7.0bn	3.2bn
Segment Liabilities	9.6bn	11.3bn	4.4bn	2.6bn	1.0bn

BUSINESS PERFORMANCE

Key Performance Indicators

Targets	Measures
Market Leader	Lucky Cement holds a strong position in the market, being one of the largest cement producers of the country and having 19% of the market share.
Financial Performance	Maximizing shareholders' wealth while balancing other stakeholders' interest.
Sustaining customer satisfaction	Ensuring quality of product and focusing on customer retention.
Investment in new projects	Investment outside Pakistan which includes Iraq & DR Congo. Diversification through acquisition of ICI Pakistan Limited and investment in 660 MW Coal Based Power Plant.

Investors' Grievances Policy

At Lucky Cement, we ensure that our investors and other stakeholders are fully satisfied and pleased with our performance. For this purpose we aspire to provide the best quality product, with relentless focus on investor care and complete transparency. Over two decades of cement manufacturing and maintaining premium product quality, Lucky Cement has earned the trust of its investors. We value the trust reposed in us by the stakeholders and we are firmly committed to uphold it at all cost.

It is our sincere endeavor to provide the best of industry services to our customers. In this sincere attempt there is some possibility of minor discontentment or some impersonal attitude leading to criticism or grievance. Since our conscience is clear, we always welcome the issues raised and suggestions made by the investors with open arms.

In order to minimize investor grievance, we make sufficient disclosures in our Quarter and Annual Reports. We aim to educate our investors regarding the Company's performance through the detailed financial and non-financial analysis of Company's prospects along with the ongoing projects and plans. We maintain the highest standards of Corporate Governance, so as to curtail any grievances from investors. The Company Representative and Corporate Communication Department at Lucky Cement is ever ready to respond to investor grievances.

Business Ethics and Anti-Corruption

Having 'Ethics and Integrity' as one of our core values, Lucky Cement Limited adopts zero tolerance policy to corruption. We strongly believe in and practice highest standards of ethical behavior, both within the organization as well as with our external relationships. The Company has a well versed Code of Conduct which defines the acceptable behavior for Board and other Executives. Furthermore, the Board takes appropriate steps to disseminate the Code of Conduct throughout the Company at all levels. The recently introduced, Outside Interest Disclosure, in the Company is another step made in the same direction. The Audit Committee of the Board met at regular intervals during the year to review the adequacy and effectiveness of the internal controls, including those relating to the strengthening of the Company's risk management policies and systems. There have been no significant incidents of corruption during the year ended June 30, 2014.

IT Governance Policy

At Lucky Cement Limited, IT governance forms an integral part of the governance structure, policies and the procedures. LCL has formed an IT Steering Committee that provides strategic leadership, establishes Company-wide IT priorities and oversees the policies. The Committee is governed by approved roles and responsibilities.

The Committee meets on periodic basis and mainly focuses on:

- Strategic Direction of the LCL in terms of Technology;
- Aligning the IT Strategy with Business Strategy;
- Ensure Adequate Information Security; and
- Business Continuity Management including Disaster Recovery.

Policy for Safety of Records

The Company makes a conscious effort for the safety of its records. Lucky Cement has purpose built record rooms at its Head Office and at the Karachi and Pezu Plants for maintenance of vital and necessary records. We have a fire proof vault for the safekeeping of legal documents and conduct trainings to deal with hazards. Besides the record rooms, each department also maintains their records in an orderly fashion to ensure minimal loss of intellectual property and records in case of any hazard. IT record keeping practices at Lucky Cement are at par with the best practices implemented across the globe and with the MIS department as its custodian.

CEO's Performance Review

During the year under review, the cement industry witnessed a volumetric growth of 2.5% with 34.28 million tons cement sold compared to 33.43 million tons sold during last year.

ACCOMPLISHMENT OF GOALS FOR THE REVIEW PERIOD

The Company registered an overall growth of 9.2% to 6.62 million tons during the year compared to 6.06 million tons sold last year. Local sales volume registered a growth of 9.6% to 4.13 million tons during the current year compared to 3.77 million tons of last year. While industry registered a decline in export volumes, your Company was able to register a growth of 8.6% to 2.49 million tons during the current year compared to 2.29 million tons of last year.

PERFORMANCE ON KEY RESPONSIBILITIES IN THE JOB DESCRIPTION

Production Performance:

The Company has been able to meet all the production targets

Particulars	FY 2013-14	FY 2012-13	Increase/(Decrease) %
	-------Tons in '000 -------		
Clinker Production	6,366	5,771	**10.31%**
Cement Production	6,621	6,150	**7.65%**
Cement Sales	6,618	6,059	**9.23%**

Financial Performance:

- ***Sales Revenue***
  The combined sales revenue of the Company, during the year under review, was increased by 13.9%, which was a result of 9.2% increase in sales and 4.7% increase in retention.

- ***Per Ton Cost of Sales***
  Per ton cost of sales of the Company was increased by 6.1% during the financial year under review. The increase was mainly attributable to increase in Gas Tariff and prices of packing material.

- ***Gross Profit***
  Your Company achieved a gross profit rate of 43.4% during the year compared to 44.3% reported last year.

ADDITIONAL PERFORMANCE/MANAGEMENT FACTORS

Waste Heat Recovery (WHR) Plants at Captive Power Plants

A 5 MW WHR plant is to be installed at the Karachi captive power plant; for which the civil and existing structure modification work is in progress and the plant and machinery is anticipated to be set up by the end of the calendar year 2014.

Another 5 MW WHR plant is being installed at Pezu captive power plant, for which the order for the plant and machinery has been placed, and the civil and mechanical work is expected to start soon at the plant site. The WHR Plant at Pezu captive power plants is expected to be installed by the end of the calendar year 2015.

Vertical Grinding Mills at Karachi Plant

Two advanced vertical grinding mills are being installed at the Karachi Plant of Lucky Cement Limited, where the civil and local fabrication work has been completed and erection work at plant site is in progress. The first mill is expected to become functional by the end of October 2014 while the second will become operational by the end of December 2014.

Electricity Supply to PESCO

Your Company has secured an approval for power generation from NEPRA for the supply of surplus electricity from its Pezu power plant to Peshawar Electric Supply Company (PESCO). Your Company is currently in the process of negotiation with PESCO.

INVESTMENT IN INTERNATIONAL PROJECTS

Investment in 660MW coal based power plant

Lucky Cement Limited has resolved to recommend to its shareholders to invest in setting up a 660MW Coal Based Power project in Karachi through its subsidiary M/s Lucky Holdings Limited (LHL) in which the Company holds 75% shares and has further recommended the same to be considered for the approval of the shareholders in the forthcoming Annual General Meeting of the Company which is scheduled to be held on 17th October 2014.

The CEO and the Board has recommended for the approval of the shareholders, an equity investment of approximately PKR 20 billion (US$ 200.0 million approximately) for the above referred project to be set up by a newly formed entity by the name of ‘Lucky Electric Power Company Limited’ (LEPCL). LEPCL will be a wholly owned subsidiary of LHL and a 75% indirect subsidiary of Lucky Cement.

Joint Venture Investment in NYA, a Cement Plant in DR Congo

Furthering its aim of international expansion, Lucky Cement is setting up a joint venture cement manufacturing plant in Congo, named Nyumba Ya Akiba. Contract for Plant and Machinery of NYA has been signed with European equipment supplier FLSmidth and down payment as per the terms and conditions of the contract has been released to secure timely delivery of Plant and Machinery.

Financing documents are being negotiated with multilaterals and international financial institutions and will be signed off by the end of September 2014 to achieve financial close.

Construction work has been planned to commence from September 2014 for which resources are being deployed at plant site. The project is expected to start commissioning by June 2016.

Joint Venture Investment in Cement Grinding Facility in Iraq

Al Mabrooka Cement, the joint venture grinding mill in Iraq started commercial production in February 2014. During the first five months' operations up to June 2014, the grinding mill achieved cement production of 142,500 tons and sales volumes of 135,000 tons. Sales have picked up considerably since June 2014 and plant is expected to maintain production at 70% - 80% of the capacity over the next financial year.

Equity Investment in Associated Company in 50 MW Wind Farm

The EPC Contractors have been mobilized at site for the preliminary works and financial close with the consortium of local banks for project financing is expected to be achieved by the end of October 2014. The project is expected to be completed by January 2016.

Corporate Social Responsibility

Under the guidance and leadership of the CEO, Lucky Cement has been devoted towards educational improvement and community development by aligning its business operations with the Corporate Social Responsibility road map.

Following this principle, Lucky Cement is committed to offer educational assistance to deserving students of prestigious local and international universities. Focusing its efforts towards educational infrastructure, the Company generously donated to a local NGO for the construction of a school at Hub. It also contributed towards enhancing the learning experience of physically challenged students by partnering with Family Education Support Fund. Furthermore, the Company has extended a helping hand to local NGOs working in the field of education.

Sustaining its core value of social development, Lucky Cement enthusiastically participated in numerous health projects across Pakistan. These include support to SIUT for betterment of medical facilities to general public, and support of a leading cardiac hospital and a urology hospital through a leading philanthropic foundation.

Adopting the role of being an environmentally conscious entity, Lucky Cement collaborated with Schneider Electric to install solar panels in rural areas addressing the issue of power outages. Moreover, pro-environment projects such as Tyre Derived Fuel (TDF) and Refused Dual Fuel (RDF) have qualified for Clean Development Mechanism (CDM) under the Kyoto Protocol through which the Company has started to generate Certified Emission Reduction (CER) credits.

Lucky Cement ensures that it adopts front-line demeanor in adopting eco-friendly operational framework. In essence, the Company aims to reduce environmental footprints of its corporate activities and acknowledges its duty for the greater good of the community and people.

Awards & Accolades

Lucky Cement Limited has won frequent tributes for its business and social accomplishments during the year:

ENVIRONMENT EXCELLENCE AWARD

Lucky Cement won the '10th Annual Environment Excellence Award' for its pro-environment initiatives including the installation of the Waste Heat Recovery Plant, Refused Derived Fuel and Tyre Derived Fuel projects at its production facilities. The National Forum for Environment & Health awarded Lucky Cement for its extensive participation in various community based environmental programs including the association with the President of Pakistan's Forestation Program.

BEST SUSTAINABILITY REPORT AWARD FOR 2012

Lucky Cement Limited received the award for its sustainability disclosures in 'Active Sustainability Report 2012' publishing best Corporate and Sustainability Reports for the year 2012. The prestigious awards are held every year by the Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. The Lucky Cement Limited is the first and only Company in Pakistan to receive level check A+ from the Global Reporting Initiative, Netherlands, on its report.

GOLD MEDAL FOR 'BUSINESSMAN OF THE YEAR'

Mr. Muhammad Ali Tabba, Chief Executive of Lucky Cement Limited received the "Business Man of The Year Gold Medal Award" from Karachi Chamber of Commerce for his remarkable performance in the export of cement. The Company recorded exports of Rs. 14.7 Billion for the year 2012-13. Lucky Cement has successfully exported its cement to more than 35 international markets including India, Afghanistan, Sri Lanka, Iran, Egypt, Bahrain and South Africa. The Company is also considered to be the first Pakistani Company to export loose cement from its state-of-the-art logistic terminal at the Karachi port.

RANKED IN THE TOP-FIVE PHILANTHROPIC COMPANIES BY PAKISTAN CENTRE FOR PHILANTHROPY

Lucky Cement was ranked in the top-five public-listed companies that contributed record donations for improving the social livelihood in Pakistan. The ranking compiled by Pakistan Centre for Philanthropy proves to be a testimony for Lucky Cement's commitment towards social responsibility.

KPK CHAMBER OF COMMERCE AND INDUSTRY

Lucky Cement Limited has once again secured the KPK Chamber of Commerce and Industry award for the top export and sales tax contribution to the national exchequer for the year 2013. Lucky Cement proved to be the most affluent industrial player in the province by winning consecutive awards in the below mentioned categories over several years:

- Top Sales Tax Payer
- Top Income Tax Payer
- Top Exporter

BRAND OF THE YEAR AWARD

Lucky Cement Limited was declared as the Brand of the Year-2013 in the category of cement. This award represents our strong brand popularity, product availability and consistency.

Competitive Edge

GLOBAL PRESENCE:

Lucky Cement Limited has been following a two-fold business strategy of growing local dominance as well as increasing its share in the international markets. Taking the lead on the local cement players, we are expanding our wings in Middle East and Africa. Our Cement Grinding Plant in Basra, Iraq has been successfully completed and has started commercial production since February 2014. The Company has also formed a joint venture with Group Rawji of Democratic Republic of Congo to build a 1.18 million-ton capacity plant in Congo. Project financing term sheet has been concluded with multilaterals and international financial institutions.

ENERGY EFFICIENCY AND REDUCTION OF CO_2

Energy efficiency has proven to be a lucrative and proficient way to guarantee a sustainable future. Lucky Cement pioneered the concept of energy conservation and use of alternate fuel in the cement industry of Pakistan. The Company has taken numerous initiatives for energy saving, starting with fuel conversion of all its power generation units from furnace oil to natural gas which eventually not only condensed Company's carbon footprint but also decreased the cost of production. The Company further reduced CO_2 emissions by introducing Waste Heat Recovery systems at its plants. WHR system encapsulates all the wasted heat (which was previously being released in the atmosphere) from the production line and uses it to generate electricity which conserves energy and increases process efficiency. By virtue of WHR plant the estimated reduction in CO_2 emissions at Karachi plant is 50,000 metric tons and 29,918 metric tons at Pezu plant.

Lucky Cement has also taken another leap towards the use of alternate energy by supplementing its manufacturing line with Tyre Derived Fuel (TDF). By allocating resources into TDF project, LCL is able to curb fossil fuel cost along with paving a greener pathway by drastically curtailing the carbon emissions. Burning shredded tyres contains the same amount of energy as oil and 25% more energy than coal. In the long term this implies that for each ton of the utilized TDF we are replacing the deteriorating impact of 1.25 tons of coal and decreasing carbon emissions by 19%.

Besides using shredded tyres as a source of alternative fuel, Lucky Cement Limited is also utilizing fuels from Municipal Solid Waste (MSW), rice husk, chickpea and bagasse through its Refused Derived Fuel (RDF) project.

Through all such energy efficient innovations we are now generating green energy which surpasses our production needs; hence, which are now being injected in the National Grid (Hyderabad Electric Supply Corporation) with zero interruption.

ECONOMIES OF SCALE

Lucky Cement wins an edge over its competition and sustains overhead cost due to lower fixed-cost per ton. Our operational process cost is constantly examined to increase efficiency and reduce cost.

LOGISTICS TERMINAL AT KARACHI PORT:

Lucky Cement is the first and only cement Company that has its own state-of-the-art infrastructure and logistics terminal at Karachi Port. The Company runs a fleet of specially designed cement bulkers that carry loose cement from Karachi Plant to the terminal on the port. These bulkers are equipped with a unique compression system and are capable of carrying up to 75 tons of cement.

In order to reduce the vessel's idle time and make timely shipments, we have installed cement storage silos capable of storing 24,000 tons of cement at our terminal. The terminal has unique loaders that make fully automatic loading from the silos when the vessels arrive. These loaders release cement from the silos into the vessels at a rapid discharge rate enabling quick loading time. This advanced Port Terminal not only ensures all-time cement availability at the port, but also plays a major role in increasing the export capacity of the Company and its international market share.

DEALER'S NETWORK:

Dealers, retailers, and block makers form an integral part of Lucky Cement's sales strategy. We have a strong network of 200 dealers, strategically located across the country. This strong network provides us with an impressive distribution system and access to even the remotest areas of the country.

ADVANCED QUALITY CONTROL:

Our highly advanced quality control system guarantees product dependability, quality, and customer service. Lucky Cement focuses on manufacturing premium quality cement through highly advanced quality control systems equipped with the latest technology, such as; distributed controllers, programmable-logic-controllers and X-Ray analyzers.

SMART LOGISTIC SET-UP AND SUPPLY-CHAIN MANAGEMENT

In our determination to make all the logistical arrangements systematic, we have acquired multi-purpose trailers capable of moving diverse sets of cement consignments (either bagged, raw or loose form). In the first phase, 40 trailers have been inducted in our transportation fleet. Each trailer can carry goods up to 80 tons. These trailers are used to transport bagged cement from factory to port and also carry coal from port to factory. Changing to a well-synchronized transport system does not only strengthen the overall logistical capacity of the Company, but also cuts heavy transportation cost along with the cost of outsourcing transport contractors.

Our integrated supply chain structure offers superior quality and smart procurement within the shortest possible lead time. Our supply chain process is directly beneficial for all the stakeholders. Our combined purchase strategies give us leverage and add to our negotiation strength. Our team consists of dedicated people with the talent to network and coordinate effectively with our purveyors of goods, service, transportation and warehousing.

LARGEST PORTFOLIO OF INSTITUTIONAL CLIENTELE:

Owing to the largest production capacity, trusted quality and a well-knit transportation network, Lucky Cement has the largest pool of institutional customers. All these customers have been retained based on timely deliveries, excellent customer support and continued supply of premium quality cement.

BRAND EQUITY:

Lucky Cement Limited has an edge in selling its products throughout Pakistan, from Karachi to Peshawar. Hence it enjoys the first-movers advantage of being the leading cement Company to advertise and connect with its local market. Lucky Cement revolutionized the industry by launching two consecutive world class television commercials to create Top of Mind Awareness for its brands across the Pakistani consumer mind space. Whether we talk about exports, production processes, advertising and brand equity, Lucky Cement has constantly raised the bar for competition.

QUALITY POLICY

Customer satisfaction is our top priority at all times

We produce quality cement to fulfill the market requirements and achieve international recognition

Honesty and total commitment are our assets

Our objectives are based on the quality policy, which are subject to review and improvement

ENABLING THE YOUTH

Corporate Social Responsibility

ENVIRONMENT

Acquiring Green Technology:

Lucky Cement installed the Waste Heat Recovery (WHR) project as a step towards an eco-friendly manufacturing system. The design of this plant hinges around the idea of encapsulating all the wasted heat from production system and using it to co-generate electricity.

Our Duel Fuel Project qualifies for the Clean Development Mechanism (CDM) under the Kyoto Protocol through which pro-environment organizations earn Certified Emission Reduction (CER) credits.

To curtail the rising fuel costs in cement manufacturing, we are planning to install Waste Heat Recovery (WHR) plant at the Karachi and Pezu power plants. Both these plants will produce additional 5MW of energy respectively and the projects will be brought to completion by December 2014. This will be in addition to the already running WHR projects at the premises of Karachi and Pezu plant and will also reduce the carbon footprint of the Company.

Mangrove plantation with WWF:

We ensure that environmental preservation and progress go hand in hand, and we have initiated and invested in a number of programs that have shown results and will go a long way in maintaining a clean and green environment for our future generations.

In collaboration with WWF Pakistan, Lucky cement organized an employee volunteer activity at WWF Wetland Center, Sandspit in which our employees volunteered for planting Mangrove saplings. Lucky cement's team planted trees and pledged to further extend its resources and play a vital role in leading the environmental revolution throughout the industry.

ENVIRONMENTAL POLICY

Lucky cement is commited to save Human Beings, fowl, fauna, soil and vegetation against Environmental Aspects generated through its products, activities and services.

Reef Cleaning Drive:

Lucky Cement Limited has made monumental contributions in fostering a sustainable environment. As part of Lucky Cement's sustainability interventions, we associated ourselves with the global environment movement of 'Dive Against Debris' ran by Project Aware, Australia.

In response to the onslaught of marine debris, Lucky Cement Limited sponsored eight scuba divers associated with the Professional Association of Diving Instructors (PADI) who went underwater to remove the debris at Charna Island, a soft coral reef off Karachi Coast, while also collecting important data to paint an accurate picture of the marine debris issues. This unique ocean conservation project embodied the spirit of responsible corporate citizenship of our Company.

Employee Volunteer Day

Lucky Cement Limited believes that its employees are its key component of sustainability initiatives and their participation enhances what we contribute to our communities on a corporate level.

The Company organized an "Employee Volunteer Day" activity in collaboration with WWF Pakistan. The activity was held at the WWF Wetland Center, Sandspit in which the employees of the Company planted mangrove saplings. The activity began with an informative and an interactive session in which employees were educated about the bio-diversity of Pakistan. Later on employees of LCL went outside to plant mangrove saplings in the adjoining coastal belt. The trip also included an excursion to the surrounding wilderness where participants got to learn about the diverse flora and fauna of the coast.

Reduction in CO_2 Emissions:

Implementation of sustainability into its business processes has been one of the major aims of Lucky Cement. We have been successful in establishing a renowned position in the market by completely achieving this target in its strategic orientations.

LCL is the pioneer of bringing evolution in corporate social responsibility via the implementation of the Dual-Fuel Conversion Project, which has helped in the conversion of energy generation from furnace oil to environment-friendly alternative sources. The successful implementation of this project has enabled LCL to reduce emission of CO_2 by 29,000 metric tons per annum.

We have taken another lead by shifting from Coal to Tyre Derived Fuel (TDF), generated by burning shredded tyres. We have installed TDF plant at our Karachi Plant.

The Company is also active in other practices of alternative fuel projects for achieving sustainability of the environment, which includes: Refused Derived Fuel (RDF) that is making use of Municipal Solid Waste (MSW) and Rice Husk. Lucky Cement prides itself in transforming from a fossil fuel based energy to alternative-energy structure. This highlights LCL's position in recognition of its efforts in preserving the ecosystem.

Education

Lucky Cement Limited actively pursues CSR as a core-value and has sustained its goal of promoting quality education in the country by granting several scholarships on merit to students of different institutes of Pakistan. It has also extended its support on the grass-root level by supporting a range of philanthropic projects.

Scholarships/ Financial Assistance

Lucky Cement Limited has partnered with various prestigious institutes of Pakistan providing educational assistance to deserving and bright students. The primary aim is to make education accessible and affordable to talented students regardless of their financial position.

1. **Institute Of Business Management (IoBM)**
   Lucky Cement Limited has joined hands with the Creek High School & Creek College (IoBM Campus) for providing scholarships to the deserving and bright students. In this context in the year 2013 Lucky Cement awarded 25 scholarships to the students at IoBM, in taking forward its mission of making quality education accessible to the bright minds of Pakistan irrespective of their financial status.

2. **Indus Valley School of Arts and Architecture**
   Lucky Cement Limited lays strong emphasis over the promotion of Arts and Architecture in our society. In this connection, Lucky Cement is providing a helping hand to the students striving to adopt Arts or Architecture as a profession but lacking financial stability through IVS.

3. **Karachi School of Business and Leadership**
   Lucky Cement Limited has partnered with KSBL to provide educational assistance to the deserving students through its grants and scholarships.

4. **Lahore University of Management Sciences**
   Lucky Cement Limited strongly believes that the youth of today are the leaders of tomorrow. Sowing the seeds of a brighter future, Lucky Cement generously granted 17 scholarships to deserving students with an aim of enhancing the quality of education provided to them.

5. **Institute of Business Administration**
   Lucky Cement Limited has partnered with Institute of Business Administration (IBA), to provide educational assistance to 39 students in pursuit of quality education from IBA.

International Literacy Day

Lucky Cement Limited believes that an educated child can ensure a bright and secure future for Pakistan and taking forward its legacy of benevolent initiatives, the Company added another pillar to strengthen and revive the educational sector of Pakistan.

The Company celebrated International Literacy Day 2013 to empower the young students of Higher Secondary School, Pezu by holding a book drive at its Regional ffices and the Head Office. The underlying aim of the drive was to donate books generously to a library at the Higher Secondary School, Pezu that will serve as an inspiration of educational enlightenment in the northern regions of Pakistan.

Construction of The Hub School

Nurturing its philanthropist roots, Lucky Cement Limited contributed generously for the construction of The Hub School by partnering with Ahmed E. H. Jaffer Foundation. The Hub School is a quality educational institution that aims to empower the life of its students by shaping them with the art of leadership, service and personal fulfillment.

Reconstruction of Government Higher Secondary School, Pezu

In the efforts to sustain community development, Lucky Cement Limited played its role to revive the education in Pezu by donating for the humble cause of the reconstruction of the Pezu Government Higher Secondary School.

Earth Hour Launch 2014

Lucky Cement Limited, being an environmentantally friendly organization, collaborated with WWF Pakistan to hold the worlds largest volunteer campaign "The Earth Hour" throughout Pakistan.

To promote this country-wide awareness program, billboards were placed in strategic locations across Karachi. The symbolic environmental event was celebrated in Karachi, Lahore, Quetta, Peshawar, Faisalabad, Multan, Sheikhupura and Islamabad. The campaign started with a School Outreach Program and Awareness Drive at its Pezu Plant in KPK province. The activities were led by the cricket star Shoaib Akhtar who spoke to the KPK audience about the importance of saving electricity. Earth Hour Celebrity Ambassadors were present on the occasion to spread the message of energy conservation that resulted in an enhanced out-reach and impact of the Program.

Lucky Cement Limited partnering with WWF's Earth Hour 2014 brought an auspicious and ambitious agenda under its legacy of preserving the environment while promoting sustainable development.


HEALTH AND OTHER COMMUNITY PROJECTS

Health Projects

Lucky Cement actively partnered with various healthcare institutions for better, efficient and accessible medical treatments to general public.

1. ***Sindh Institute of Urology and Transplantation (SIUT)***

   Lucky Cement Limited has been contributing generous amounts to the Sindh Institute of Urology and Transplantation (SIUT) to alleviate deprived patients suffering from various diseases.

2. ***Tabba Heart Institute***

   Tabba Heart Institute, a state-of-the-art, yet not-for-profit cardiac hospital, was established with the aim to provide quality services and compassionate care at an affordable cost. Devoted to the cause of community welfare development, Lucky Cement Limited has generously contributed to Tabba Heart Institute in its struggle to make health care more accessible to the masses.

3. ***Pakistan Association of the Blind***

   Pakistan Association of the Blind is an NGO providing services of Education and Rehabilitation for the Blind People in Sindh. Lucky Cement Limited generously offered financial assistance to alleviate needy patients.

4. ***Child Life Foundation***

   Child Life Foundation (CLF) is the one of the largest non-profit organizations in Pakistan dedicated to saving pediatric lives. LCL donated generous amount with an aim of providing medical facilities and treatments for the needy children.

5. ***Special Olympics Pakistan***

   Lucky Cement Limited firmly advocates the belief that the key to longevity lies in an active lifestyle. For this purpose, Lucky Cement co-sponsored an Annual Event of Special Olympics Pakistan, a non-profit organization, working with people of intellectual disabilities to develop their skills and capabilities through sports training.

6. ***Aziz Tabba Kidney Centre***

   Lucky Cement Limited fervently supports organizations that are dedicated to patient care without any discrimination. Aziz Tabba Kidney Centre is a centre of excellence that provides cost-effective and state-of-the-art dialysis facilities to the underprivileged section of the society. Acknowledging ATKC efforts, Lucky Cement has generously donated funds to support their humble cause.

Corporate Affiliations

Lucky Cement maintains a strong network of association with its stakeholders. Our association with credible public and corporate platforms enables us to strengthen our bond in local as well as international spheres.

Pakistan Business Council (PBC):

PBC represents big businesses, enterprises with substantial investments in manufacturing and in the financial sector. PBC's aim is to promote and facilitate the integration of Pakistani businesses into the world economy and to encourage the development and growth of Pakistani companies.

Pakistan Institute of Corporate Governance (PICG):

The PICG undertakes activities geared towards achieving good corporate governance in the country and creating an enabling environment for the effective implementation of the Code of Corporate Governance. PICG is focused on encouraging professional interaction between members and in enhancing competitiveness of domestic corporations.

CSR Association of Pakistan

The CSR Association of Pakistan promotes CSR principles and practices to businesses in Pakistan because it makes companies more innovative, productive, and competitive.

Marketing Association of Pakistan (MAP)

MAP is an independent association that promotes the study of all branches of knowledge relevant to the profession of marketing. It provides facilities for the study of inquiry and research into marketing problems. The Association enjoys patronage from the Government of Pakistan and is represented on the Advisory Council of the Ministry of Commerce.

US Atlantic Council

The US Atlantic Council has been a preeminent, nonpartisan institution devoted to promoting transatlantic co-operation and international security. The council provides an essential forum for navigating dramatic shifts in economic and political influence.

WWF-Pakistan

Our environmental sustainability has always been at the heart of Lucky Cement's core-values. We actively allocate our financial and intellectual resources in maintaining our pro-environment stance. As an active partner we collaborate with WWF-Pakistan for creating social-awareness and implementing best environmental practices.

Stakeholders Engagement

POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

Institutional Investors

Activity	Activity Details	Frequency
Annual General Meeting	The Company convenes an AGM in accordance with the Companies Ordinance, 1984. AGM provides a good platform to engage with the shareholders and listen to their views and suggestions.	Annual
Financial Reporting	The Company being a listed Company publishes and circulates its periodic financial statements (annual, half-yearly and quarterly) to the shareholders and stock exchanges and makes it available as well at the Company's website for easy access to all stakeholders.	Periodic (Annual, Half-yearly and Quarterly)
Investors Relations	The Company realizes the importance of interaction with the existing and potential shareholders and investors and hence participates in various local and international investor conferences held from time to time to help boost the investor base of the Company. In the above context, the Company representative has been attending the Pakistan Day Conferences held in New York and Singapore to meet and interact with existing and potential investors for attracting foreign investment to the Company. These are attended by the representatives of banks, asset management and insurance companies along with various other corporate entities. During the year, the management participated in the Company specific investor conference organised by Arif Habib in Karachi which was well attended and appreciated.	Ongoing
Stock Exchange Notifications	In compliance with the Code of Corporate Governance under the listing regulations of the Stock Exchange, the Company notifies material information to the Stock Exchange from time to time.	Ongoing

Customers and Suppliers :

The Company engages with its customers through multiple channels to evaluate the pulse of the customers. This helps to improve existing products and develop new products and services to meet the customers' aspirations and requirements.

Activity	Activity Details	Frequency
Customer Satisfaction Feedback	To help improve the product and service; meet the customer needs and expectations, feedback from customers is sought by circulating Customer Feedback Form at the time of transactions. This ensures continuous customer engagement with the product and helps the Company remain competitive in the market.	Ongoing
Customer Satisfaction Survey	Customer Satisfaction Surveys are conducted as part of the market research activities to study and know more about the customer so one can respond accordingly.	Annual
Customer Services Department	The marketing department at Lucky Cement has a dedicated resource for customer services. The CS Manager ensures all customer queries, complaints, and feedback is heard and responded to ensure 100% customer satisfaction.	Ongoing
Customer engagements (Retailers conventions, dealer conventions, Expo)	Lucky Cement regularly conducts customer engagement activities to maintain relationships with its customers. These include annual retailer conventions, dealer conventions and participation in national level exhibitions such as Expo Pakistan in Karachi and Build Asia in Lahore.	Annual

Calendar of Major Events

• International Literacy Day	September 2013
• Annual General Meeting	October 2013
• 1st Quarterly Meeting	October 2013
• Dive Against Debris (Reef Cleaning)	October 2013
• Employee Volunteer Day	December 2013
• 2nd Quarterly Meeting	January 2014
• Earth Hour	March 2014
• Dealers and Retailers Convention held in Hyderabad	March 2014
• 3rd Quarterly Meeting	April 2014
• Environment Awareness Campaign for World Environment Day	June 2014

Human Resource Excellence

SEEKING OUT THE BEST TALENT

Lucky Cement knows that its future depends on finding talented and determined professionals from a pool of candidates. We believe that the eminence of our business plans has a direct link to the quality of human resource that we hire. We amplified our parameters of remarkable hiring when we launched our operations in DR Congo and Iraq.

Since the last couple of years Lucky Cement is climbing radically on the ladder of growth. To stay in the lead we need to target optimum performance and excellence. Our objective is to use our talent in the best possible manner by positioning them where they own responsibility along with delivering value. Lucky Cement gives them the push to achieve their full potential.

PERFORMANCE MANAGEMENT

Performance Management is a tool that relates to each business activity of the organization and has its impact on human resource policy, corporate culture and style along with communication systems in the organization.

Our objective is to collectively align the performance of our teams and individuals towards the organizational goals. In the calendar year 2013-14 we saw further improvement in our performance management process by introducing effective and result-oriented measures and practices. We designed our systems to deliver transparency and fairness at all levels. Our managers were introduced to new tools and processes to have fair appraisals which diminish the chances of organizational bias and prejudices.

SALARY SURVEY

Lucky Cement has participated in salary surveys to align itself with the market and stand out as a competitive employer. This shall help Lucky Cement to retain the top talent in the company and line up with the best compensation and benefit packages in the market.

HEALTH, SAFETY & ENVIRONMENT

At Lucky Cement, we value our human resource as our most valuable asset; hence we are fully aware of our duty towards the employees, organization and the society at large. We pay a great deal of attention to Health, Safety & Environment (HSE) protocols with the primary aim to introduce policies and procedures, identify loop holes, suggest improvements and ultimately inculcate the HSE culture throughout the organization.

TEAMING FOR GROWTH

WOMEN IN TRADE

For the last couple of years Lucky Cement has focused on gender diversity in the Company. Continuous efforts are being made to open doors to equal opportunity in the organization. Young women are encouraged to join as Management Trainees to speed up the process of change.

INDUSTRIAL RELATIONS

We recognize the importance of good industrial relations management and appreciate the hard work of our labor for they are the key force behind the execution of our day-to-day operations. There are dedicated IR managers in the organization, whose principal responsibility is to ensure industrial peace by ensuring fair labor practices, effective and the efficient grievance handling and safeguarding labor related compliances with the statutes. The conflict Resolution Department at the Plants and HR department in the Head Office plays a very critical part in harmonizing labor and employee relations. There is a tribunal committee that conciliates and arbitrates all the issues and ensures a win-win situation.

EMPLOYMENT OF SPECIAL PERSON

We are conscious of the fact that diversity comes in various forms and have therefore widened our scope of focus to incorporate a greater number of potential stakeholders that can serve as our employees. We are updating our policy that encourages the recruitment of special people to include diversity in our workforce.

SUCCESSION PLANNING

We have a comprehensive policy manual in place for the purpose of systemizing the various practices in the organization. Lucky Cement believes in the development of its employees and diligently focuses on the development of its existing talent. With this focus, Lucky Cement has formulated a well-defined strategy on succession planning. This strategy incorporates a special matrix to identify the best talent available and to train them for important strategic positions in the future. The matrix has made us capable to assess employee performance and potential for effective succession planning. This matrix also helps Lucky Cement to identify competencies which can support the Company in achieving its organizational goals.

WHISTLE BLOWING POLICY AND PROCEDURE

Lucky Cement maintains transparency throughout its business operations and organizational structure. We religiously follow a due set of behavior and Code of Ethics to ensure an environment of impartiality in the organization. These behaviors collectively constitute the code of conduct for our organization and sustain sound moral and ethical business practices. To enlighten the organization about any misconduct, criminal activity or any other genuine complaints, a stringent whistleblowing process is being followed. Anyone across the organization can access the 'Ethics Committee' through a dedicated email to notify his/her concern in complete confidentiality and without any fear of reprisal, which can contribute in developing a culture of openness, justice and sound business ethics.

INTERNSHIP PROGRAM

Lucky Cement Limited has started an extensive internship program, where it engages with business students by offering them meaningful training and a learning environment. Emphasis is laid on developing the candidate's professional understanding of the corporate world and his/her career in the long run. We are proud to facilitate interns from all the leading universities in Pakistan.

CAREER PORTAL

Lucky Cement Limited has its own career portal where it gives excellent development opportunities for professionals and graduates who are ready to use their theoretical and academic knowledge. This gives talented candidates a chance to develop their personal success stories around the organization.

MANAGEMENT TRAINEE PROGRAM

The Lucky Cement Limited Trainee Program is a dynamic path to launch a fast track career with the organization. Fresh graduates from leading universities across Pakistan are recruited annually with the expectation to assume leadership positions in the organization. Management Trainees undergo a rigorous period of training and development learning necessary skills to undertake challenging assignments. We extensively invest in the training and professional development of our employees to exercise their skills and develop their potential. During 2013-2014, Lucky Cement has launched on-campus Trainee Recruitment Program at all the leading engineering universities all over Pakistan.

Basic Safety & Health

BASIC SAFETY & SECURITY

Lucky Cement Limited is committed to cultivate an environment which ensures basic safety and security at its core. We realize that our pursuit for a secure work setting cannot be achieved overnight; instead we have fortified our safety and security goals with the pillars of perpetual progress. Lucky Cement Limited efficiently implements its HSE policies & procedures mitigating the accidental rate at its vicinities and reducing the risks of injury or health-hazards at the workplace. Lucky Cement also fosters a tradition of training and capacity-building of its employees with the best procedures and workshops. We envision a hazard-free setting and frequently invest in various first-aid technique workshops to ensure that our employees are equipped with contemporary safety skills in their daily operations.

CARDIOPULMONARY RESUSCITATION (CPR) – BASIC LIFE SUPPORT (BLS):

Basic Life Support (BLS) is a first-aid resuscitation that educates and equips individuals to recognize various life-threatening emergencies. We conducted a comprehensive BLS workshop to educate our employees about the necessary safety precautions that can assist victims who are suffering from cardiac arrest or choking incidents. By teaching our employees the basic life support medical practices of CPR, we are fabricating a safe and healthy work setting.

FIRE FIGHTING

Safety of our employees lies at the core of our operational frameworks. At Lucky Cement Limited, we have made considerable efforts to equip our employees with fire-fighting skills to increase the chances of survival in case of unforeseen emergencies. Practical demonstrations along with theoretical explanations are regularly conducted by skilled instructors at our factories and Head Office, so that our employees are capable of saving their own lives.

CONSUMER PROTECTION MEASURE

Lucky Cement Limited is committed to provide topnotch quality cement and is gravely concerned about the safety of its customers and consumers. The manufacturing units have cutting-edge technology and quality management systems which enables the Company to deliver products that are safe and which follow international standards. We also have the services of independent parties which serve as an additional quality check point to ensure that the cement pertains to international benchmarks of safety and quality.

In compliance with the South African and Kenyan standards, a safety notice is imprinted on the packaging material of cement sold in the mentioned markets. This informs the customers about the safety measures to be taken such as suitable safety clothing, dust masks etc. Along with this, we also provide Safety Data Sheet to our consumers and users to ensure that they have all the necessary information about the product usage and any additional safety precautions that need to be taken.

OCCUPATIONAL HEALTH AND SAFETY

We acknowledge the diligent efforts of our employees and attach immense significance to ensure that we continuously implement practices that offer health and safety development of our workforce. Lucky Cement Limited has taken safety measures according to the differences in the nature of the work environment at our Plant and the Corporate Head Offices. At the Plants, the Operational Heads are in charge for developing OH&S policies and their implementation, whereas the Head Office responsibility lies with the Human Resource and Administration Department.

At Lucky Cement, we believe that it's a never-ending journey to improve the workplace safety and health. We are an ISO 14000:2004 Compliant Organization and protect our people and stakeholders at all organizational levels. We struggle to be both the enabler and catalyst.

We keep educating our workforce with the prevailing health issues along with equipping them with modern-day safety skills at both Karachi and Pezu plants. The workers are updated with the safety and health issues through regular internal communication channels such as internal newsletters, internal satefy workshops and supervisor-workers meetings. Each worker is trained to follow strict guidelines and procedures in their daily activities. Standard Operating Procedure has been established to minimize accidents and provide immediate attention to hazard; other than that, we conduct on-going risk assessments to keep employees aligned with the latest safety skills and procedures practiced worldwide.

CLOSED CIRCUIT TELEVISION (CCTV) SYSTEM

We have developed a Closed Circuit Television (CCTV) system to provide front-line security to our employees. The goal of the CCTV system is to enhance the safety and security of employees, while vigorously respecting the privacy rights of all individuals. The CCTV system helps us to deploy resources more efficiently and to respond to incidents rapidly and effectively.

Corporate Analysis

Your Company has been growing with the prime objective of maximizing value for all our stakeholders. Keeping this in perspective, our pursuits consisting of diverse strategies having external and internal origins, are briefed below:

SWOT ANALYSIS:

	Helpful to achieve objectives	Needs to overcome to achieve objectives
INTERNAL ORIGIN (attributes of the Organization)	***Strengths*** • One of the largest cement producers in Pakistan. • Highest profit and most deleveraged balance sheet in industry. • A smart logistic setup and management. • A market leader in South Pakistan • The Largest exporter of cement from Pakistan • A pioneer in sea transport • Geographically positioned at two locations across the country, giving access to a nationwide market, which gives flexibility to choose both domestic as well as export market. • An extensive dealership network of more than 200 dealers and distributors.	***Weaknesses*** • High transport cost. • Highly regionalized and localized market. • Limited presence in some regions of North market.
EXTERNAL ORIGIN (attributes of the environment)	***Opportunities*** • Rise in PSDP expenditure in infrastructure development to boost the cement demand domestically. • Rising population works as a catalyst for housing boom. • Untapped markets in North Pakistan. • Untapped export potential. • Consolidation of markets in South region and growth in the North region.	***Threats*** • Law and order situation of Pakistan • Rising input cost of materials. • Rising input cost of energy. • Rising cost of logistics. • Currency risk. • New entrant threats due to high potential market size.

RISK AND OPPORTUNITY REPORT

Identification of strategic, commercial, operational and financial risks

The risk to your Company is that there is no switching cost to the customer because all the cement companies, due to severe competition, supply more or less the same quality of cement with more or less the similar price. The Company is also exposed to foreign currency exchange rates and interest rates volatility.

Plans and strategies for mitigating these risks and potential opportunities

Your Company has always focused on satisfying customer demands. To mitigate the financial risk, the Company takes appropriate steps to manage financial exposures.

Materiality approach adopted by the Management

Your Company's management is consistently measuring and reporting risk in a reliable manner which has proven to provide substantial benefits. Although mitigation of materiality needs to be tailored appropriately, it is important that the foundations on which we calculate risk need to be consistent from the granular level up to the aggregate level.

The Management has a responsibility to identify, control and diminish business risks that may affect the entity's ability to achieve its objectives. Your Company has taken adequate measures to mitigate the risks that it is facing, therefore it can be confidently said that your Company's risk of material misstatement is minimum. The risk mitigating strategies ensure that your Company bears the minimum risk with respect to the risk factors and each risk factor is catered properly so as to minimizing the impacts of those risk factors.

Corporate Analysis

Risk	Mitigation Strategies and Actions
Employee Risk	• Employees are given proper compensation and benefits for their services to the Company. • Launched a Performance Management Framework to assess success and career development of employees. • Commitment towards the Professional Development of employees through on the job and external training. • Equal Employment Opportunity is provided along with the recruitment of highly talented professionals. • Striving towards creating an atmosphere of innovation, excellence and empowerment. • A well-established Reward and Recognition system.
Risk of Increase in Cost of Raw Material/ Cost of production Resulting in Low Profit Margin/ Contribution Margin	• Senior management is involved in the pricing of the product and is monitored on a regular basis. • Costs are controlled internally as much as possible. • To ensure profitability, the Company is diversifying into different markets of the world and increasing production in order to offset the impact of an increase in cost of raw material/ cost of production.
Safety and Security Risk	• Effective control over any risk to injury or health arising at workplace. • Organized session and training on Basic Life Support – Cardiopulmonary Resuscitation (CPR) to reduce safety and security risk. • Training for firefighting and drills in case of fire causalities were performed to better equip the employees for safety. • Availability of fire extinguishers and safety helmets are ensured at both the Pants and the Head Office.
Operational Risk	• Timely and regular maintenance and examination of plant machinery, operations and administrative function is carried out in order to mitigate Operational Risk.
Exchange Rate Risk	• Exchange Rate Risk is mitigated due to proportionate balance between import and export transactions.
Interest Rate Risk	• Economic Indicators are monitored in order to better understand the interest rate trend and the senior management makes decisions and strategies accordingly.

Risk	Mitigation Strategies and Actions
Compliance/Legal Risk	• The Company has departments looking after the legal and compliance requirements. The Internal Audit/ Compliance and Legal Departments ensure that the Company does not face any Compliance/Legal Risk.
Environmental Risk	• Great importance is given to environmental issues and actions are taken to mitigate the Environmental Risk. • TDF (Tyre Derived Fuel) Plant is set up to reduce the carbon emission. • RDF (Refused Derived Fuel) Plant is also installed to reduce environmental degradation. • Another initiative to reduce Environmental Risk is the WHR (Waste Heat Recovery) Plant which uses the heat, which was previously released in the atmosphere, to generate electricity. • Events like World Environment day, Earth Day, Earth Hour are celebrated to encourage the importance of the environment.
Political and Economic Risk	• Both Plants are operational almost throughout the year, despite the Political and Economic Risk that is faced by businesses in Pakistan. • The Senior Management ensures that the plant remains operational and production is not curtailed.

Six Years at a Glance

Rupees in Millions

Financial Position	2009	2010	2011	2012	2013	2014
Assets Employed						
Property, plant and equipment	30,477	31,378	31,705	31,017	31,008	31,937
Intangible Assets	-	3	2	1	5	28
Long term investments	-	-	-	-	5,619	8,158
Long term advance	55	55	55	55	547	72
Long term deposit & deferred cost	2	2	3	3	3	3
Current assets	7,858	6,871	9,444	9,555	13,013	19,600
TOTAL ASSETS	**38,392**	**38,310**	**41,210**	**40,631**	**50,196**	**59,798**
Financed By						
Shareholders' Equity	23,252	25,096	27,773	33,262	41,035	49,792
Long-term liabilities						
Long term finance	4,300	1,659	658	393	127	-
Current portion of long term finance	-	176	265	265	265	127
	4,300	1,834	923	658	393	127
Long term deposits and deferred liabilites	1,742	1,914	2,082	3,352	5,187	5,522
Current liabilities	9,099	9,642	10,697	3,624	3,846	4,484
Current portion of long term finance	-	(176)	(265)	(265)	(265)	(127)
	9,099	9,466	10,432	3,359	3,580	4,357
TOTAL FUNDS INVESTED	**38,392**	**38,310**	**41,210**	**40,631**	**50,196**	**59,798**
Turnover & Profit						
Turnover	26,330	24,509	26,018	33,323	37,810	43,083
Gross Profit	9,811	7,979	8,711	12,721	16,756	18,690
Operating Profit	7,217	4,243	5,161	9,010	12,412	14,548
Profit before taxation	5,177	3,418	4,321	8,324	11,746	14,456
Total comprehensive income	4,597	3,137	3,970	6,782	9,714	11,344
Cash Dividends	-	1,294	1,294	1,294	1,940	2,587
General Reserve	-	5,000	2,500	2,500	5,000	7,871
Profit carried forward	7,675	4,519	4,696	7,685	10,459	11,344
Basic and diluted earnings per share - Rs.	14.21	9.70	12.28	20.97	30.15	35.08
Cash Flow Summary						
Net Cash from Operating Activities	6,515	5,267	4,074	9,375	12,239	13,495
Net Cash used in Investing Activities	` (5,742)	(2,315)	(1,895)	(1,030)	(8,087)	(4,949)
Net Cash (Outflow) / Inflow from Financing Activities	1,577	(3,529)	(2,161)	(7,851)	(2,191)	(2,833)
(Decrease) /Increase in Cash and Cash Equivalents	2,350	(577)	18	493	1,961	5,713
Cash and Cash Equivalents at beginning of the Year	(1,439)	911	334	351	844	2,806
Cash and Cash Equivalents at end of the Year	911	334	351	844	2,806	8,519

Analysis of Balance Sheet

'Rs. In '000'

Amount in '000	2009	2010	2011	2012	2013	2014
Share Capital & Reserves	23,251,972	25,095,929	27,772,829	33,261,745	41,035,443	49,792,183
Non Current Liabilities	6,041,712	3,572,624	2,740,237	3,745,172	5,314,888	5,521,483
Current Liabilities	9,098,678	9,641,691	10,696,789	3,624,324	3,845,844	4,484,250
Total Equity & Liabilities	**38,392,362**	**38,310,244**	**41,209,855**	**40,631,241**	**50,196,175**	**59,797,916**
Non Current Assets	30,534,420	31,438,780	31,765,389	31,076,594	37,182,851	40,198,033
Current Assets	7,857,942	6,871,464	9,444,466	9,554,647	13,013,324	19,599,883
Total Assets	**38,392,362**	**38,310,244**	**41,209,855**	**40,631,241**	**50,196,175**	**59,797,916**

Vertical Analysis - %	2009	2010	2011	2012	2013	2014
Share Capital & Reserves	60.56	65.50	67.39	81.86	81.75	83.27
Non Current Liabilities	15.74	9.33	6.65	9.22	10.59	9.23
Current Liabilities	23.70	25.17	25.96	8.92	7.66	7.50
Total Equity & Liabilities	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Non Current Assets	79.53	82.06	77.08	76.48	74.08	67.22
Current Assets	20.47	17.94	22.92	23.52	25.92	32.78
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00

Horizontal Analysis (i) Cumulative %	2009	2010	2011	2012	2013	2014
Share Capital & Reserves	100.00	7.93	19.44	43.05	76.48	114.14
Non Current Liabilities	100.00	(40.87)	(54.64)	(38.01)	(12.03)	(8.61)
Current Liabilities	100.00	5.97	17.56	(60.17)	(57.73)	(50.72)
Total Equity & Liabilities	**100.00**	**(0.21)**	**7.34**	**5.83**	**30.75**	**55.75**
Non Current Assets	100.00	2.96	4.03	1.78	21.77	31.65
Current Assets	100.00	(12.55)	20.19	21.59	65.61	149.43
Total Assets	**100.00**	**(0.21)**	**7.34**	**5.83**	**30.75**	**55.75**

Horizontal Analysis (ii) Year on Year %	2009	'10 vs '09	'11 vs '10	'12 vs '11	'13 vs '12	'14 vs '13
Share Capital & Reserves	100.00	7.93	10.67	19.76	23.37	21.34
Non Current Liabilities	100.00	(40.87)	(23.30)	36.67	41.91	3.89
Current Liabilities	100.00	5.97	10.94	(66.12)	6.11	16.60
Total Equity & Liabilities	**100.00**	**(0.21)**	**7.57**	**(1.40)**	**23.54**	**19.13**
Non Current Assets	100.00	2.96	1.04	(2.17)	19.65	8.09
Current Assets	100.00	(12.55)	37.44	1.17	36.20	50.69
Total Assets	**100.00**	**(0.21)**	**7.57**	**(1.40)**	**23.54**	**19.13**

Analysis of Profit & Loss Accounts

'Rs. In '000'

Amount in '000	2009	2010	2011	2012	2013	2014
Turnover	26,330,404	24,508,793	26,017,519	33,322,535	37,810,456	43,083,169
Cost of Sales	16,519,138	16,529,932	17,306,400	20,601,261	21,054,058	24,393,064
Gross Profit	9,811,267	7,978,861	8,711,119	12,721,274	16,756,398	18,690,105
Distribution Cost	2,427,837	3,433,047	3,236,425	3,236,721	3,664,019	3,382,156
Administrative Cost	165,936	303,244	313,389	474,135	680,347	760,269
Operating Profit	7,217,494	4,242,570	5,161,305	9,010,418	12,412,032	14,547,680
Finance Cost	1,236,971	569,184	517,788	253,234	75,829	34,225
(Other Income)/Charges	803,521	255,872	322,996	433,207	590,335	57,090
Profit before taxation	5,177,002	3,417,514	4,320,521	8,323,977	11,745,868	14,456,365
Taxation	580,453	280,057	350,121	1,541,561	1,997,106	3,111,962
Profit after taxation	4,596,549	3,137,457	3,970,400	6,782,416	9,748,762	11,344,403
Other Comprehensive Income	-	-	-	-	(34,814)	(663)
Total Comprehensive Income	**4,596,549**	**3,137,457**	**3,970,400**	**6,782,416**	**9,713,948**	**11,343,740**

Vertical Analysis - %	2009	2010	2011	2012	2013	2014
Turnover	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	62.74	67.44	66.52	61.82	55.68	56.62
Gross Profit	37.26	32.56	33.48	38.18	44.32	43.38
Distribution Cost	9.22	14.01	12.44	9.71	9.69	7.85
Administrative Cost	0.63	1.24	1.20	1.42	1.80	1.76
Operating Profit	27.41	17.31	19.84	27.04	32.83	33.77
Finance Cost	4.70	2.32	1.99	0.76	0.20	0.08
(Other Income)/Charges	3.05	1.04	1.24	1.30	1.56	0.13
Profit before taxation	19.66	13.94	16.61	24.98	31.07	33.55
Taxation	2.20	1.14	1.35	4.63	5.28	7.22
Profit after taxation	17.46	12.80	15.26	20.35	25.78	26.33
Other Comprehensive Income	-	-	-	-	(0.09)	-
Total Comprehensive Income	**17.46**	**12.80**	**15.26**	**20.35**	**25.69**	**26.33**

Horizontal Analysis (i) Cumulative - %	2009	2010	2011	2012	2013	2014
Turnover	100.00	(6.92)	(1.19)	26.56	43.60	63.63
Cost of Sales	100.00	0.07	4.77	24.71	27.45	47.67
Gross Profit	100.00	(18.68)	(11.21)	29.66	70.79	90.50
Distribution Cost	100.00	41.40	33.30	33.32	50.92	39.31
Administrative Cost	100.00	82.75	88.86	185.73	310.01	358.17
Operating Profit	100.00	(41.22)	(28.49)	24.84	71.97	101.56
Finance Cost	100.00	(53.99)	(58.14)	(79.53)	(93.87)	(97.23)
Other Income/Charges	100.00	(68.16)	(59.80)	(46.09)	(26.53)	(92.90)
Profit before taxation	100.00	(33.99)	(16.54)	60.79	126.89	179.24
Taxation	100.00	(51.75)	(39.68)	165.58	244.06	436.13
Profit after taxation	100.00	(31.74)	(13.62)	47.55	112.09	146.80
Other Comprehensive Income	100.00	-	-	-	(100.00)	(100.00)
Total Comprehensive Income	**100.00**	**(31.74)**	**(13.62)**	**47.55**	**111.33**	**146.79**

Horizontal Analysis (ii) Year vs Year - %	2009	'10 vs '09	'11 vs '10	'12 vs '11	'13 vs '12	'14 vs '13
Turnover	100.00	(6.92)	6.16	28.08	13.47	13.95
Cost of Sales	100.00	0.07	4.70	19.04	2.20	15.86
Gross Profit	100.00	(18.68)	9.18	46.03	31.72	11.54
Distribution Cost	100.00	41.40	(5.73)	0.01	13.20	(7.69)
Administrative Cost	100.00	82.75	3.35	51.29	43.49	11.75
Operating Profit	100.00	(41.22)	21.66	74.58	37.75	17.21
Finance Cost	100.00	(53.99)	(9.03)	(51.09)	(70.06)	(54.87)
Other Income/Charges	100.00	(68.16)	26.23	34.12	36.27	(90.33)
Profit before taxation	100.00	(33.99)	26.42	92.66	41.11	23.08
Taxation	100.00	(51.75)	25.02	340.29	29.55	55.82
Profit after taxation	100.00	(31.74)	26.55	70.82	43.74	16.37
Other Comprehensive Income	100.00	-	-	-	(100.00)	(98.10)
Total Comprehensive Income	**100.00**	**(31.74)**	**26.55**	**70.82**	**43.22**	**16.78**

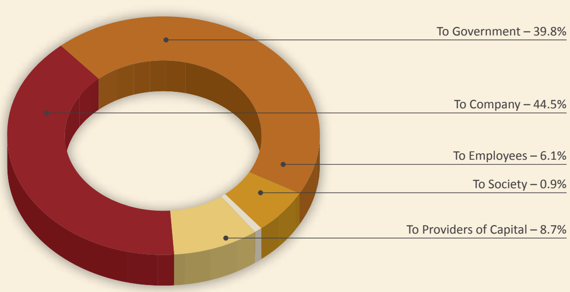
Statement of Charity

	FY 2013-14	FY 2012-13
	Amount in '000	
Educational Institutions	71,311	26,991
Scholarships	31,745	22,216
Heath Care	115,000	130,000
General Donation	56,026	29,277
Grand Total	274,081	208,484

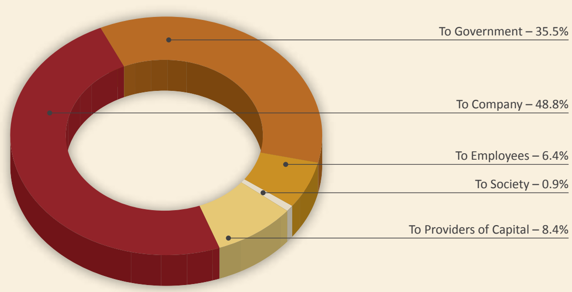
Statement of Value Addition & its Distribution

	2014		2013	
	Rs. In '000'	%	Rs. In '000'	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	51,412,926		43,738,002	
Bought-in-material and services	(21,263,037)		(19,992,584)	
	30,149,889	**100.0%**	**23,745,418**	**100.0%**
WEALTH DISTRIBUTION				
To Employees				
Salaries, benefits and other costs	1,848,241	6.1%	1,519,796	6.4%
To Government				
Income tax, sales tax, excise duty and others	12,003,604	39.8%	8,430,706	35.5%
To Society				
Donation towards education, health and environment	274,081	0.9%	208,484	0.9%
To Providers of Capital				
Dividend to shareholders	2,587,000	8.6%	1,940,250	8.2%
Markup / Interest expenses on borrowed funds	19,920	0.1%	46,767	0.2%
To Company				
Depreciation, amortization & retained profit	13,417,043	44.5%	11,599,415	48.8%
	30,149,889	**100.0%**	**23,745,418**	**100.0%**

Wealth Distribution 2014



Wealth Distribution 2013



Notes on Analysis

COMMENTS ON SIX YEAR STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

Turnover

Revenues grew from Rs. 26.3 billion in 2009 to Rs. 43.1 billion with an increase of 63.6%. This is mainly due to increase in domestic sales volume and having the largest market share.

Cost of Sales

Cost increased from Rs. 16.5 billion in 2009 to Rs. 24.4 billion with an increase of 47.7%. This is mainly due to increase in prices of main raw material inputs and power cost.

Gross Profit

GP increased from Rs. 9.8 billion in 2009 to Rs. 18.7 billion with an increase of 90.5%. This is mainly due to use of Alternative Energy sources to overcome furnace and coal usage. Also to note, installation of Waste Heat Recovery project helped to overcome power cost and attributed to an increase in GP.

Finance Cost

Finance cost decreased from Rs. 1.2 billion in 2009 to Rs. 0.03 billion with an decrease of 97.2%. This is mainly due repayment of Long term finance and capital structure mainly based on equity finance.

COMMENTS ON SIX YEAR STATEMENT OF FINANCIAL POSITION ANALYSIS

Share Capital & Reserves

Share Capital has increased due issue of new shares at London Stock Exchange through GDR and increase in reserves over the period.

Non Current Liabilities

There is a decrease in NCL of 8.6% which is mainly due to Deferred Tax Liability.

Non Current Assests

There is a surge of 31.6% in NCA from FY 2009 mainly due to capital expenditures on Alternative energy, WHR, Ventometic Packing and above all investment in ICI through Lucky Holdings Limited.

COMMENTS ON SIX YEAR STATEMENT OF CASH FLOWS ANALYSIS

Lucky Cement has a persuasive cash flow system. The liquidity of the Company improved substantially due to improved margins, cost reductions and main reliance on equity thus reducing finance cost over the period.

ANALYSIS OF VARIATION IN INTERIM PERIODS

Comments on Income Statement

During the FY 13-14; 3Q has been the most profitable as compared to other Quarters. Turnover increased 15.9% in 3Q as compared to 11.6% and -1.4% in 2Q and 4Q respectively. Net Profit increased 2.7%, 15.7%, 4.4% in 2Q, 3Q and 4Q respectively whereas Cost of Sales increased 14.2%, 13.5%, -1.1% in 2Q, 3Q and 4Q respectively.

Comments on Financial Position

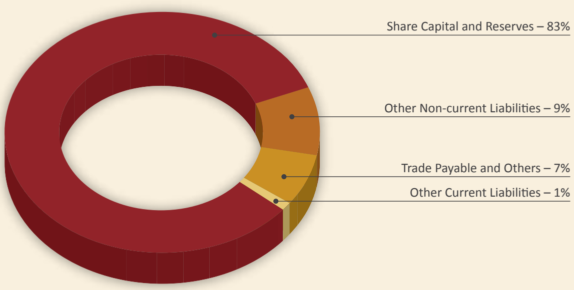
In 2Q Share Capital & Reserves, Non-Current Liabilities and Non-Current Assets increased 0.1%, 6.9%, 6.8% respectively. In 3Q Share Capital & Reserves, Non-Current Liabilities and Non-Current Assets increased 0.6%, 2%, 1.4% respectively. In 4Q Share Capital & Reserves, Non-Current Liabilities and Non-Current Assets increased -0.2%, 2.5%, 6.8% respectively.

Financial Ratios	UoM	2009	2010	2011	2012	2013	2014
Profitability Ratios							
Gross profit to sales	percent	37.26%	32.56%	33.48%	38.18%	44.32%	43.38%
Net profit after tax to sales	percent	17.46%	12.80%	15.26%	20.35%	25.78%	26.33%
EBITDA to sales	percent	31.51%	23.07%	25.88%	32.21%	37.81%	38.58%
Operating Leverage	percent	243.55%	595.79%	351.78%	265.61%	435.68%	116.54%
Return on Equity after tax	percent	19.77%	12.50%	14.30%	20.39%	23.67%	22.78%
Return on Capital Employed	percent	17.40%	11.55%	14.39%	21.85%	25.97%	24.94%
Liquidity Ratios							
Current ratio	times	0.86 : 1	0.71 : 1	0.88 : 1	2.64 : 1	3.38 : 1	4.37 : 1
Quick/Acid test ratio	times	0.36 : 1	0.23 : 1	0.18 : 1	0.80 : 1	1.66 : 1	2.65 : 1
Cash to Current Liabilities	times	0.10 : 1	0.03 : 1	0.03 : 1	0.23 : 1	0.73 : 1	1.90 : 1
Cash flow from Operations to Sales	times	0.25 : 1	0.21 : 1	0.16 : 1	0.28 : 1	0.32 : 1	0.31 : 1
Activity / Turnover Ratios							
Inventory turnover	times	3.49	3.58	2.84	2.89	3.17	3.40
No. of days in Inventory	days	104.58	101.96	128.52	126.30	115.14	107.35
Debtor turnover	times	26.50	23.95	37.16	39.87	27.81	23.00
No. of days in Receivables	days	13.77	15.24	9.82	9.15	13.12	15.87
Creditor turnover	times	5.31	5.78	4.88	5.58	6.09	6.36
No. of days in Payables	days	68.74	63.15	74.80	65.41	59.93	57.39
Operating Cycle	days	49.61	54.05	63.54	70.04	68.33	65.83
Total assets turnover	times	0.69	0.64	0.63	0.82	0.75	0.72
Fixed assets turnover	times	0.86	0.78	0.82	1.07	1.22	1.35
Investment Valuation Ratios							
Earnings per share (after tax)	rupees	14.21	9.70	12.28	20.97	30.15	35.08
Price / Earning ratio (after tax)	times	4.12	6.40	5.77	5.50	6.96	11.70
Dividend Yield	percent	6.83%	6.44%	5.65%	5.20%	3.81%	2.19%
Dividend Payout ratio	percent	28.15%	41.23%	32.58%	28.61%	26.54%	25.65%
Dividend Cover ratio	times	3.55	2.43	3.07	3.50	3.77	3.90
Cash Dividend per share	rupees	4.00	4.00	4.00	6.00	8.00	9.00
Break up value per share	rupees	71.90	77.61	85.88	102.86	126.90	153.98
Market Value Per Share as on 30th June	rupees	58.53	62.14	70.84	115.39	209.72	410.30
Capital Structure Ratios							
Financial leverage ratio	times	0.45 : 1	0.32 : 1	0.26 : 1	0.02 : 1	0.01 : 1	0.00 : 1
Weighted Average Cost of Debt	percent	11.80%	6.12%	6.76%	6.42%	14.43%	13.15%
Debt to Equity ratio	times	0.18 : 1	0.07 : 1	0.02 : 1	0.01 : 1	0.00 : 1	0.00 : 1
Interest Coverage ratio	times	5.83	7.45	9.97	35.58	188.55	485.64

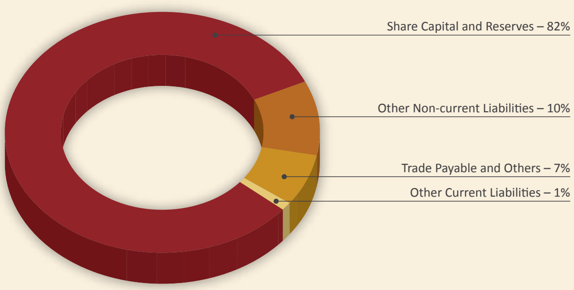
Composition of Balance Sheet

EQUITY AND LIABILITIES

EQUITY AND LIABILITIES 2014

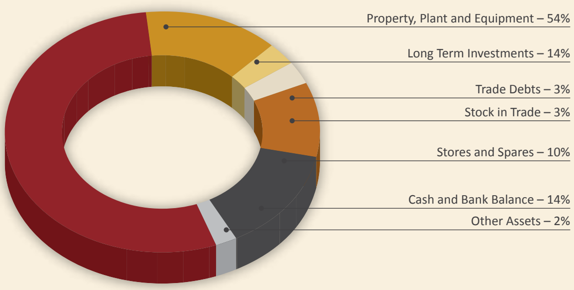


EQUITY AND LIABILITIES 2013

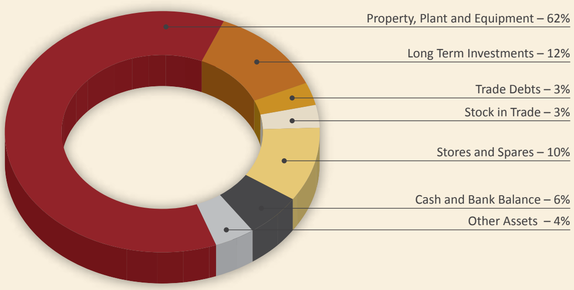


ASSETS

Assets 2014



Assets 2013



DuPONT ANALYSIS

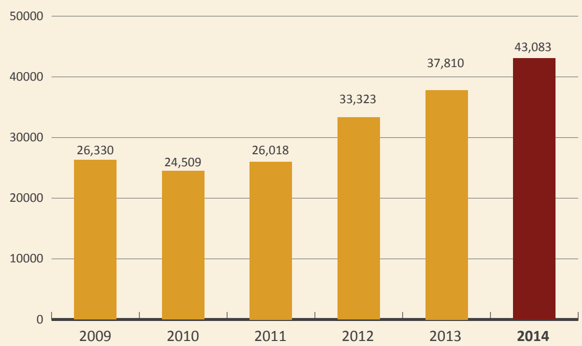
Profit Margin ***26.33%*** X Asset Turnover ***0.7205*** X Leverage ***1.2009***

=

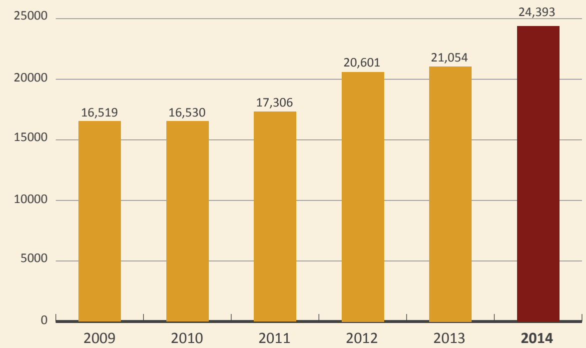
Return on Equity ***22.78%***

Financials at a Glance

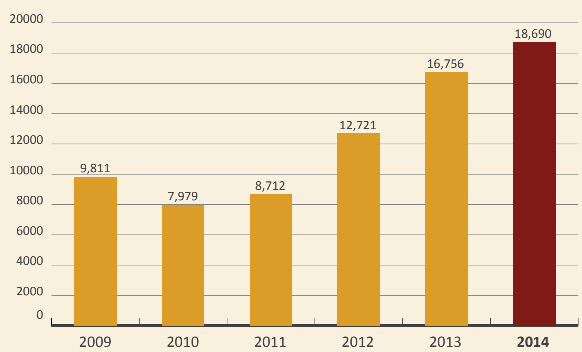
Sales Revenue
(Rs. in million)



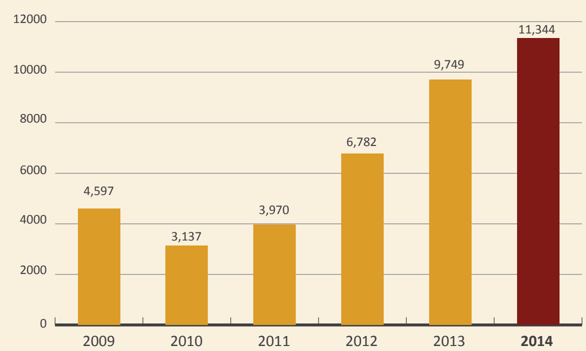
Cost of Sales
(Rs. in million)



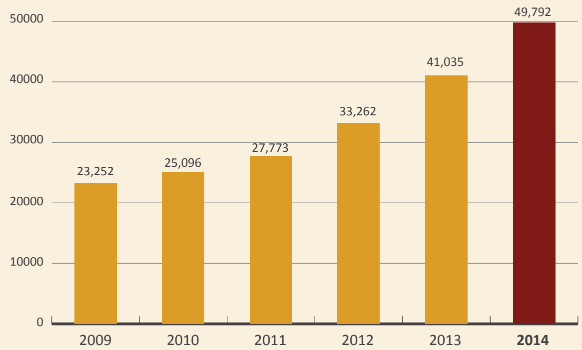
Gross Profit
(Rs. in million)



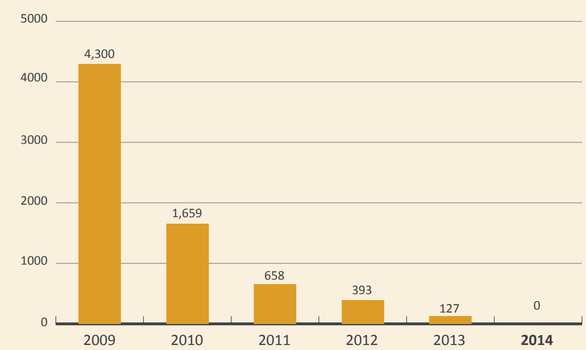
Net Profit
(Rs. in million)



Shareholders' Equity
(Rs. in million)



Long Term Finance
(Rs. in million)



Share Price Sensitivity Analysis

Commodity Prices
Greater volatility in commodity prices can lead to an increase in the cost of production, which results in lower profit margins. This can be mitigated through more efficient supply chain operations and economies of scale as compared to other players in the industry.

Interest rates
The State Bank of Pakistan can increase or decrease interest rates to stabilize or stimulate the Pakistani economy, a practice known as monetary policy. If a Company borrows money to expand and improve its business, the higher interest rates will have an effect on the cost of its debt. This can reduce Company profits along with the dividends it pays to its shareholders, which may lead towards a drop in its share price. In times of higher interest rates, investments that pay interest tend to be more attractive to investors as compared to stocks.

Inflation
Inflation is signified as higher consumer prices and it usually has a deteriorating effect on sales and profits. Higher prices will also often lead to higher interest rates. For example, the State Bank of Pakistan may raise interest rates to slow down inflation and such changes tend to bring down stock prices. However, commodities may do better with inflation, so their prices may rise.

Deflation
Falling prices tend to mean lower profits for companies and decreased economic activity. Stock prices may go down, and investors may start selling their shares and move to fixed-income investments like bonds. Interest rates may be lowered to encourage people to borrow more. The main goal is to increase spending and economic activity.

Economic and political shocks
Changes around the world can affect both the economy and stock prices. For example, a rise in energy costs can lead to lower sales, reduced profits and decreasing stock prices. An act of terrorism can also lead to a downturn in economic activity and a fall in stock prices.

Changes in economic policy
If a new government decides to implement new policies, it may be profitable for businesses or vice versa. The policies introduced may lead to changes in inflation and interest rates, which in turn may affect stock prices.

The value of the Pak Rupee
Lucky Cement exports cement to foreign countries. If the Pak rupee rises, then the foreign customers will have to spend more to buy Pakistani goods. This can drive down sales, which in turn can lead to lower stock prices. When the price of the Pak rupee falls, it makes it cheaper for others to buy Pakistani products. This can make the movement of the stock prices volatile.

Diversification and expansions (Investment planning)
Lucky Cement Management is focused on reducing the Non-systematic risk by investing in a variety of assets. The diversified portfolio's return will always be higher and will impact market share price.

Governance and compliance
Adhering to compliance will bring a positive impact on Lucky Cement's reputation as a disciplined and methodical organization in the minds of shareholders and other stakeholders. This is a concrete base on which share price will always provide a great return on investment.

Code of Conduct

It is a fundamental policy of Lucky Cement Limited to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards. These form a part of the Core Values of Lucky Cement, which form the pillars of strength in Lucky Cement's foundations.

In this regard, a Code of Conduct has been developed, intended to provide guidance to the Board of Directors and Senior Management Personnel to manage the affairs of the company in an ethical manner. The purpose of this code is to recognize and deal with ethical issues and provide mechanisms to report unethical conduct of Employees, Board of Directors and Senior Management Personals, and develop a culture of honesty and accountability.

The Code of Conduct touches upon areas of ethical business practices, corporate governance practices, laws and regulations as per the laws of Pakistan and regulators thereof, work and office ethics, and other work related areas.

The Code of Conduct includes but is not limited to the following aspects where the Board Members, Senior Management Personnel and all Employees of the Company:

a. Shall maintain and help the Company in maintaining highest degree of Corporate Governance practices.

b. Shall act in utmost good faith and exercise due care, diligence and integrity in performing the office duties.

c. Shall comply both in letter and in spirit with all applicable laws and regulations.

d. Shall ensure that all business transactions are recorded in true, fair and timely fashion in accordance with the accounting and financial reporting standards, as applicable to the Company. At the same time, accuracy and authenticity of all the information shall be assured which needs to be furnished to government authorities, financial institutions and banks.

e. Shall not indulge themselves in Insider Trading and shall comply with the Insider Trading Regulations as laid down by Securities and Exchange Commission of Pakistan (SECP).

f. Shall not be involved in any other similar business which consumes their time, shall ensure that they protect the Company's assets and properties including physical assets, information and intellectual rights, and shall maintain confidentiality of information entrusted by the Company.

g. Shall not utilize bribery or corruption in conducting the Company's business. This prohibition applies everywhere and under all circumstances.

h. Shall provide equal opportunities to all its personnel, without regard to their caste, religion, color, marital status and sex. The policies and practices shall be administered in a manner that should ensure equal opportunity to the eligible candidates and the decisions are merit based.

i. Shall strive to maintain a work environment free from sexual harassment, whether physical, verbal or psychological. Strict disciplinary action shall be taken against any person found in breach of such a rule, including civil or criminal prosecution before the competent court of law.

j. Shall not receive any gift, payments or favor in whatsoever form from Company's business associates, which can be perceived as being given to gain favor or dealing with the Company and shall ensure that the Company's interests are never compromised.

k. Shall adhere to the Company's CSR policy and do not compromise with health and safety measures in performing their duties.

l. Shall immediately report any improper, unethical or illegal conduct of any colleague or supervisor through assigned Whistle Blowing P.O BOX and Email address.

The purpose is to inculcate a sense of responsibility and good conduct amongst all internal stakeholders of Lucky Cement.

The code is communicated to each Board Member, Senior Management Personnel and Employee at the time of induction in the company, and signed in hard copy for record keeping and reference if a case of non-compliance to the code may arise.

The process of non-compliance entails the Senior Management to communicate any suspected violation of the code to COO or CEO who in turn communicates it to the Chairman of the Audit Committee. Violations are investigated by the CEO or by persons designated by him, and appropriate action is taken in the event of any violations of the code, with the necessary intimations sent to the Chairman of the Audit Committee for actions taken.

Report of the Audit Committee

The Audit Committee comprises of 5 non-executive directors, out of which one is an independent director. The Chairman of the committee is the Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP). He has held several positions contributing as an expert of finance, compliance and internal control at various organizations including as the Founder Director of Islamabad Stock Exchange, President Islamabad Stock Exchange, Commissioner SECP, Acting Chairman SECP and Member Tax Policy and Coordination CBR. Mr. Tariq Iqbal Khan has also served as the Managing Director/Chairman at the Investment Corporation of Pakistan and the National Investment Trust Limited.

The Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended June 30, 2014 and reports that:

- Four meetings of the Audit Committee were held during the year 2013-14 and presided by the Chairman.
- The Audit Committee reviewed quarterly, half-yearly and annual financial statements of the Company and recommended for approval of the Board of Directors.
- The Audit Committee reviewed preliminary announcements of results prior to publication.
- The Audit Committee reviewed the internal audit reports.
- The Company's Code of Conduct has been disseminated across the organization. Appropriate accounting policies have been consistently applied. All core and other applicable International Financial reporting standards and applicable Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, for the financial year ended June 30, 2014, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.
- The CEO and the CFO have endorsed the financial statements of the Company. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations, applicable accounting standards and design and effectiveness of internal control system of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs.
- The Audit Committee has reviewed the related party transactions and recommended for approval of the Board of Directors.
- The Company's system of internal controls is designed to manage and minimize the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the CEO and Executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the market price of the shares of Company, along with maintenance of confidentiality of all business information.
- There is a reasonable assurance that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.

INTERNAL AUDIT

The Board has effectively implemented the internal control framework through an in-house Internal Audit function.

Internal Audit facilitates a risk assessment process in each key business area and support function to review the significant risks facing its operations and to record the relevant controls and any actions in place to mitigate the risks. The materiality of the risk is measured based on financial and non-financial criteria, and the probability of the risk arising is also mapped. The detailed assessments are then consolidated to provide input into the Company's risk assessment. This process also enables Internal Audit to engage with senior management throughout the business on risk monitoring and management.

The board reviewed the annual internal audit program and the consideration of findings of internal audit and management's response. Further, it approved the annual internal audit plan prepared by the Internal Audit function in consultation with the inputs from the Audit Committee. .

Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDIT

The statutory auditors of the Company, M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed the audit of financial statements of the Company for the year ended June 30, 2014 and review of the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended June 30, 2014.

The Auditors have been allowed direct access to the Audit Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured.

The Audit Committee has reviewed and discussed points of improvements highlighted by the external auditors.

The Audit Committee has reviewed the Management Letter of 2013 which was issued within 45 days of the date of the Auditors' Report on financial statements as required under the listing regulations and discussed with the external auditors and management.

The performance, cost and independence of the external auditor was reviewed by the Audit Committee and has recommended to the Board to reappoint M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the year ending June 30, 2015 be proposed at the forthcoming Annual General Meeting.

Directors Training Programmee

During the year the following directors have enrolled/ completed the directors training programme conducted by institutions meeting the criteria specified by the Securities and Exchange Commission of Pakistan (SECP):

- Mr. Abid Ganatra
- Mr. Tariq Iqbal Khan

Shareholders and General Meetings

All General Meetings of the Company including AGMs and EOGMs were held in compliance with the provisions of the Companies Ordinance and other regulations prescribed by the regulatory authority i.e. SECP

Lucky Cement Limited's 20th Annual General Meeting was held on October 24, 2013 in Pezu. The shareholders adopted inter alia the following resolutions:

- Minutes of the Annual General Meeting held on October 31, 2012 be and are hereby confirmed and signed.
- Audited Annual Accounts for the year ended June 30, 2013 along with the Directors' and Auditors' Reports thereon be and are hereby adopted.
- Cash dividend @ 80% (Rs.8/- per share) be and is hereby approved for payment to those shareholders of the Company, whose names shall appear in the register of members at the close of business on October 14, 2013.
- Retiring Auditors M/s. M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible, be and are hereby re-appointed as Company's Auditors for the year ending June 30, 2014.
- Considered and approved the increase in the amount of investment to be made in Yunus Energy, an associated company, from PKR 465 Million to 605 Million through a special resolution as required under section 208 of the Ordinance.

Lucky Cement Limited's Extra Ordinary General Meeting was held on May 13, 2014 in Karachi. The shareholders adopted inter alia the following resolutions:

- Minutes of the Annual General Meeting held on October 24, 2013 be and are hereby confirmed and signed.
- Considered and approved further increase in the amount of investment to be made in Yunus Energy, an associated company, from PKR 605 Million to 835 Million through a special resolution as required under section 208 of the Ordinance.

HEAD OFFICE

6-A Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350, Pakistan
UAN: (+92-21) 111-786-555, Fax`: (+92-21) 34534302, Email: info@lucky-cement.com

Liason Offices

Multan

Dastagir Tower, 1st Floor, Hassan Parwana Road, Near Deira Ada, Multan
Tel: (92-61) 4540556-7 Fax: (92-61) 4540558 multan@lucky-cement.com

Lahore

2nd Floor, Al Hasan Plaza, Jamia Ashrafia, Main Ferozpur Road, Lahore
UAN: (92-42) 111-786-555 Tel: (92-42) 37530480-2 Fax: (92-42) 37530435 lahore@lucky-cement.com

Islamabad

House No. 26, Street No. 8, Sector F-7/3, Islamabad
UAN: (92-51) 111-786-555 Tel: (92-51) 2610804-07 Fax: (92-51)2610809 dm@lucky-cement.com

Peshawar

7-Park Avenue, University Town
UAN: (92-91) 111-786-555 Tel: (92-91) 5844903-5840271 Fax: (92-91) 5850969 peshawar@lucky-cement.com

Quetta

F1, First Floor, Institute of Engineers Building, Zarghoon Road,
Tel: (92-81) 2837583 Fax: (92-81) 2829267 quetta@lucky-cement.com

Plants

Pezu Plant

Main Indus Highway, Pezu, Distt. Lakki Marwat, Khyber Pakhtunkhwa
Tel: (+92-969) 580123-5 Fax: (+92-969) 580122

Karachi Plant

104km Milestone from Karachi to Hyderabad (58km towards Karachi)
Fax: (092-21) 35206421

Key Figures and Highlights

Total Revenue
Rs. in million (2013: 37,810.5)
43,083.2

EBITDA
Rs. in million (2013: 14,297.5)
16,621.0

Profit After Tax
Rs. in million (2013: 9,748.8)
11,344.4

Earnings Per Share
Rs. (2013: 30.15)
35.08

Book Value Per Share
Rs. (2013: 126.9)
154.0

Current Ratio
Times (2013: 3.38:1)
4.37:1

Price/Earnings Ratio
Times (2013: 6.96)
11.70

Contents

Statement of Compliance

with the Code of Corporate Governance for the year ending June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (Chapter XI) of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

   Non-Executive Directors:
   Mr. Muhammad Yunus Tabba
   Mr. Muhammad Sohail Tabba
   Mr. Jawed Yunus Tabba
   Mrs. Zulekha Tabba Maskatiya
   Mr. Muhammad Abid Ganatra

   Executive Directors:
   Mr. Muhammad Ali Tabba
   Mrs. Rahila Aleem

   Independent Director:
   Mr. Tariq Iqbal Khan

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies were applicable).

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

4. No casual vacancies occurred in the board during the year ended June 30, 2014.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, 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 of the Company are adequately trained to perform their duties. One Director of the Company has completed his Director's Training Program.

10. The CFO, Company Secretary and head of Internal Audit continued their service and no changes were made during this financial year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises 6 members, of whom 5 are non-executive directors 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 and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance

17. The board has formed an HR and Remuneration Committee. It comprises 5 members, of whom 3 are non-executive directors and the chairperson of the committee is an executive director.

18. The board has set up an effective internal audit function managed by qualified and experienced professionals who are conversant with the policies and procedures of the company and industry best practices. They are involved in the internal audit function on a full time basis. The head of Internal Audit department functionally reports to the Board Audit Committee.

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

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, CEO, CFO, Head of Internal Audit, other Executives and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

MUHAMMAD YUNUS TABBA
Chairman/Director

MUHAMMAD ALI TABBA
Chief Executive/Director

Review Report to the Members

on Statetment of Compliance with the 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 **Lucky Cement Limited** (the Company) for the year ended **30 June 2014** to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange Limited, 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 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**.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Date: 02 September 2014
Place: Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of Lucky Cement Limited (the Company) as at 30 June 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

    i) the balance sheet and 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 4.2 and 4.12 to the accompanying financial statements, with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to the contents of note 15 to the accompanying financial statements in respect of tax refunds due from the Government amounting to Rs.538.812 million. Our opinion is not qualified in respect of this matter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 02 September 2014
Karachi

Balance Sheet

as at June 30, 2014

	Note	2014	2013
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	31,937,211	31,008,392
Intangible assets	6	27,652	4,711
		31,964,863	31,013,103
Long-term investments	7	8,157,550	5,619,000
Long-term loans and advances	8	72,445	554,305
Long-term deposits		3,175	3,175
		40,198,033	37,189,583
CURRENT ASSETS			
Stores and spares	9	6,078,915	5,179,055
Stock-in-trade	10	1,638,984	1,431,157
Trade debts	11	2,077,714	1,668,299
Loans and advances	12	161,625	253,266
Trade deposits and short-term prepayments	13	57,699	41,814
Other receivables	14	527,052	692,191
Investments		-	110,062
Tax refunds due from the Government	15	538,812	538,812
Taxation - net		-	286,096
Cash and bank balances	16	8,519,082	2,805,840
		19,599,883	13,006,592
TOTAL ASSETS		59,797,916	50,196,175
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	3,233,750	3,233,750
Reserves	18	46,558,433	37,801,693
		49,792,183	41,035,443
NON-CURRENT LIABILITIES			
Long-term finances	19	-	127,498
Long-term deposits	20	67,971	57,125
Deferred liabilities	21	5,453,512	5,130,265
		5,521,483	5,314,888
CURRENT LIABILITIES			
Trade and other payables	22	4,096,255	3,572,282
Taxation - net		257,446	-
Accrued mark-up	23	3,051	8,162
Current portion of long-term finance	19	127,498	265,400
		4,484,250	3,845,844
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		59,797,916	50,196,175

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

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		Rupees in '000'	
			(Restated) (Note 4.12)
Gross sales	25	51,412,926	43,738,002
Less: Sales tax and excise duty		7,708,848	5,547,756
Rebates and commission		620,909	379,790
		8,329,757	5,927,546
Net sales		43,083,169	37,810,456
Cost of sales	26	(24,393,064)	(21,054,058)
Gross profit		18,690,105	16,756,398
Distribution costs	27	(3,382,156)	(3,664,019)
Administrative expenses	28	(760,269)	(680,347)
Finance costs	29	(34,225)	(75,829)
Other charges	30	(1,035,032)	(824,834)
Other income	31	977,942	234,499
Profit before taxation		14,456,365	11,745,868
Taxation			
- current		(2,890,619)	(269,494)
- deferred		(221,343)	(1,727,612)
	32	(3,111,962)	(1,997,106)
Profit after taxation		11,344,403	9,748,762
Other comprehensive income :			
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods:			
Loss on remeasurements of post retirement benefit obligations		(912)	(45,334)
Deferred taxation		249	10,520
		(663)	(34,814)
Total comprehensive income for the year		11,343,740	9,713,948
		(Rupees)	
Earnings per share - basic and diluted	33	35.08	30.15

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

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	15,915,549	12,825,937
Finance costs paid		(39,336)	(94,415)
Income tax paid		(2,347,076)	(429,229)
Gratuity paid		(45,353)	(60,821)
		(2,431,765)	(584,465)
Long term deposits		10,846	4,373
Net cash generated from operating activities	34.1	13,494,630	12,245,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,072,211)	(1,886,264)
Long-term investments	7	(2,538,550)	(5,619,000)
Long-term advance		481,860	(498,932)
Investments		110,062	(110,062)
Sale proceeds on disposal of property, plant and equipment		69,958	20,396
Net cash used in investing activities		(4,948,881)	(8,093,862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finance	19	(265,400)	(265,400)
Dividends paid		(2,567,107)	(1,925,165)
Net cash used in financing activities		(2,832,507)	(2,190,565)
Net increase in cash and cash equivalents		5,713,242	1,961,418
Cash and cash equivalents at the beginning of the year		2,805,840	844,422
Cash and cash equivalents at the end of the year	16	8,519,082	2,805,840

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

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2014

	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves		Total reserve	Total equity
		Share premium	General reserves	Unappropriated profit		
	Rupees in '000'					
Balance as at July 01, 2012	3,233,750	7,343,422	15,000,000	7,684,573	30,027,995	33,261,745
Transfer to general reserve	–	–	5,000,000	(5,000,000)	–	–
Final dividend at the rate of Rs.6/-per ordinary share of Rs.10/- each for the year ended June 30, 2012	–	–	–	(1,940,250)	(1,940,250)	(1,940,250)
Profit after taxation (Restated) - note 4.12	–	–	–	9,748,762	9,748,762	9,748,762
Other comprehensive income for the year (Restated)	–	–	–	(34,814)	(34,814)	(34,814)
Total comprehensive income for the year (Restated)	–	–	–	9,713,948	9,713,948	9,713,948
Balance as at June 30, 2013	3,233,750	7,343,422	20,000,000	10,458,271	37,801,693	41,035,443
Transfer to general reserve	–	–	7,871,271	(7,871,271)	–	–
Final dividend at the rate of Rs.8/- per ordinary share of Rs.10/- each for the year ended June 30, 2013	–	–	–	(2,587,000)	(2,587,000)	(2,587,000)
Profit after taxation	–	–	–	11,344,403	11,344,403	11,344,403
Other comprehensive income for the year	–	–	–	(663)	(663)	(663)
Total comprehensive income for the year	–	–	–	11,343,740	11,343,740	11,343,740
Balance as at June 30, 2014	3,233,750	7,343,422	27,871,271	11,343,740	46,558,433	49,792,183

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

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Notes to the Financial Statements

For the year ended June 30, 2014

1 THE COMPANY AND ITS OPERATION

1.1 Lucky Cement Limited (the Company) was incorporated in Pakistan on September 18, 1993 under the Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on all the three stock exchanges in Pakistan. The Company has also issued Global Depository Receipts (GDRs) which are listed and traded on the Professional Securities Market of the London Stock Exchange. The principal activity of the Company is manufacturing and marketing of cement. The registered office of the Company is located at Pezu, District Lakki Marwat in Khyber Pakhtunkhwa. The Company has two production facilities at Pezu, District Lakki Marwat in Khyber Pakhtunkhwa and at Main Super Highway in Karachi, Sindh.

1.2 These financial statements are the separate financial statements of the Company in which investment in subsidiaries has been accounted for at cost less accumulated impairment losses, if any.

2 STATEMENT OF COMPLIANCE

These 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

Property, plant and equipment

The Company has made certain estimations with respect to residual value, depreciation method and depreciable lives of property, plant and equipments. Further, the Company reviews the value of assets for possible impairment on each reporting period.

Provision for stores and spares

The Company has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 21.1.5 to these financial statements for valuation of present value of defined benefit obligations.

Income taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in the past.

Future estimation of export sales

Deferred tax calculation has been based on estimate of future ratio of export and local sales.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for:

– Investments which are carried at fair value in accordance with IAS 39 “Financial Instruments: Recognition and measurement”; and

– Defined benefit obligations which are stated at present value in accordance with the requirements of IAS 19 “Employee Benefits”, as disclosed in note 21.1.

4.2 Standards, interpretations and amendments to approved accounting standards that became effective

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New / Revised Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19	Employee Benefits - (Amendment)
IFRS 7	Financial Instruments: Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFAS 3	Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment – Clarification of Servicing Equipment
IAS 32	Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
IAS 34	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for the adoption of IAS 19 “Employee Benefits (Revised)” which is effective from annual periods beginning on or after January 01, 2013. The change in accounting policy and its related impacts are disclosed in note 4.12 to these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2014

4.3 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization and impairment losses, if any, except for capital work-in-progress which are stated at cost less impairment losses, if any.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings as stated in note 4.18 to these financial statements.

Except for plant and machinery, depreciation / amortization is charged to profit and loss account applying the straight line method at the rates mentioned in the note 5.1 to these financial statements. On plant and machinery depreciation is charged on units of production method (UPM) based on higher of estimated life or production. Depreciation on additions is charged from the date of acquisition / transfer of asset, whereas depreciation on disposals is charged till the date of disposal.

Assets' residual values, the method of depreciation and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are included in profit and loss account.

During the year, the Company has revised its accounting estimate regarding the useful lives / depreciation rates of the following items of property, plant and equipment:

	New Rate %	Old Rate %
Aircraft	10	20
Office equipments	33	20
Other assets (Laboratory equipment etc.)	10-33	10

The above revision would result in more accurate reflection of depreciation charge over the useful lives of the related assets. The above change has been prospectively accounted for as change in accounting estimates in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Had there been no change in the aforesaid accounting estimate, profit before tax would have been lower by Rs. 47.271 million, whereas the carrying value of property, plant and equipment of the Company would have been lower by the same amount.

4.4 Intangible assets

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

Amortization is charged to profit and loss account applying the straight line method.

4.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment losses, if any.

4.6 Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value with any resulting gain or loss recognised directly in the profit and loss account.

4.7 Stores and spares

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

Net realizable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale, which is generally equivalent to the estimated replacement cost.

4.8 Stock-in-trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows:

i) Raw and packing material	at weighted average cost comprising of quarrying / purchase price, transportation, government levies and other overheads.
ii) Work-in-process and finished goods	at weighted average cost comprising direct cost of raw material, labour and other manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

4.9 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts / receivables is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

4.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances.

4.11 Long-term and short-term borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

4.12 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all permanent employees. Contribution is made to this scheme on the basis of actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

Notes to the Financial Statements

For the year ended June 30, 2014

Change in accounting policy

As disclosed in note 4.2 to these financial statements, during the year, the Company has changed its accounting policy in respect of presentation of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised:

- actuarial gains and losses immediately in other comprehensive income, instead of past policy, recognizing the same under profit and loss account; and

- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

The above change has been accounted for in accordance with the requirements of IAS 19 "Employee Benefits (Revised)", as required under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" such a change to be applied retrospectively.

Had there been no change in accounting policy due to recognition of actuarial gains or losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts for the years ended June 30, 2014 and June 30, 2013:

	2014	2013
	Rupees in '000'	
Net decrease in profit after tax	663	34,814
Net increase in other comprehensive income	663	34,814
EPS would have been lower by	Re. 0.00*	Re. 0.11

* Immaterial impact on EPS

There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised). The only impact of the above change is reclassification from the profit and loss account to other comprehensive income. Since, there is no impact on the financial information as of and for the year ended June 30, 2012, balance sheet as of June 30, 2012 is not required to be restated and therefore the same has not been presented.

4.13 Compensated absences

The Company accounts for compensated absences in the accounting period in which these are accrued.

4.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.15 Provisions

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, 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 to the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, if any, or minimum tax on turnover whichever is higher and tax paid on final tax regime basis.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

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, excluding discounts, rebates and government levies. The following recognition criteria must be met before revenue is recognized:

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

- Revenue from the sale of electricity is recorded based on the output delivered and capacity available at the rates as specified under Power Purchase Agreement.

- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

4.18 Borrowing costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.19 Foreign currency translations

Foreign currency transactions are translated into Pakistani Rupee using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are re-translated into Pakistani Rupee using the exchange rate ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

Notes to the Financial Statements

For the year ended June 30, 2014

4.20 Financial assets and liabilities

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

4.21 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.22 Impairment

At each balance sheet date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

4.23 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4.24 Functional and presentation currency

These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

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

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	– Consolidated Financial Statements	January 1, 2015
IFRS 11	– Joint Arrangements	January 1, 2015
IFRS 12	– Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	– Fair Value Measurement	January 1, 2015
IAS 16 & 38	– Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 16 & 41	– Agriculture: Bearer Plants	January 1, 2016
IAS 19	– Employee Contributions	July 1, 2014
IAS 32	– Offsetting Financial Assets and Financial liabilities - (Amendment)	January 1, 2014
IAS 36	– Recoverable Amount for Non-Financial Assets - (Amendment)	January 1, 2014
IAS 39	– Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	– Levies	January 1, 2014
Annual improvements to IFRS (the 2010-2012 cycle)		July 1,2014
Annual improvements to IFRS (the 2011-2013 cycle)		July 1,2014

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

Standard		Effective date (annual periods beginning on or after)
IFRS 9	– Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	– Regulatory Deferral Accounts	January 1, 2016
IFRS 15	– Revenue from Contracts with Customers	January 1, 2017

The Company expects that the adoption of above standards and interpretations will not have material effect on the Company's financial statements in the period of initial application.

		Note	2014	2013
			Rupees in '000'	
5	PROPERTY, PLANT AND EQUIPMENT			
	Operating fixed assets - tangible	5.1	29,508,081	30,810,820
	Capital work-in-progress	5.4	2,429,130	197,572
			31,937,211	31,008,392

Notes to the Financial Statements

For the year ended June 30, 2014

5.1 Operating fixed assets - tangible

Particulars	Cost			Accumulated Depreciation / Amortization			Net Book Value	Rate of depreciation
	At July 01, 2013	Addition / *transfers / (disposals)	At June 30, 2014	At July 01, 2013	Charge for the year / (disposals)	At June 30, 2014	At June 30, 2014	
	Rupees in '000'							
Land - leasehold ***	969,080	–	969,080	46,153	11,723	57,876	911,204	1.01%-1.89%
Building on leasehold land	6,559,956	–	6,587,764	2,386,525	328,588	2,715,113	3,872,651	5%
	*	27,808						
Plant and machinery	20,988,499	–	21,182,259	5,270,727	825,437	6,090,975	15,091,284	UPM
	*	232,376			–			
		(38,616)			(5,189)			
Generators **	10,692,205	–	10,703,351	2,821,660	535,033	3,356,693	7,346,658	UPM
	*	11,146						
Quarry equipment	1,087,322	–	1,361,326	402,546	119,382	521,468	839,858	10%
	*	274,523			–			
		(519)			(460)			
Vehicles including cement bulkers	894,460	190,485	1,050,266	382,846	111,517	466,857	583,409	10%-20%
	*	5,544			–			
		(40,223)			(27,506)			
Aircraft	744,664	–	744,664	35,070	70,959	106,029	638,635	10%
Furniture and fixtures	52,779	6,973	62,429	29,260	7,625	36,396	26,033	20%
	*	3,338			–			
		(661)			(489)			
Office equipment	124,142	8,949	140,781	73,823	19,156	92,564	48,217	33%
	*	8,220			–			
		(530)			(415)			
Computer and accessories	85,993	9,305	100,461	51,625	17,943	66,094	34,367	33%
	*	8,963			–			
		(3,800)			(3,474)			
Other assets (Laboratory	189,460	2,428	209,834	77,505	16,696	94,069	115,765	10%-33%
equipment etc.)	*	18,409			–			
		(463)			(132)			
June 30, 2014	42,388,560	218,140	43,112,215	11,577,740	2,064,059	13,604,134	29,508,081	
	*	590,327						
		(84,812)			(37,665)			

Particulars	Cost At July 01, 2012	Cost Addition / *transfers / (disposals)	Cost At June 30, 2013	Accumulated Depreciation / Amortization At July 01, 2012	Accumulated Depreciation / Amortization Charge for the year / (disposals)	Accumulated Depreciation / Amortization At June 30, 2013	Net Book Value At June 30, 2013	Rate of depreciation
	Rupees in '000'							
Land - leasehold ***	969,080	–	969,080	34,431	11,722	46,153	922,927	1.01%-1.89%
Building on leasehold land	6,309,071	–	6,559,956	2,066,594	319,931	2,386,525	4,173,431	5%
		* 250,885			–			
Plant and machinery	20,430,617	–	20,988,499	4,504,587	766,140	5,270,727	15,717,772	UPM
		* 557,882						
Generators **	10,662,951	–	10,692,205	2,287,372	534,288	2,821,660	7,870,545	UPM
		* 29,254						
Quarry equipment	754,368	–	1,087,322	307,500	95,046	402,546	684,776	10%
		* 332,954						
Vehicles including cement bulkers	830,799	80,564	894,460	325,871	77,063	382,846	511,614	10%-20%
		* 8,307						
		(25,210)			(20,088)			
Aircraft	–	640	744,664	–	35,070	35,070	709,594	20%
		* 744,024						
Furniture and fixtures	46,570	3,279	52,779	23,394	5,939	29,260	23,519	20%
		* 3,024						
		(94)			(73)			
Office equipment	116,198	2,556	124,142	59,261	14,589	73,823	50,319	20%
		* 5,437						
		(49)			(27)			
Computer and accessories	62,294	18,147	85,993	45,531	11,377	51,625	34,368	33%
		* 11,401						
		(5,849)			(5,283)			
Other assets (Laboratory	174,830	1,875	189,460	64,422	13,083	77,505	111,955	10%
equipment etc.)		* 12,755						
June 30, 2013	40,356,778	107,061	42,388,560	9,718,963	1,884,248	11,577,740	30,810,820	
		* 1,955,923						
		(31,202)			(25,471)			

UPM = Unit of production method

** The carrying value of major spare parts and stand by equipment included in generators amount to Rs. 503.606 million (2013: 592.982 million).

*** Includes freehold land amounting to Rs.5.716 million (2013: Rs.5.716 million) carried at cost.

		Note	2014	2013
			Rupees in '000'	
5.2	Depreciation charged for the year has been allocated as follows:			
	Cost of sales	26	1,750,528	1,636,773
	Distribution costs	27	78,393	76,961
	Administrative expenses	28	132,982	68,442
	Cost of sale of electricity		102,156	102,072
	Total		2,064,059	1,884,248

Notes to the Financial Statements

For the year ended June 30, 2014

5.3 The details of property, plant and equipment disposed off during the year are as follows:

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
	Rupees in '000'						
Toyota Corolla - AUQ-827	1,374	658	716	1,200	484	Negotiation	Mr. Amin Ganny, Karachi - Employee
Honda Citi - JH - 741	852	726	126	582	456	Negotiation	Mr. Majid Samin, Pezu - Employee
Honda Citi - JV - 369	853	728	125	714	589	Negotiation	Abdul Qasim Jaskani, Pezu - Employee
Toyota Hiace - P-6643	850	549	301	725	424	Negotiation	Mr. Nasrullah, Pezu - Employee
Honda Citi - LWO-2630	866	748	118	831	713	Negotiation	Akbar Alamgir Miriza, Lahore - Employee
Toyota Corolla - ANV - 794	1,309	1,047	262	575	313	Negotiation	Mr. Saifuddin A Khan, Karachi - Employee
Suzuki Cultus - MV - 732	624	504	120	628	508	Negotiation	Mr. Zeeshan Mahmood, Pezu - Employee
Honda Citi - AUH-251	1,312	761	551	1,171	620	Negotiation	Mr. Mansoor Hussain, Karachi - Employee
Toyota Corolla - AUN-667	1,471	700	771	961	190	Negotiation	Mr. Tayyab Baig, Karachi
Honda CG-125 -MNQ 12 - 981	99	25	74	85	11	Insurance Claim	Jubilee General Insurance, Karachi
Honda CG-125 -MNL 12 - 8361	94	37	57	80	23	Insurance Claim	Jubilee General Insurance, Karachi
Toyota Corolla - AZA-878	1,695	363	1,332	1,525	193	Insurance Claim	Jubilee General Insurance, Karachi
Suzuki Cultus - AKC-695	604	533	71	428	357	Insurance Claim	Jubilee General Insurance, Karachi
Hino Prime Mover TLJ-206	3,172	1,724	1,448	5,500	4,052	Insurance Claim	Jubilee General Insurance, Karachi
Hino Prime Mover TLL402	3,683	1,882	1,801	5,000	3,199	Insurance Claim	Jubilee General Insurance, Karachi
Honda Citi - AKU-391	896	620	276	835	559	Tender	Mr. Mehmood Ali, Karachi.
Suzuki Cultus - AUL - 328	895	512	383	780	397	Tender	Mr. Zahid Qadri, Karachi.
Honda Citi - LWO-2629	866	736	130	868	738	Tender	Mr. Nasir Zahoor, Lahore
Honda Citi - JK-457	852	725	127	769	642	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - IDM-4965	793	725	68	629	561	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - HT-664	803	708	95	784	689	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - AKE-314	906	787	119	661	542	Tender	Mr. Hassan Qamar, Karachi
Suzuki Cultus - LWK-3313	681	579	102	490	388	Tender	Rana Brothers, Lahore
Honda Citi - AGT-349	1,256	845	411	1,077	666	Tender	Mr. Mohammad Yamin, Karachi
Toyota Corolla - AUN-458	1,500	814	686	1,276	590	Tender	Mr. Numeri Abrar, Karachi
Toyota Corolla - AVB-502	1,481	763	718	1,229	511	Tender	Mr. Syed Adil Ali, Karachi
Suzuki Cultus - AST-981	807	544	263	650	387	Tender	Mr. Ayub Patni, Karachi
KIA Sportage BC-5528	1,605	1,442	163	557	394	Tender	Haji Khadim Ali, Karachi
Suzuki Cultus - KV - 438	651	550	101	588	487	Tender	Mr. Shahid Baig, Rawalpindi
Suzuki Cultus - APM-812	626	517	109	551	442	Tender	Humair Uddin, Karachi
Suzuki Cultus - ASM-320	822	598	224	482	258	Tender	Raja Abdul Jabbar, Karachi
Suzuki Cultus - ARV-126	907	710	197	507	310	Tender	Naveed Rauf, Karachi
Suzuki Cultus - ARV-132	907	710	197	620	423	Tender	Imran Hashwani, Karachi
Honda Citi - HH-116	803	732	71	658	587	Tender	Mr. Shahid Baig, Rawalpindi
Honda Citi - NJ-253	906	711	195	988	793	Tender	Mr. Muhammad Imran Afzal, Fateh Jang, Attock
Honda Citi - JH-754	852	758	94	857	763	Tender	Syed Manzoor Hussain Shah, Mansehra
Computer and accessories	92	24	68	68	-	Negotiation	Mr. Ruhail Thobani, Karachi. Ex-employee
Computer and accessories	75	12	63	60	(3)	Negotiation	Mr. Muhammad Suhail, Karachi. Ex-employee
Computer and accessories	120	35	85	-	(85)	Insurance Claim	Jubilee General Insurance, Karachi
Furniture and Fixture	538	397	141	114	(27)	Tender	Rana Zarees, Lahore
Plant and Machinery	14,557	3,634	10,923	10,073	(850)	Insurance Claim	Jubilee General Insurance, Karachi
Plant and Machinery	24,059	1,555	22,504	21,598	(906)	Insurance Claim	Jubilee General Insurance, Karachi
Quarry Equipment	519	460	59	286	227	Tender	Sh. Ashiq Ali Sohail & Co., D.G.Khan
Items having book value less than Rs.50,000 each	6,179	5,477	702	1,898	1,196	-	Various
Total	84,812	37,665	47,147	69,958	22,811		
2013	31,202	25,471	5,731	20,396	14,665		

5.4 The following is the movement in capital work-in-progress during the year:

	Opening balance	Additions	Transferred to operating fixed assets	Closing balance 2014	Closing balance 2013
	Rupees in '000'				
Building and civil works	26,204	264,034	27,808	262,430	26,204
Plant and machinery	83,583	2,231,135	506,899	1,807,819	83,583
Generators	–	282,242	11,146	271,096	–
Others	87,785	44,474	44,474	87,785	87,785
	197,572	2,821,885	590,327	2,429,130	197,572

6 INTANGIBLE ASSETS

Represents various computer software amortized on the straight line basis over the period of 36 months. Movement during the year is as follows:

	Note	2014	2013
		Rupees in '000'	
Balance as at July 01		4,711	1,514
Add: Additions during the year		32,185	4,425
		36,896	5,939
Less: Disposals during the year (NBV)		–	(9)
Amortization charge for the year	28	(9,244)	(1,219)
		27,652	4,711
7 LONG-TERM INVESTMENTS - at cost			
Lucky Holdings Limited	7.1	5,619,000	5,619,000
LCL Investment Holdings Limited	7.2	2,537,800	–
Yunus Energy Limited	7.3	750	–
		8,157,550	5,619,000

7.1 Lucky Holdings Limited (LHL) is a public unlisted company incorporated in Pakistan. As of the balance sheet date, the Company owns 75 percent shareholding of LHL.

As of the balance sheet date, LHL held 75.36 percent shares of ICI Pakistan Limited. The said acquisition was made as per the share purchase agreement with ICI Omicron B.V. a wholly owned subsidiary of Akzo Noble N.V. Netherlands.

7.2 The Company has made an investment in LCL Investment Holdings Limited (LCLIHL), the wholly owned subsidiary of the Company, incorporated and domiciled in Mauritius. During the year, the Company has subscribed 25,000,000 ordinary shares of LCLIHL @ US$1/-, out of which 5,000,000 shares are subscribed against advance subscription money paid during the year ended June 30, 2013 (note 8). LCLIHL has concluded a joint venture agreement with Al-Shumookh Construction Materials Trading FZE, United Arab Emirates for establishing Lucky Al-Shumookh Holdings Limited for constructing a cement grinding unit in the Republic of Iraq. LCLIHL holds 50 percent ownership interest in the aforementioned Joint Venture.

LCLIHL has also entered into a joint venture agreement with Rawsons Investments Limited (registered in Cayman Islands) for establishing LuckyRawji Holdings Limited for constructing a fully integrated cement manufacturing unit in the Democratic Republic of Congo. LCLIHL holds 50 percent ownership interest in the aforesaid Joint Venture.

7.3 Represents Equity investment in Yunus Energy Limited 75,000 shares @10/- each during the year.

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
8	LONG-TERM LOANS AND ADVANCES			
	Advance against issuance of shares	7.2	–	492,200
	Loans and advances to:			
	Employees	8.1	28,506	16,127
	Executives	8.1&8.2	26,578	18,416
			55,084	34,543
	Less: Recoverable within one year shown under current assets	12	(38,012)	(27,811)
			17,072	6,732
	Other advances	8.3	55,373	55,373
			72,445	554,305

8.1 Represent loans provided as per the Company's employee loan policy. These loans are secured against the gratuity of respective employees. The maximum aggregate balance due from executives at the end of any month during the year was Rs.16.578 million (2013: Rs.34.039 million).

		2014	2013
		Rupees in '000'	
8.2	Reconciliation of carrying amount of loan to executives (key management personnel)		
	Balance as of July 01	18,416	27,119
	Disbursements during the year	30,771	19,749
	Repayments during the year	(22,609)	(28,452)
		26,578	18,416

8.3 This represents advance given to Sui Southern Gas Company Limited in respect of additional gas line which will be adjusted after the commissioning of gas line in 48 equal monthly installments.

		Note	2014	2013
			Rupees in '000'	
9	STORES AND SPARES			
	Stores	9.1	2,960,886	2,512,213
	Spares	9.2	3,323,102	2,861,915
			6,283,988	5,374,128
	Less: Provision for slow moving spares	9.3	205,073	195,073
			6,078,915	5,179,055

9.1 This includes stores in transit mainly coal amounting to Rs. 472.172 million (2013:Rs. 28.209 million) as of the balance sheet date.

9.2 This includes spares in transit of Rs. 64.037 million (2013: Rs. 53.010 million) as of the balance sheet date.

		Note	2014	2013
			Rupees in '000'	
9.3	Movement in provision for slow moving spares:			
	Balance as of July 01		195,073	150,028
	Provision during the year	26	10,000	45,045
	Closing balance		205,073	195,073

		Note	2014	2013
			Rupees in '000'	
10	**STOCK-IN-TRADE**			
	Raw and packing materials		554,593	623,547
	Work-in-process		628,533	373,356
	Finished goods		455,858	434,254
			1,638,984	1,431,157
11	**TRADE DEBTS - considered good**			
	Bills receivable - secured		1,351,017	1,268,434
	Others - unsecured		726,697	399,865
			2,077,714	1,668,299
11.1	The ageing of trade debts at June 30 is as follows:			
	Neither past due nor impaired		2,077,714	1,668,299
12	**LOANS AND ADVANCES - secured, considered good**			
	Current portion of long term loan and advances to employees & executives	8	38,012	27,811
	Advances to suppliers and others	12.1	123,613	225,455
			161,625	253,266

12.1 These advances are mainly secured against the insurance and bank guarantees from the respective suppliers.

		2014	2013
		Rupees in '000'	
13	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**		
	Deposits		
	Containers	–	315
	Coal supplier	1,000	1,000
	Karachi Port Trust	11,550	10,150
	Utilities	735	735
	Others	7,647	9,308
		20,932	21,508
	Prepayments		
	Insurance	17,597	11,418
	Rent	4,875	6,543
	Others	14,295	2,345
		36,767	20,306
		57,699	41,814

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
14	**OTHER RECEIVABLES - unsecured, considered good**			
	Rebate on export sales		67,917	63,875
	Due from Collector of Customs	14.1	19,444	19,444
	Hyderabad Electricity Supply Company (HESCO)		166,019	420,920
	Insurance claim receivable		50,782	–
	Accrued return on bank deposits		71,512	14,317
	Others		151,378	173,635
			527,052	692,191

14.1 The Company had imported cement bulkers during October 19, 2006 to December 05, 2006 under SRO 575(1) of 2006 dated June 05, 2006 for export of loose cement which provided concessionary rate of import duty to an industrial concern. The Company claimed exemption of duty at the time of port clearance, however, the Collector of Customs passed an order allowing provisional release of consignment subject to final approval from the Federal Board of Revenue (FBR) and deposit of post dated cheques for the differential amount of duty. The Company deposited three post dated cheques aggregating to Rs.19.444 million for three different consignments of cement bulkers and simultaneously approached to the FBR for giving direction to the Collector of Customs, Karachi.

The FBR moved a summary to the Federal Government / Economic Coordination Committee (ECC) on the representation of the Company and finally issued SRO 41(1) of 2007 on January 07, 2007 which clarified that the imported cement bulkers were also entitled for concessional rate of duty of 5%. The Collector of Customs instead of releasing the post dated cheques, encashed the same on the plea that the effect of SRO will not be given to the Company with retrospective effect despite the fact that the said clarification was issued on the representation of the Company.

The Company filed a writ petition before the High Court of Sindh at Karachi in 2007 challenging the illegal and malafide act of encashment of post dated cheques. The matter is pending before the High Court of Sindh. The management believes that the ultimate outcome of the matter will be in favor of the Company. Hence, no provision has been made against the said advance in these financial statements.

15 TAX REFUNDS DUE FROM THE GOVERNMENT

A dispute with respect to the calculation of excise duty on retail price of cement arose between the Company and the Federal Board of Revenue (FBR) from the very first day the Company started sales of cement in 1996. The FBR's point of view was that excise duty be calculated on the declared retail price, inclusive of excise duty whereas the Company contended that the excise duty would not be included in retail price for the calculation of the excise duty payable to the Government. In June 2, 1997, the Company filed a writ petition before the Peshawar High Court seeking judgment on this matter. The dispute related to the period from June 26, 1996 to April 19, 1999 after which the FBR changed the mechanism of levying excise duty from percentage of retail price to a fixed amount of duty at the rate of Rs.1,400 per ton. The Peshawar High Court after hearing both the parties issued a detailed judgment, operating paragraph of which is reproduced as follows:

> "For the reasons we accept the petitions declare, that present system of realization of duties of excise on the "Retail Price" inclusive of excise duty is illegal and without lawful authority, the duties of excise on cement must not form part of retail price and the petitioners are not liable to pay duties of excise forming part of the retail price of cement."

Simultaneously, a similar nature of dispute arose between various beverage companies operating in the provinces of Sindh and Punjab and accordingly they also filed petitions before the Honourable High Courts of Sindh and Lahore respectively. Both the Courts also decided the case against the method of calculation of excise duty as interpreted by the FBR.

The FBR preferred an appeal before the Honourable Supreme Court of Pakistan against the judgments of all three High Courts of the country. A full bench of the Honourable Supreme Court of Pakistan heard the legal counsel of all the parties and finally announced the judgment on April 14, 2007, upholding the judgments of the High Courts and dismissed the appeal of the FBR.

As a result of the full bench judgment of the Honourable Supreme Court of Pakistan, the Company filed a refund claim of Rs.538.812 million on May 08, 2007 with the Collector of Central Excise and Sales Tax, Peshawar, who had earlier collected the same due to incorrect interpretation of law. The Company on the basis of legal opinions obtained, recognised this refund claim in the financial statements for the year ended June 30, 2007.

A review petition was also filed by the Federal Board of Revenue (FBR) in the Honourable Supreme Court of Pakistan. The Honourable Supreme Court of Pakistan vide its order dated January 27, 2009 dismissed the review petition filed by the FBR and upheld its earlier decision which was in favour of the Company.

While verifying the refund claim, the Collector of Excise and Sales Tax Peshawar issued show cause notice to the Company, raising certain objections against the release of said refund including an objection that the burden of this levy has been passed on to the end consumer. The Company challenged this show cause notice in the Honourable Peshawar High Court and took the stance that this matter has already been dealt with at the Honourable Supreme Court of Pakistan level, based on the doctrine of res judicata. The Honourable Peshawar High Court granted a stay order to the Company against any adverse proceeding by the FBR in this case.

During the year ended June 30,2013, the Company filed a complaint before the Federal Tax Ombudsman (FTO) with a request that the FBR may be directed for early issuance of refund along-with the compensation for the delayed refund. The FTO directed the FBR to verify the claim of the Company and submit a report in the matter. Subsequently, the FBR on the basis of audit conducted submitted a report to the FTO. However, the company did not agree to the findings of the department and argued before the FTO that the report submitted by the department is not based on the facts of the case.

After hearing the arguments of both the parties, the FTO forwarded its recommendations/findings to the Secretary, Revenue Division, Islamabad through its order dated November 22, 2013.

Subsequently, FBR filed representation, before the President of Pakistan against the recommendations of the FTO under section 32 of Federal Tax Ombudsman Ordinance, 2000. Accordingly, the President of Pakistan through its secretariat invited comments of the Company which have been submitted. The matter is still pending before the President of Pakistan.

		2014	2013
		Rupees in '000'	
16	CASH AND BANK BALANCES		
	Sales collection in transit	556,066	669,765
	Cash at bank - on current accounts	248,064	33,381
	- on deposit accounts	7,712,309	2,100,986
		7,960,373	2,134,367
	Cash in hand	2,643	1,708
		8,519,082	2,805,840

Notes to the Financial Statements

For the year ended June 30, 2014

		2014	2013
		Rupees in '000'	
17	**SHARE CAPITAL**		
	Authorized capital		
	500,000,000 (2013: 500,000,000) Ordinary shares of Rs.10/- each	5,000,000	5,000,000
	Issued, subscribed and paid-up capital		
	305,000,000 (2013: 30Δ5,000,000) Ordinary shares of Rs.10/- each issued for cash	3,050,000	3,050,000
	18,375,000 (2013: 18,375,000) Ordinary shares of Rs. 10/- each issued as bonus shares	183,750	183,750
		3,233,750	3,233,750

17.1 During the year ended June 30, 2008, the Company was admitted to the official list of the Financial Services Authority and to the London Stock Exchange for trading of the Global Depository Receipts (GDRs) issued by the Company on the Professional Securities Market of the London Stock Exchange. The GDR issue constituted an offering to qualified institutional buyers in the United States under Rule 144A and to non US persons outside the United States (US) under Regulation - S of the US Securities Act of 1933. The GDRs have also been included for trading on the International Order Book system of the London Stock Exchange, which will make the GDRs issued under Rule 144A to become eligible for trading by qualified institutional buyers in the Portal Market; a subsidiary of the NASDAQ Stock Market, Inc in the United States. The Company had issued 15,000,000 GDRs each representing four ordinary equity shares at an offer price of US$ 7.2838 per GDR (total receipt being US$. 109.257 million). Accordingly, based on an exchange rate of Rs. 65.90 = US$ 1.00 (which was the exchange rate on the date of final offering circular relating to the GDR issue made by the Company) 60,000,000 ordinary equity shares of a nominal value of Rs.10 each of the Company were issued at a premium of Rs.110 per ordinary equity share (total premium amount being Rs.6,600 million).

The holders of GDRs are entitled, subject to the provisions of the Deposit Agreement, to receive dividend, if any and rank pari passu with other equity shareholders in respect of dividend. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated May 08, 2008, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of dividend, voting and other direct rights of shareholders.

		2014	2013
		Rupees in '000'	
18	**RESERVES**		
	Capital reserve		
	Share premium	7,343,422	7,343,422
	Revenue reserves		
	General reserve	27,871,271	20,000,000
	Unappropriated profit	11,343,740	10,458,271
		39,215,011	30,458,271
		46,558,433	37,801,693

19 LONG-TERM FINANCES – secured

Long-term finance utilized under mark-up arrangements are from the following lenders:

	Installments		2014	2013
	Number	From	Rupees in '000'	
Allied Bank Ltd.	16 quarters	Oct-10	80,912	253,148
Allied Bank Ltd.	16 quarters	Mar-11	46,586	139,750
			127,498	392,898
Less : Current portion of long-term finances			(127,498)	(265,400)
			–	127,498

19.1 The long-term finances carry mark-up at the rates of 7.50% and 8.2% (2013: 7.50% and 8.2%) per annum.

19.2 The above finances are secured by a letter of hypothecation providing charge over plant, machinery, equipment, generators, all tools and spares of the Company and all future modifications and replacement thereof. The finance agreements executed by the Company with the above mentioned financial institutions contain a prepayment clause with no penalty.

	Note	2014	2013
		Rupees in '000'	
20 LONG-TERM DEPOSITS			
Cement stockists	20.1	29,691	19,195
Transporters	20.2	37,000	36,500
Others		1,280	1,430
		67,971	57,125

20.1 These represent interest-free security deposits received from stockists and are repayable on cancellation or withdrawal of stockist arrangement and are also adjustable against unpaid amount of sales.

20.2 These represent interest-free security deposits received from transporters and are repayable on cancellation or withdrawal of contracts.

	Note	2014	2013
		Rupees in '000'	
21 DEFERRED LIABILITIES			
Staff gratuity	21.1	654,195	552,042
Deferred tax liability	21.2	4,799,317	4,578,223
		5,453,512	5,130,265

21.1 The amounts recognized in the balance sheet, based on the recent actuarial valuation carried on June 30, 2014, are as follows:

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
21.1.1	Present value of defined benefit obligation		654,195	552,042
21.1.2	Changes in the present value of defined benefit obligation are as follows:			(Restated)
	Balance as at July 01		552,042	438,391
	Charge for the year	21.1.3 & 21.1.4	146,594	129,138
	Actuarial loss recognised in other comprehensive income		912	45,334
			699,548	612,863
	Payments made during the year		(45,353)	(60,821)
			654,195	552,042
21.1.3	Charge for the year recognised in the profit and loss account is as follows:			(Restated)
	Current service cost		85,776	78,140
	Interest cost		60,818	50,998
			146,594	129,138
21.1.4	The charge for the year has been allocated as follows:			
	Cost of sales	26	112,119	98,171
	Distribution costs	27	6,013	5,566
	Administrative expenses	28	28,462	25,401
			146,594	129,138

		2014	2013
21.1.5	Principal actuarial assumptions used are as follows:		
	Expected rate of increase in salary level	11.00%	11.50%
	Valuation discount rate	13.50%	11.50%

21.1.6 Sensitivity analysis

A sensitivity analysis for the above principal actuarial assumptions as of the balance sheet date showing how the defined benefit obligation would have been affected by changes in the said assumptions is as follows:

		2014 Rupees in '000'
	Discount rate +1%	(53,029)
	Discount rate -1%	61,613
	Long term salary increases +1%	46,901
	Long term salary increases -1%	(41,442)
21.1.7	Maturity profile of the defined benefit obligation:	
	Weighted average duration - in number of years	9.73
	The retirement will at most continue	2,029

21.1.8 Description of the risks to the Company

The defined benefit plan exposes the Company to the following risks:

Mortality risks - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks – The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

		Note	2014	2013
			Rupees in '000'	
21.2	**Deferred tax liability**			
	This comprises of the following:			
	- Difference in tax and accounting bases of fixed assets		5,079,314	4,809,400
	- Provisions		(279,997)	(231,177)
			4,799,317	4,578,223
22	**TRADE AND OTHER PAYABLES**			
	Creditors		759,118	838,546
	Bills payable		–	2,445
	Accrued liabilities	22.1	2,282,542	1,462,651
	Customers running account		322,459	254,868
	Retention money		21,339	16,090
	Sales tax payable		67,152	339,199
	Excise and other government levies		256,489	319,444
	Unclaimed and unpaid dividend		79,392	59,499
	Workers' Profit Participation Fund (WPPF) payable	22.2	297,660	276,467
	Others		10,104	3,073
			4,096,255	3,572,282

22.1 It includes Rs.380.608 million in respect of accrual of gas charges (2013: 271.116 million).

		Note	2014	2013
			Rupees in '000'	
22.2	The movement of WPPF payable is as follows:			
	Opening balance		276,467	336,532
	Allocation for the year	30	760,951	616,350
	Interest on funds utilized by the Company		1,709	10,117
			1,039,127	962,999
	Payments during the year		(741,467)	(686,532)
			297,660	276,467
23	**ACCRUED MARK-UP**			
	Long-term finance		3,051	8,160
	Short-term borrowings		–	2
			3,051	8,162

Notes to the Financial Statements
For the year ended June 30, 2014

24 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

24.1 The Honourable Supreme Court of Pakistan while disposing off an appeal of the Collector of Customs, Karachi has issued a judgment on July 28, 2009 whereby it has set aside the earlier order of the Honourable Peshawar High Court decided in favour of the Company on the issue of plant and machinery imported under SRO 484(I)/92 dated May 14, 1992 after obtaining approvals from the concerned ministries. On August 20, 2009 the Company filed a review petition which was subsequently disposed off by Honourable Supreme Court on May 8, 2014. The Customs department issued recovery notice on which, the Company has filed a Constitution Petition in the Honourable Sindh High Court which is currently pending. The amount of disputed levy is not ascertainable at this stage as no order was earlier framed by the Collector of Customs. Hence no provision has been made against the same in these financial statements.

24.2 The Company was entitled to sales tax exemption on cement produced by it from the date of commissioning to June 30, 2001 vide SROs 580(1)/91 and 561(1)/94 dated 27-06-1991 and 09-06-1994 respectively. In June 1997, the Federal Government withdrew the sales tax exemption from the entire cement industry and deprived the Company from the advantage of its sales tax exemption. Being aggrieved, the Company filed a writ petition in the Peshawar High Court. Subsequently, the sales tax exemption was restored on September 5, 2000. The writ petition was therefore withdrawn on legal advice but at the same time a suit was filed for compensation. The civil judge Peshawar has granted the ex-parte decree in favor of the Company amounting to Rs. 1,693.61 million along with 14% per annum until the said amount is actually paid.

On August 3, 2011, the Company filed an execution petition for realization of the decretal amount as per the decree granted by the civil court on November 20, 2009. The Civil Judge, Peshawar, however, dismissed the recovery suit of the Company on December 18, 2012. Dismissal of the recovery suit by the lower court has been challenged by the Company in Peshawar High Court on March 9, 2013. The case is still pending before the Peshawar High Court.

24.3 The Income Tax Department levied tax of Rs. 85 million on certain pre-operational earnings for assessment years 1994-95, 1995-96 and 1996-97. The Commissioner Income Tax (CIT) [Appeals] reversed the order of the assessing officer and decided the case in favour of the Company. The Income Tax Department filed appeals before Income Tax Appellate Tribunal (ITAT) who deleted the order of CIT (Appeals). The Company filed an appeal in Honourable Peshawar High Court and the Court decided the case against the Company. The Company has now filed an appeal in the Honourable Supreme Court of Pakistan and also referred the matter to FBR for constitution of Dispute Resolution Committee. The amount of tax has already been deposited with the relevant tax authority. However the aforementioned appeal is still pending with the Honourable Supreme Court of Pakistan and Dispute Resolution Committee.

24.4 The Competition Commission of Pakistan passed a single order on August 27, 2009 against all the cement manufacturers of the country on the alleged ground of formation of cartel for marketing arrangement and imposed a penalty at the rate of 7.5% of total turnover of each company consisting of both local and export sales. The amount of penalty imposed on the Company is Rs.1,271.84 million which has been challenged in the Courts of Law. The aforementioned case is still pending with the Courts of Law. The Company's legal counsel is confident that the Company has a good case and there are reasonable chances of success to avoid the penalty, hence, no provision for the above has been made in these financial statements.

24.5 The Company is defending various suits filed in various courts of Pakistan for sums, aggregating Rs.900 million. However, the Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in its favor and, accordingly, no provision has been made for any liability against these law suits in these financial statements.

24.6 Also refer to notes 14.1 and 15 to these financial statements.

		2014	2013
		Rupees in '000'	
	COMMITMENTS		
24.7	**Capital commitments**		
	Plant and machinery under letters of credit	1,667,530	1,745,415

		Note	2014	2013
			Rupees in '000'	
24.8	**Other commitments**			
	Stores, spares and packing material under letters of credit		1,870,971	1,992,477
	Bank guarantees issued on behalf of the Company		942,233	684,448
	Post dated cheques		555,150	375,468
25	**GROSS SALES**			
	Local		36,178,158	29,017,255
	Export		15,234,768	14,720,747
			51,412,926	43,738,002
				(Restated)
26	**COST OF SALES**			
	Salaries, wages and benefits		1,448,779	1,228,225
	Raw material consumed		1,166,151	1,163,164
	Packing material	26.1	2,875,786	2,203,968
	Fuel and power		14,830,391	12,984,960
	Stores and spares consumed		1,913,893	1,307,709
	Repairs and maintenance		152,330	131,829
	Depreciation / amortization	5.2	1,750,528	1,636,773
	Insurance		68,652	74,929
	Provision for slow moving spares	9.3	10,000	45,045
	Earth moving machinery		213,034	186,666
	Vehicle running and maintenance		53,818	44,526
	Communication		13,345	11,813
	Mess subsidy		39,514	27,567
	Transportation		17,029	4,604
	Travelling and conveyance		7,787	3,697
	Inspection fee for electrical installation		1,279	1,279
	Rent, rates and taxes		4,824	2,114
	Printing and stationery		3,356	4,720
	Other manufacturing expenses		99,349	74,571
			24,669,845	21,138,159
	Work-in-process:			
	Opening		373,356	564,367
	Closing		(628,533)	(373,356)
			(255,177)	191,011
	Cost of goods manufactured		24,414,668	21,329,170
	Finished goods:			
	Opening		434,254	159,142
	Closing		(455,858)	(434,254)
			(21,604)	(275,112)
			24,393,064	21,054,058

26.1 These are net of duty draw back on export sales amounting to Rs.67.531 million (2013: Rs.56.545 million).

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
				(Restated)
27	**DISTRIBUTION COSTS**			
	Salaries and benefits		88,882	68,416
	Logistics and related charges		2,977,342	3,307,396
	Loading and others		112,246	58,748
	Communication		4,212	3,444
	Travelling and conveyance		4,897	3,691
	Printing and stationery		1,549	1,243
	Insurance		16,946	19,750
	Rent, rates and taxes		19,464	12,968
	Utilities		2,335	1,627
	Vehicle running and maintenance		14,828	12,251
	Repairs and maintenance		2,859	1,155
	Fees, subscription and periodicals		1,916	408
	Advertisement and sales promotion		38,930	86,166
	Entertainment		2,982	1,395
	Security service		2,475	1,702
	Depreciation	5.2	78,393	76,961
	Others		11,900	6,698
			3,382,156	3,664,019
28	**ADMINISTRATIVE EXPENSES**			
	Salaries and benefits		310,580	223,155
	Communication		14,044	13,068
	Travelling and conveyance		38,173	23,539
	Insurance		10,588	3,144
	Rent, rates and taxes		6,324	4,434
	Vehicle running and maintenance		24,305	19,345
	Aircraft running and maintenance		56,611	20,052
	Printing and stationery		8,818	9,247
	Fees and subscription		28,481	19,473
	Security services		12,091	8,542
	Legal fee		9,475	6,955
	Professional and advisory services		22,262	216,887
	Transportation and freight		868	1,297
	Utilities		6,745	5,745
	Repairs and maintenance		42,806	19,954
	Advertisement		2,039	2,219
	Auditors' remuneration	28.1	2,573	1,629
	Cost Auditors' remuneration	28.2	280	218
	Depreciation	5.2	132,982	68,442
	Amortization	6	9,244	1,219
	Trainings cost		6,906	1,708
	Others		14,074	10,075
			760,269	680,347

		Note	2014	2013
			Rupees in '000'	
28.1	**Auditors' remuneration**			
	Statutory Audit fee - standalone		1,294	1,100
	- consolidation		612	–
	Half yearly review fee		359	300
	Fee for the review of compliance with Code of Corporate Governance		78	75
	Out of pocket expenses		230	154
			2,573	1,629
28.2	**Cost auditors' remuneration**			
	Cost audit fee		259	200
	Out of pocket expenses		21	18
			280	218
29	**FINANCE COSTS**			
	Mark-up on long-term finance		19,920	3,547
	Mark-up on short-term borrowings		–	43,220
	Interest on Workers' Profit Participation Fund		1,709	10,117
	Bank charges and commission		12,596	18,945
			34,225	75,829
30	**OTHER CHARGES**			
	Workers' Profit Participation Fund	22.2	760,951	616,350
	Donations	30.1	274,081	208,484
			1,035,032	824,834

30.1 Donations during the year includes donation amounting to Rs. 105 million (2013: Rs.135 million) to Aziz Tabba Foundation (ATF). ATF is located at 1-A, Latif Cloth Market, M.A. Jinnah Road, Karachi. Mr. Muhammad Yunus Tabba, Chairman of the Board of Directors of the Company, is the Chairman of ATF and Mr. Muhammad Ali Tabba, the Chief Executive of the Company, is the Vice Chairman of ATF. Further, Mr. Muhammad Sohail Tabba, Mr. Muhammad Jawed Yunus Tabba, Mrs. Rahila Aleem and Mrs. Zulekha Tabba Maskatiya, the Directors of the Company, are the Directors of ATF.

Notes to the Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
31	**OTHER INCOME**			
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	5.3	22,811	14,665
	Sale of electricity		1,682,520	1,525,398
	Cost of sale of electricity		(1,501,218)	(1,302,914)
			181,302	222,484
	Exchange gain /(loss) - net		32,339	(13,429)
	Others		27,312	10,717
			263,764	234,437
	Income from financial assets			
	Dividend income		10,072	–
	(Loss) / gain on investment		(991)	62
			9,081	62
	Interest income on deposits		705,097	–
			977,942	234,499

32 TAXATION

32.1 This represents corporate tax on normal income and income under Final Tax Regime.

32.1.1 Relationship between income tax expense and accounting profit.

	2014	2013
	Rupees in '000'	
Profit before taxation	14,456,365	11,745,868
Tax at the applicable tax rate of 34% (2013: 35%)	4,915,164	4,111,054
Tax effect under lower rate of tax	(1,337,459)	(1,122,753)
Others	(465,743)	(991,195)
Total	3,111,962	1,997,106
Effective tax rate	22%	17%

32.2 The tax assessments of the Company have been finalized upto and including the tax year 2013.

33 EARNINGS PER SHARE - basic and diluted

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

	2014	2013
	Rupees in '000'	
		(Restated)
Profit after taxation (Rupees in thousands)	11,344,403	9,748,762
Weighted average number of ordinary shares (in thousands)	323,375	323,375
Basic and diluted earnings per share - (Rupees)	35.08	30.15

	Note	2014	2013
		Rupees in '000'	
34 CASH GENERATED FROM OPERATIONS			
Profit before taxation		14,456,365	11,745,868
Adjustments for non cash charges and other items			
Depreciation	5.2	2,064,059	1,884,248
Amortization on intangible assets	6	9,244	1,219
Provision for slow moving spares	9.3	10,000	45,045
Gain on disposal of property, plant and equipment	5.3	(22,811)	(14,665)
Loss on disposal of intangible asset		–	9
Provision for staff gratuity	21.1.3	146,594	129,138
Finance costs	29	34,225	89,258
Profit before working capital changes		16,697,676	13,880,120
(Increase) / decrease in current assets			
Stores and spares		(909,860)	172,120
Stock-in-trade		(207,827)	(154,724)
Trade debts		(409,415)	(617,660)
Loans and advances		91,641	(105,077)
Trade deposits and short-term prepayments		(15,885)	26,080
Other receivables		165,139	(586,514)
		(1,286,207)	(1,265,775)
Increase in current liabilities			
Trade and other payables		504,080	211,592
		15,915,549	12,825,937

	2014	2013
34.1 CASH FLOWS FROM OPERATING ACTIVITIES (Direct method)		
Collections from customers	50,460,689	42,509,267
Receipts of other income	1,057,287	335,335
Payments to suppliers and service providers	(25,942,324)	(23,321,137)
Payments to employees	(1,668,362)	(1,374,071)
Payments relating to income taxes	(2,347,076)	(429,229)
Payments relating to post retirement benefits - net	(45,353)	(60,821)
Payments relating to indirect taxes	(7,980,895)	(5,319,084)
Payment of finance costs	(39,336)	(94,415)
Net cash generated from operating activities	13,494,630	12,245,845

35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

35.1 Aggregate amounts charged in these financial statements are as follows:

Particulars	Chief Executive		Director(s)		Executives		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000'							
Remuneration	28,000	22,044	1,600	2,150	294,911	155,267	324,511	179,461
House rent allowance	11,200	8,818	640	860	132,745	69,870	144,585	79,548
Utility allowance	2,800	2,205	160	215	29,488	15,527	32,448	17,947
Conveyance allowance	–	–	–	–	29,488	15,527	29,488	15,527
Charge for defined benefit obligation	3,500	17,500	200	613	34,599	18,744	38,299	36,857
	45,500	50,567	2,600	3,838	521,231	274,935	569,331	329,340
Number of persons	1	1	1	2	219	137	221	140

Notes to the Financial Statements
For the year ended June 30, 2014

35.2 In addition to the above, Chief Executive, Director and some Executives are provided with Company maintained cars and other benefits as per Company policy.

35.3 An amount of Rs. 200,000/- was paid to 6 non executive directors and Rs. 80,000/- was paid to 2 executive directors during the year as fee for attending board meetings (2013: 9 non executive directors were paid Rs. 360,000/- and 2 executive directors were paid Rs. 130,000/-).

36 TRANSACTIONS WITH RELATED PARTIES

36.1 Related parties comprise subsidiaries, associated entities, entities with common directorship, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2014	2013
	Rupees in '000'	
Subsidiaries		
Lucky Holdings Limited		
Investment made during the year	–	5,619,000
LCL Investment Holdings Limited		
Investment made during the year	2,537,800	–
Advance against issuance of shares	–	492,200
Associated Companies		
Lucky Paragon ReadyMix Limited		
Sales	250,665	193,459
Fazal Textile Mills Limited		
Sales	12,331	32,663
Yunus Textile Mills Limited		
Sales	60,336	4,607
Lucky Textile Mills		
Sales	29,854	27,205
Gadoon Textile Mills Limited		
Sales	22,692	9,709
Aziz Tabba Foundation		
Sales	1,995	1,562
Donation	105,000	135,000
Lucky One (Pvt) Limited		
Sales	172,855	112,208
ICI Pakistan Limited		
Sales	13,227	8,580
Lucky Commodities		
Sales	229,494	31,237
Lucky Air (Pvt) Limited		
Services	20,882	13,455
Yunus Energy Limited		
Investment	750	–

36.2 There are no transactions with key management personnel other than under the terms of employment.

	2014	2013
	Metric Tons	
37 PRODUCTION CAPACITY		
Production Capacity - (Cement)	7,750,000	7,750,000
Actual Production Clinker	6,365,814	5,770,980
Actual Production Cement	6,621,208	6,150,440

37.1 Production capacity utilization is 85.43% (2013: 79.36%) of total installed capacity. The shortfall is due to low demand.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Company's principal financial liabilities comprise bank loans, and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as investments, loans, deposits, trade and other receivables and cash and bank balances, which are directly related to its operations. The Company's finance and treasury departments oversee the management of these risks and provide assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2014. The policies for managing each of these risks are summarized below:

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments susceptible to market risk include deposits, loans and borrowings. The sensitivity analysis in the following sections relate to the position as at June 30, 2014 and 2013.

38.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. Bank balances carrying interest at rates between 6% and 10.25% (2013: 5% and 10.25%) . The Company mitigates its risk against exposure through focusing on short term borrowings that are available at lower rates to the Company and maintaining bank balances. As of the balance sheet date the Company is not materially exposed to interest rate risk.

38.1.1.1 Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Company's profit before tax.

	Increase/ decrease in basis points	Effect on profit before tax
	Rupees in '000'	
2014		
Pak Rupee	+100	77,123
Pak Rupee	-100	(77,123)
2013		
Pak Rupee	+100	21,010
Pak Rupee	-100	(21,010)

38.1.2 Currency risk

Currency risk arises mainly due to fluctuation in foreign exchange rates. The Company also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the Company in currencies other than Rupee. Approximately 30% (2013: 34%) of the Company's sales are denominated in currencies other than Pakistani Rupee. The above mitigate the risk of foreign currency purchases.

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate. If Pakistani Rupee (Pak Rupee) had weakened / strengthened by 5% against the USD, with all other variables held constant, the effect on the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) at June 30, 2014 and 2013 would have been as follows:

Notes to the Financial Statements

For the year ended June 30, 2014

	Increase/ decrease in US Dollars to Pak Rupee	Effect on profit before tax
	Rupees in '000'	
2014		
Pak Rupee	+5%	62,738
Pak Rupee	-5%	(62,738)
2013		
Pak Rupee	+5%	58,224
Pak Rupee	-5%	(58,224)

38.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices.

38.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk by limiting significant exposure to any individual customers, by obtaining advance against sales and does not have significant exposure to any individual customer. As of the balance sheet date, the Company is exposed to credit risk on the following assets:

	Note	2014	2013
		Rupees in '000'	
Long-term deposits		3,175	3,175
Trade debts	11	2,077,714	1,668,299
Loans	12	38,012	27,811
Trade deposits	13	20,932	21,508
Other receivables	14	490,473	608,872
Bank balances	16	8,516,439	2,804,132
		11,146,745	5,133,797

Credit quality of financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank (in current and deposit accounts) as per credit rating agencies are as follows:

	2014	2013
	Rupees in '000'	
A1+	8,365,496	2,751,430
A1	150,943	52,702
	8,516,439	2,804,132

38.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising fund to meet commitments. 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 customer. As of the balance sheet date, the Company has unavailed credit facilities aggregating to Rs. 16,825 million (2013:18,350 million).

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000'				
June 30, 2014					
Long-term finance	–	104,203	23,295	–	127,498
Long-term deposit	–	–	–	67,971	67,971
Trade and other payables	714,840	2,214,812	222,843	–	3,152,495
Accrued mark-up	–	3,051	–	–	3,051
	714,840	2,322,066	246,138	67,971	3,351,015
June 30, 2013					
Long-term finance	–	66,350	208,424	140,093	414,867
Long-term deposit	–	–	–	57,125	57,125
Trade and other payables	600,912	1,652,712	128,679	–	2,382,303
Accrued mark-up	–	8,162	–	–	8,162
	600,912	1,727,224	337,103	197,218	2,862,457

38.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the balance sheet date, the carrying value of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

38.5 Capital management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2014.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During the year, the Company's strategy was to minimize leveraged gearing. The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. As of the balance sheet date the Company has no gearing (gearing ratio - 2013: 2.77%).

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 02, 2014 by the Board of Directors of the Company.

Notes to the Financial Statements

For the year ended June 30, 2014

40 NUMBER OF EMPLOYEES

The number of persons employed as on the balance sheet date was 2,299 (2013: 2,209) and the average number of employees during the year was 2,254 (2013: 2,198).

41 GENERAL

41.1 The Board of Directors in their meeting held on September 02, 2014 (i) approved the transfer of Rs. 8,433.365 million (2013: Rs.7,871.271 million) from un-appropriated profit to general reserve; and (ii) proposed final dividend of Rs. 9/- per share for the year ended June 30, 2014 amounting to Rs. 2,910.375 million (2013: Rs.2,587 million) for approval of the members at the Annual General Meeting to be held on October 17, 2014. These financial statements do not reflect this appropriation and the proposed dividend payable.

41.2 For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation. However, there have been no material reclassification to report except donations, which have been reclassified from "administrative expenses" to "Other charges".

41.3 Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Consolidated Financial Statement

For the year ended June 30, 2014

Auditors' Report
on consolidated financial statements to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Lucky Cement Limited (the Holding Company) and its subsidiary companies namely Lucky Holdings Limited (LHL) and LCL Investment Holdings Limited (LCLIHL) as at 30 June 2014 and the related consolidated profit and loss account, 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 the Holding Company. The financial statements of LHL and LCLIHL were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary companies, is based solely on the reports 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 the Holding Company and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.

We draw attention to the contents of note 18 to the accompanying consolidated financial statements in respect of tax refunds due from the Government amounting to Rs.538.812 million. Our opinion is not qualified in respect of this matter.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 02 September 2014
Karachi

Consolidated Balance Sheet

as at June 30, 2014

	Note	2014	2013
		Rupees in '000'	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	44,063,423	42,091,094
Intangible assets	7	7,741,210	8,057,855
		51,804,633	50,148,949
Long-term investments	8	1,714,879	2,500
Long-term loans and advances	9	1,711,839	749,644
Long-term deposits and prepayments	10	31,018	36,513
		55,262,369	50,937,606
CURRENT ASSETS			
Stores, spares and consumables	11	6,952,502	6,050,757
Stock-in-trade	12	6,246,200	6,026,034
Trade debts	13	2,961,424	2,559,485
Loans and advances	14	354,625	420,638
Trade deposits and short-term prepayments	15	278,010	203,702
Other receivables	16	2,195,956	1,881,749
Investments	17	–	110,062
Tax refunds due from the Government	18	538,812	538,812
Taxation - net		1,502,916	1,759,287
Cash and bank balances	19	11,723,248	3,746,968
		32,753,693	23,297,494
TOTAL ASSETS		88,016,062	74,235,100
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	20	3,233,750	3,233,750
Reserves	21	47,145,858	37,895,741
Attributable to the owners of the Holding Company		50,379,608	41,129,491
Non-controlling interests		6,204,663	5,490,672
Total equity		56,584,271	46,620,163
NON-CURRENT LIABILITIES			
Long-term finance	22	9,983,078	7,791,524
Long-term deposits	23	67,791	57,125
Deferred liabilities	24	8,655,713	8,516,268
		18,706,762	16,364,917
CURRENT LIABILITIES			
Short-term borrowings and running finance	25	437,368	2,654,549
Trade and other payables	26	10,900,436	8,105,342
Accrued mark-up	27	223,656	224,729
Current portion of long-term finance	22	1,163,569	265,400
		12,725,029	11,250,020
CONTINGENCIES AND COMMITMENTS	28		
TOTAL EQUITY AND LIABILITIES		88,016,062	74,235,100

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Consolidated Profit and Loss Account

For the year ended June 30, 2014

	Note	2014	2013
		Rupees in '000'	
			(Restated) (Note 4.13)
Turnover	30.1	94,098,358	63,871,979
Less: Sales tax and excise duty		10,288,921	6,620,438
Rebates and commission		2,661,218	1,201,048
		12,950,139	7,821,486
		81,148,219	56,050,493
Cost of turnover	30.2	(58,021,048)	(37,655,385)
Gross profit		23,127,171	18,395,108
Distribution cost	32	(4,638,361)	(4,214,569)
Administrative expenses	33	(1,700,316)	(1,195,178)
Share of loss in equity-accounted investments	8.1	(18,583)	–
Finance cost	34	(1,079,480)	(564,226)
Other charges	35	(1,207,059)	(912,644)
Other income	36	1,290,031	374,693
Profit before taxation		15,773,403	11,883,184
Taxation	37	(3,199,639)	(2,064,576)
Profit after taxation		12,573,764	9,818,608
Attributable to:			
Owners of the Holding Company		11,892,359	9,718,135
Non-controlling interests		681,405	100,473
		12,573,764	9,818,608
Other comprehensive income:			
Items not to be reclassified to profit and loss account in subsequent periods:			
Gain on remeasurements of post retirement benefit obligations		52,002	291,481
Deferred taxation		(17,213)	(107,365)
		34,789	184,116
Items to be reclassified to profit and loss account in subsequent periods:			
Foreign exchange differences on translation of foreign operations		(63,554)	–
Total comprehensive income for the year		12,544,999	10,002,724
Attributable to:			
Owners of the Holding Company		11,848,180	9,807,996
Non-controlling interests		696,819	194,728
		12,544,999	10,002,724
		(Rupees)	
Earnings per share - basic and diluted	38	36.78	30.05

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2014

	Note	2014	2013
		Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	21,924,208	12,507,303
Finance costs paid		(1,080,552)	(352,816)
Income tax paid		(2,921,355)	(863,064)
Staff retirement benefits paid		(117,336)	(72,995)
		(4,119,243)	(1,288,875)
Long term loans and advances		(905,164)	(7,639)
Long-term deposits and prepayments		5,495	7,553
Net cash generated from operating activities		16,905,296	11,218,342
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(5,602,715)	(2,892,981)
Payment against acquisition of ICI	5	–	(13,073,938)
Proceeds from disposal of shares in ICI		97,149	–
Investment in joint ventures and unquoted entity		(1,731,700)	–
Long-term advance against issue of shares	9	–	(492,200)
Investments - net	17	110,062	(110,062)
Sale proceeds on disposal of property, plant and equipment		77,584	25,753
Net cash used in investing activities		(7,049,620)	(16,543,428)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance - net		3,004,979	7,108,356
Shares issued to non-controlling interests		–	1,873,000
Dividends paid		(2,678,040)	(1,984,706)
Long term deposits - net		10,846	4,373
(Repayment) / short-term borrowings and running finance		(2,217,181)	322,492
Net cash (used in) / generated from financing activities		(1,879,396)	7,323,515
Net increase in cash and cash equivalents		7,976,280	1,998,429
Cash and cash equivalents at the beginning of the year		3,746,968	844,422
Cash and cash equivalents acquired on acquisition of ICI	5	–	904,117
Cash and cash equivalents at the end of the year		11,723,248	3,746,968

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

	--- Attributable to the equity owners of the Holding Company ---							
	Issued, subscribed and paid up capital	Capital reserve	Revenue reserves			Total reserves	Non controlling interests	Total equity
		Share premium	General reserves	Foreign currency translation reserve	Unappropriated profit			
	Rupees in '000'							
Balance as at July 01, 2012	3,233,750	7,343,422	15,000,000	–	7,684,573	30,027,995	–	33,261,745
Transfer to general reserves	–	–	5,000,000	–	(5,000,000)	–	–	–
Final dividend at the rate of Rs.6/- per ordinary share for the year ended June 30, 2012	–	–	–	–	(1,940,250)	(1,940,250)	–	(1,940,250)
Shares issued to non-controlling interests	–	–	–	–	–	–	1,873,000	1,873,000
Non controlling interest - at acquisition of ICI	–	–	–	–	–	–	3,467,400	3,467,400
Dividends paid to non-controlling interests of ICI	–	–	–	–	–	–	(44,456)	(44,456)
Profit after taxation (Restated) - note 4.13	–	–	–	–	9,718,135	9,718,135	100,473	9,818,608
Other comprehensive income (Restated)	–	–	–	–	89,861	89,861	94,255	184,116
Total comprehensive income for the year (Restated)	–	–	–	–	9,807,996	9,807,996	194,728	10,002,724
Balance as at June 30, 2013	3,233,750	7,343,422	20,000,000	–	10,552,319	37,895,741	5,490,672	46,620,163
Transfer to general reserves	–	–	7,871,271	–	(7,871,271)	–	–	–
Final dividend at the rate of Rs.8/- per ordinary share of Rs.10/- each for the year ended June 30, 2013	–	–	–	–	(2,587,000)	(2,587,000)	–	(2,587,000)
Dividends paid to non-controlling interests of ICI	–	–	–	–	–	–	(91,040)	(91,040)
Decrease in ownership interest in ICI	–	–	–	–	(11,063)	(11,063)	108,212	97,149
Profit after taxation	–	–	–	–	11,892,359	11,892,359	681,405	12,573,764
Other comprehensive income	–	–	–	(63,554)	19,375	(44,179)	15,414	(28,765)
Total comprehensive income for the year	–	–	–	(63,554)	11,911,734	11,848,180	696,819	12,544,999
Balance as at June 30, 2014	3,233,750	7,343,422	27,871,271	(63,554)	11,994,719	47,145,858	6,204,663	56,584,271

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

1 THE GROUP AND ITS OPERATIONS

The Group consists of Lucky Cement Limited ("the Holding Company") and its subsidiary companies LCL Investment Holdings Limited, Lucky Holdings Limited, ICI Pakistan Limited, ICI Pakistan PowerGen Limited and Lucky Electric Power Company Limited. Brief profiles of the Holding company and its subsidiary companies are as follows :

1.1 Lucky Cement Limited

The Holding Company was incorporated in Pakistan on September 18, 1993 under the Companies Ordinance, 1984 (the Ordinance). The shares of the Holding Company are quoted on all the three stock exchanges in Pakistan. The Holding Company has also issued Global Depository Receipts (GDRs) which are listed and traded on the Professional Securities Market of the London Stock Exchange. The principal activity of the Holding Company is manufacturing and marketing of cement. The registered office of the Holding Company is located at Pezu, District Lakki Marwat in Khyber Pakhtunkhwa. The Holding Company has two production facilities at Pezu, District Lakki Marwat in Khyber Pakhtunkhwa and at Main Super Highway in Karachi, Sindh.

1.2 LCL Investment Holdings Limited

The Holding Company has made an investment in LCL Investment Holdings Limited (LCLIHL), the wholly owned subsidiary of the Holding Company, incorporated and domiciled in Mauritius. LCLIHL has concluded a joint venture agreement with Al-Shumookh Construction Materials Trading FZE, United Arab Emirates, for establishing Lucky Al-Shumookh Holdings Limited, for constructing a cement grinding unit in the Republic of Iraq, plant has already commenced production and its five months operation has been consolidated in these consolidated financial statements. LCLIHL holds 50 percent ownership interest in the aforementioned joint venture.

LCLIHL has also entered into a joint venture agreement with Rawsons Investments Limited (registered in Cayman Islands) for establishing LuckyRawji Holdings Limited for constructing a fully integrated cement manufacturing unit in the Democratic Republic of Congo. LCLIHL holds 50 percent ownership interest in the aforementioned joint venture.

1.3 Lucky Holdings Limited

Lucky Holdings Limited (LHL) was incorporated in Pakistan on September 6, 2012 as a public unlisted Company limited by shares under the Companies Ordinance, 1984. The registered office of LHL is located at Main Indus Highway, Pezu, District Lakki Marwat in the province of Khyber Pakhtunkhwa. As of the balance sheet date, LHL held 75.36% shares in ICI Pakistan Limited. The main source of earning is dividend and royalty income.

1.4 ICI Pakistan Limited

ICI Pakistan Limited (ICI) was incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the manufacture of polyester staple fiber, POY chips, soda ash, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchanting of general chemicals. It also acts an indenting agent and toll manufacturer. The registered office of ICI is situated at 5 West Wharf, Karachi.

1.5 ICI Pakistan PowerGen Limited

ICI Pakistan PowerGen Limited (ICI PowerGen) was incorporated in Pakistan as an unlisted public company and is a wholly owned subsidiary company of ICI. ICI PowerGen is engaged in generating, selling and supplying electricity to the ICI. The registered office of ICI PowerGen is situated at 5 West Wharf, Karachi.

1.6 Lucky Electric Power Company Limited

Lucky Electric Power Company Limited (LEPCL) was incorporated in Pakistan on June 13, 2014, as a public unlisted company. LEPCL is a wholly owned subsidiary of LHL. The operations of LEPCL have not yet started. LEPCL will invest in setting up a 660 MW coal based power project in Karachi. Its registered office is situated at 6-A, Muhammad Ali Society, A. Aziz Hashim Tabba Street, Karachi in the province of Sindh.

2 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, here-in-after referred to as "the Group".

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies. The accounting policies of the subsidiaries have been changed to conform with accounting policies of the Group, where required.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and therefore, a non controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cummulative translation differences recognised in equity, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit and loss account, and reclassifies the Holding Company share of components previously recognised in other comprehensive income to profit and loss account or retained earnings, as appropriate.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

The presentation and functional currency of the Holding Company and subsidiaries other than LCLIHL are Pakistani Rupee and the functional currency of LCLIHL is US Dollar. For the purpose of consolidation, the financial statements of the LCLIHL are translated to presentation / functional currency of the Holding Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for:

- Investments which are carried at fair value in accordance with IAS-39 "Financial Instruments: Recognition and measurement"; and

- Defined benefit obligations which are stated at present value in accordance with the requirements of IAS-19 "Employee Benefits".

Notes to the Consolidated Financial Statements

4.2 Standards, interpretations and amendments to approved accounting standards that became effective

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as describe below:

4.3 New / revised standards, interpretations and amendments

The Group has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19	Employee Benefits - (Amendment)
IFRS 7	Financial Instruments: Disclosures - (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFAS 3	Profit and Loss Sharing on Deposits

Improvements to accounting standards issued by the IASB

IAS 1	Presentation of Financial Statements – Clarification of the requirements for comparative information
IAS 16	Property, Plant and Equipment – Clarification of Servicing Equipment
IAS 32	Financial Instruments: Presentation – Tax effects of distribution to holders of equity instruments
IAS 34	Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements, except for the adoption of IAS 19 - Employee Benefits (Revised) which is effective from annual periods beginning on or after January 01, 2013. The change in accounting policy and its related impacts are disclosed in note 4.13 to these consolidated financial statements.

4.4 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortization and impairment losses, if any, except for capital work-in-progress which are stated at cost less impairment losses, if any.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings as stated in note 4.19 to these consolidated financial statements.

Except for certain plant and machinery, depreciation is charged on units of production method based on higher of estimated life or production. Depreciation / amortization is charged to profit and loss account applying the straight line method at the rates mentioned in the note 6.1 to these consolidated financial statements. Depreciation on additions is charged from the date of acquisition / transfer of asset, whereas depreciation on disposals is charged till the date of disposal.

Assets' residual values, the method of depreciation and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are included in profit and loss account.

During the year, the Group has revised its accounting estimate for its cement segment regarding the useful lives / depreciation rates of the following items of property, plant and equipment:

	New Rate	Old Rate
	%	
Aircraft	10	20
Office equipment	33	20
Other assets (Laboratory equipment etc.)	10-33	10

The above revision would result in more accurate reflection of depreciation charge over the useful lives of the related assets. The above change has been prospectively accounted for as change in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in the aforesaid accounting estimate, profit before tax would have been lower by Rs. 47.271 million, whereas the carrying value of property, plant and equipment of the Group would have been lower by the same amount.

4.5 Intangible assets

Intangible assets other than goodwill, distribution relationship, principal relationship and product rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Distribution relationship, principal relationship and product rights are stated at cost less accumulated impairment losses, if any, as their useful life is indefinite. However, these assets are tested for impairment annually. Amortisation is charged to the profit and loss account applying the straight line method, whereby, the cost of intangible asset is written off over its useful economic life. The useful lives of the intangible assets are stated in note 7 to these consolidated financial statements. Full month's amortisation is charged in the month of addition, whereas, amortisation on disposals is charged upto the month in which the disposal takes place.

4.6 Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes sales and purchase decision based on their fair value in accordance with the Group's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value with any resulting gain or loss recognised directly in the profit and loss account.

4.7 Investment in joint venture

Investment in joint venture is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition changes in the Holding Company's share of net assets of the joint ventures.

4.8 Stores and spares

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

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon upto the balance sheet date.

Net realizable value signifies the selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale, which is generally equivalent to the estimated replacement cost.

Notes to the Consolidated Financial Statements
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4.9 Stock-in-trade

These are stated at the lower of cost and net realizable value. The methods used for the calculation of cost are as follows:

i) Raw and packing material	At weighted average cost comprising of quarrying/purchase price, transportation, government levies and other overheads.
ii) Work-in-process and finished goods	At weighted average cost comprising direct cost of raw material, labour and other manufacturing overheads.

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon upto the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

4.10 Trade debts and other receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debts/receivables is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

4.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances.

4.12 Long-term and short-term borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

4.13 Staff retirement benefits

The Group's retirement benefit plans comprise of provident funds, pensions, gratuity schemes and a medical scheme for eligible retired employees.

Defined benefit plans

The Group recognises staff retirements benefits expense in accordance with IAS 19 "Employee Benefits". An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method.

The Group operates an unfunded gratuity scheme covering all permanent employees of the Holding Company. Contribution is made to this scheme on the basis of actuarial recommendations. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

The Group operates a funded pension scheme and a funded gratuity scheme for the management staff of its subsidiary companies (ICI and ICI PowerGen). The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for ICI's management staff are invested through two approved trust funds. The Group also operates unfunded gratuity scheme for non-management staff and the unfunded pensioners' medical scheme for its subsidiary companies (ICI and ICI PowerGen). The pension and gratuity plans are final salary plans. The pensioner's medical plan reimburses actual medical expenses to pensioners as per entitlement.

Defined contributory plans

The Group operates two registered contributory provident funds for entire staff of its subsidiary companies (ICI and ICI PowerGen) and a registered defined contribution superannuation fund for management staff of its subsidiary companies (ICI and ICI PowerGen), who have either opted for this fund by July 31, 2004 or have joined ICI after April 30, 2004. In addition to this, the Group also provides group insurance to all employees of its subsidiary companies (ICI and ICI PowerGen).

Change in accounting policy

As disclosed in note 4.3 to these consolidated financial statements, during the year, the Group has changed its accounting policy in respect of presentation of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Group has recognised:

- actuarial gains and losses immediately in other comprehensive income, instead of past policy, recognizing the same under profit and loss account; and

- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

The above change has been accounted for in accordance with the requirements of IAS 19 "Employee Benefits (Revised)", as required under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" such a change to be applied retrospectively.

Had there been no change in accounting policy due to recognition of actuarial gains or losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts for the years ended June 30, 2014 and June 30, 2013:

	2014	2013
	Rupees in '000'	
Net increase in profit after tax	34,789	184,116
Net decrease in other comprehensive income	34,789	184,116
EPS would have been higher by	Re. 0.06	Re. 0.28

There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised). The only impact of the above change is reclassification from the profit and loss account to other comprehensive income. Since, there is no impact on the financial information as of and for the year ended June 30, 2012, balance sheet as of June 30, 2012 is not required to be restated and therefore the same has not been presented.

4.14 Compensated absences

The Group accounts for compensated absences in the accounting period in which these are accrued.

4.15 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.16 Provisions

Provisions are recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, 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 to the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.17 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, if any, or minimum tax on turnover whichever is higher and tax paid on final tax regime basis.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and the liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

4.18 Revenue recognition

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

- Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods to customers. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

- Revenue from the sale of electricity is recorded based on the output delivered and capacity available at the rates as specified under Power Purchase Agreement.

- Return on bank deposits is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

- Commission income is recognised on date of shipment from suppliers.

- Dividend income is recognised when the right to receive dividend is established. Toll manufacturing income is recognised when services are rendered.

4.19 Borrowing costs

Borrowing and other related costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.20 Foreign currency translations

Foreign currency transactions are translated into Pakistani Rupee using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are re-translated into Pakistani Rupee using the exchange rate ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

On consolidation, the assets and liabilities of foreign operations are retranslated into presentation currency i.e. Pakistani Rupees at the rate of exchange prevailing at the balance sheet date and their income and expenses are translated using the average of exchange rates for the period. The exchange differences arising on such translations are recognised in other comprehensive income.

4.21 Financial assets and liabilities

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. Financial liabilities are removed from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Group.

4.22 Offsetting

A financial asset and financial liability is off-set and the net amount is reported in the balance sheet when there is a legal enforceable right to set-off the transactions is available and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.23 Impairment

At each balance sheet date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

4.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the consolidated financial statements in the period in which these are approved.

4.25 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. 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. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (the CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are Cement, Polyester, Soda Ash, Life Sciences, Chemicals and others (LCLIHL / ICI PowerGen), which also reflects the management structure of the Group.

4.26 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives qualifying for hedge accounting are accounted for accordingly whereas, derivatives that do not qualify for hedge accounting are accounted for as held for trading instruments. All changes in the fair value are recognized in the profit and loss account.

4.27 Operating leases / Ijarah contracts

Leases, other than those under Ijarah contracts, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Ijarah contracts are classified as operating leases irrespective of whether significant portion of the risks and rewards of ownership are retained by lessor. Payments made under operating leases and Ijarah contracts (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

4.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period.

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

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

Standard or Interpretation			Effective date (annual periods beginning on or after)
IFRS 10	–	Consolidated Financial Statements	January 1, 2015
IFRS 11	–	Joint Arrangements	January 1, 2015
IFRS 12	–	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	–	Fair Value Measurement	January 1, 2015
IAS 16 & 38	–	Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 16 & 41	–	Agriculture: Bearer Plants	January 1, 2016
IAS 19	–	Employee Contributions	July 1, 2014
IAS 32	–	Offsetting Financial Assets and Financial liabilities - (Amendment)	January 1, 2014
IAS 36	–	Recoverable Amount for Non-Financial Assets - (Amendment)	January 1, 2014
IAS 39	–	Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 1, 2014
IFRIC 21	–	Levies	January 1, 2014
Annual improvements to IFRS (the 2010-2012 cycle)			July 1,2014
Annual improvements to IFRS (the 2011-2013 cycle)			July 1,2014

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

Standard			Effective date (annual periods beginning on or after)
IFRS 9	–	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	–	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	–	Revenue from Contracts with Customers	January 1, 2017

The Group expects that the adoption of above standards and interpretations will not have material effect on the Group's consolidated financial statements in the period of initial application.

4.30 Business combinations and goodwill

The Group uses acquisition method of accounting for acquisitions of assets or class of assets, whereby, the purchase consideration is allocated to the identifiable assets and liabilities assumed based on the fair value at the date of acquisition. Acquisition related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and 19 respectively.

Goodwill is initially measured as of the acquisition date, being the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree; and (b) the net of the acquisition date amount of the identifiable assets acquired and the liabilities assumed.

In case the fair value attributable to the Group's interest in the identifiable net assets exceeds the fair value of consideration, the Group recognizes the resulting gain in the profit and loss account on the acquisition date.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any.

For the purpose of testing, goodwill is allocated to each of the Group's cash generating unit (or the groups of cash generating unit) that is expected to benefit from the synergies of the operations.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the units on pro rata based on the carrying amount of each assets in the unit. Any impairment loss for goodwill is recognized directly in profit and loss account. An impairment loss is recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5 BUSINESS COMBINATION

In accordance with share purchase agreement dated July 27, 2012 amended on September 17, 2012 between LHL and ICI Omricon B.V (the seller), LHL acquired 70,131,157 shares of ICI on December 28, 2012 resulting in the controlling interest of 75.93% of the paid up capital of ICI. However, as of the balance sheet date, LHL holds 75.36% shares of ICI.

The acquisition of ICI is a part of the management's strategy to diversify the business of the Group into five well established business segments of Cement, Soda Ash, Polyester Fiber, Life Sciences and Chemicals which are integral to the economic fabric and opportunities in Pakistan.

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At the acquisition date, the identifiable assets acquired and liabilities assumed were recognized at their carrying value which were approximately equal to fair value, except:

– Revaluation of land, buildings (freehold and leasehold) and plant and machinery was carried out as at December 31, 2012 by independent valuer on the basis of present market value.

– Fair value of intangibles (softwares and licenses) was determined at acquisition date using the quotes from vendor on the basis of present market value.

– Fair value of stores and spares was determined at following basis:

Particular of stores and spares	Basis of fair value
Items having active market	At replacement cost
Items having no active market	At carrying value adjusted with inflation rate
Items provided because of slow moving and obsolescence	At carrying value

– Fair value of stock in trade was determined at acquisition date in accordance with the following basis:

Classes of stock-in-trade	Basis of fair value
Raw and packing material	At replacement cost (otherwise carrying value, if not available)
Work-in-process	At estimated selling price less cost to complete
Finished goods	At estimated selling price less cost to sell and profit margin (if applicable)

The following table summarizes the estimated fair values of consideration paid, non-controlling interests, as well as the assets acquired and liabilities assumed at the date of acquisition:

	Fair value recognized on acquisition	Carrying value as at December 31, 2012
	Rupees in '000'	
Property, plant and equipment	10,684,312	10,310,313
Intangible assets (softwares and licenses)	318,941	40,992
Intangible assets arose through business combination other than goodwill	5,775,480	–
Long-term investments	2,500	2,500
Long-term loans	194,432	194,432
Long-term deposits and prepayments	40,891	40,891
Stores, spares and consumables	853,279	597,360
Stock-in-trade	5,666,432	5,411,611
Trade debts	595,693	595,693
Loans and advances	193,848	193,848
Trade deposits and short-term prepayments	105,931	105,931
Other receivables	1,065,523	1,065,523
Taxation - net	1,157,952	1,157,952
Cash and bank balances	904,117	904,117
	27,559,331	20,621,163

	Note	Fair value recognized on acquisition	Carrying value as at December 31, 2012
		Rupees in '000'	
Long-term loans		290,270	290,270
Staff retirement gratuity		422,886	422,886
Deferred tax liability - net		3,239,327	880,350
Trade and other payables		6,867,409	6,867,409
Short-term borrowings and running finance		2,332,056	2,332,057
		13,151,948	10,792,972
Surplus of revaluation of property, plant and equipment		–	884,867
		13,151,948	11,677,839
Net assets		14,407,383	8,943,324
Net assets attributable to non-controlling interest (24.067%)		(3,467,400)	
Net assets acquired through business combination		10,939,983	
Goodwill	5.1 & 7.4	2,133,955	
Total consideration		13,073,938	
Cash outflow on acquisition:			
Net cash acquired with subsidiary			904,117
Cash paid			(13,073,938)
Net cash outflow			(12,169,821)

5.1 Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development , assembled work force of the Group and the requirements to recognize deferred tax assets and liabilities for the differences between the assigned fair values and tax bases of assets acquired and liabilities assumed in a business combination.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition, the management was in the process of carrying out a detailed exercise for the identification and valuation of assets acquired (including intangible assets) for the purpose of the initial accounting for the acquisition. According to the requirements of IFRS 3, if the initial accounting for a business combination remains incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts for the items for which the accounting is incomplete. Such provisional values shall be adjusted retrospectively within a period of one year from the acquisition date to reflect the results of the valuation and information that existed as of acquisition date. Accordingly, the Group reported provisional amounts for the assets acquired including the goodwill in respect of the aforementioned acquisition in the its consolidated financial statements for the year ended June 30, 2013. However, there has been no change in the provisional figures and the figures finalised by the management in this respect on December 31, 2013.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		Rupees in '000'	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	6.1	40,734,338	39,313,315
Capital work-in-progress	6.4	3,329,085	2,777,779
		44,063,423	42,091,094

6.1 Operating fixed assets - tangible

Particulars	Cost				Depreciation /amortization			Net book value	Rate of depreciation
	At July 01, 2013	Additions/ *transfer/ **adjustments/ (disposals)	Acquisitions through business combination	At June 30, 2014	At July 01, 2013	For the year / (disposals)	At June 30, 2014	At June 30, 2014	
	Rupees in '000'								
Land - freehold	421,797	24,890	-	517,934	-	-	-	517,934	
		* 71,247							
Land - leasehold	963,364	** (29)	-	963,335	46,153	11,694	57,847	905,488	25-99 Yrs
Building on freehold land	369,656	-	-	375,061	27,946	50,396	78,312	296,749	5%-10%
		* 92,816							
		** (87,351)				(30)			
		(60)							
Building on leasehold land	7,209,586	-	-	7,763,681	2,396,590	437,750	2,830,540	4,933,141	2.5%-10%
		* 471,404							
		** 86,751							
		(4,060)				(3,800)			
Limebeds on freehold land	139,968	* 10,899	-	150,852	5,443	11,549	16,992	133,860	3.33%-7.5%
		** (15)							
Plant and machinery	28,135,701	-	-	31,686,803	5,644,531	1,954,419	7,545,996	24,140,807	UPM / 3.33%-50%
		* 3,678,688				-			
		** (25,043)							
		(102,543)				(52,954)			
Generators	10,692,205	-	-	10,703,351	2,821,660	535,033	3,356,693	7,346,658	UPM
		* 11,146							
Quarry equipment	1,087,322	-	-	1,361,326	402,546	119,382	521,468	839,858	10%
		* 274,523				-			
		(519)				(460)			
Vehicles including cement bulkers	913,270	196,575	-	1,095,501	388,691	126,247	485,690	609,811	10%-25%
and rolling stock		* 5,544							
		** 26,777							
		(46,665)				(29,248)			
Aircraft	744,664	-	-	744,664	35,070	70,959	106,029	638,635	10%
Furniture and fixtures	260,861	23,663	-	278,428	53,091	64,824	105,380	173,048	10%-33%
		* 50,251				-			
		** (43,085)							
		(13,262)				(12,535)			
Office equipment	124,142	8,949	-	140,781	73,823	19,156	92,564	48,217	10%-33%
		* 8,220							
		(530)				(415)			
Computer and accessories	85,993	9,305	-	100,461	51,625	17,943	66,094	34,367	33%
		* 8,963				-			
		(3,800)				(3,474)			
Other assets (Laboratory	189,460	2,428	-	209,834	77,505	16,696	94,069	115,765	10%-33%
equipment etc.)		* 18,409				-			
		(463)		-		(132)			
June 30, 2014	51,337,989	265,810	-	56,092,012	12,024,674	3,436,048	15,357,674	40,734,338	
		* 4,702,110							
		** (41,995)							
		(171,902)				(103,048)			

Particulars	Cost				Depreciation /amortization			Net book value	
	At July 01, 2012	Additions/ *transfer/ **adjustments/ (disposals)	Acquisitions through business combination	At June 30, 2013	At July 01, 2012	For the year / (disposals)	At June 30, 2013	At June 30, 2013	Rate of depreciation
	Rupees in '000'								
Land - freehold	5,716	–	416,081	421,797	–	–	–	421,797	
Land - leasehold	963,364	–	–	963,364	34,431	11,722	46,153	917,211	25-99 Yrs
Building on freehold land		* 8,993	360,663	369,656	–	27,946	27,946	341,710	5%-10%
Building on leasehold land	6,309,071	–	667,687	7,209,586	2,066,594	361,633	2,396,590	4,812,996	2.5%-10%
		* 265,268				(31,637)			
		(32,440)							
Limebeds on freehold land		* 12,534	127,434	139,968	–	5,443	5,443	134,525	3.33%-7.5%
Plant and machinery	20,430,617	–	6,885,112	28,135,701	4,504,587	1,231,779	5,644,531	22,491,170	UPM /3.33%-50%
		* 915,461				(91,835)			
		(95,489)							
Generators	10,662,951	–	–	10,692,205	2,287,372	534,288	2,821,660	7,870,545	UPM
		* 29,254							
Quarry equipment	754,368	–	–	1,087,322	307,500	95,046	402,546	684,776	10%
		* 332,954				–			
Vehicles including cement bulkers and rolling stock	830,799	80,564	21,010	913,270	325,871	85,000	388,691	524,579	10%-25%
		* 8,707				(22,180)			
		(27,810)							
Aircraft		– 640	–	744,664	–	35,070	35,070	709,594	20%
		* 744,024				–			
Furniture and fixtures	46,570	3,279	199,593	260,861	23,394	35,563	53,091	207,770	10%-33%
		* 17,335				(5,866)			
		(5,916)							
Office equipment	116,198	2,556	–	124,142	59,261	14,589	73,823	50,319	10%-33%
		* 5,437				(27)			
		(49)							
Computer and accessories	62,294	18,147	–	85,993	45,531	11,377	51,625	34,368	33%
		* 11,401				(5,283)			
		(5,849)							
Other assets (Laboratory equipment etc.)	174,830	1,875	–	189,460	64,422	13,083	77,505	111,955	10%
		* 12,755				–			
June 30, 2013	40,356,778	107,061	8,677,580	51,337,989	9,718,963	2,462,539	12,024,674	39,313,315	
		* 2,364,123							
		(167,553)				(156,828)			

UPM = Unit of production method

6.1.1 Additions to operating fixed assets include transfers from capital work-in-progress amounting to Rs. 4.702 million (2013: Rs. 1.956 million).

6.1.2 The carrying value of major spare parts and stand by equipments included in plant and machinery and generators amount to Rs. 195.797 million (2013: Rs. 205.170 million) and Rs. 503.606 million (2013: Rs. 592.982 million) respectively.

6.1.3 Plant and machinery including equipments held with Searle Pakistan Limited, Breeze Pharmaceutical Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), having cost and net book values amounting to Rs. 8.369 million (2013: Rs. 2.272 million) and Rs. 5.638 million (2013: Rs. 1.099 million) respectively.

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For the year ended June 30, 2014

6.2 Depreciation charged for the year has been allocated as follows:

	Note	2014	2013
		Rupees in '000'	
Cost of turnover	31	3,060,351	2,185,432
Distribution costs	32	92,215	79,798
Administrative expenses	33	181,326	95,238
Cost of sale of electricity		102,156	102,071
Total		3,436,048	2,462,539

6.3 The details of property, plant and equipment disposed off during the year are as follows:

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
	Rupees in '000'						
Toyota Corolla - AUQ-827	1,374	658	716	1,200	484	Negotiation	Mr. Amin Ganny, Karachi - Employee
Honda Citi - JH - 741	852	726	126	582	456	Negotiation	Mr. Majid Samin, Pezu - Employee
Honda Citi - JV - 369	853	728	125	714	589	Negotiation	Abdul Qasim Jaskani, Pezu - Employee
Toyota Hiace - P-6643	850	549	301	725	424	Negotiation	Mr. Nasrullah, Pezu - Employee
Honda Citi - LWO-2630	866	748	118	831	713	Negotiation	Akbar Alamgir Miriza, Lahore - Employee
Toyota Corolla - ANV - 794	1,309	1,047	262	575	313	Negotiation	Mr. Saifuddin A Khan, Karachi - Employee
Suzuki Cultus - MV - 732	624	504	120	628	508	Negotiation	Mr. Zeeshan Mahmood, Pezu - Employee
Honda Citi - AUH-251	1,312	761	551	1,171	620	Negotiation	Mr. Mansoor Hussain, Karachi - Employee
Toyota Corolla - AUN-667	1,471	700	771	961	190	Negotiation	Mr. Tayyab Baig, Karachi
Honda CG-125 -MNQ 12 - 981	99	25	74	85	11	Insurance Claim	Jubilee General Insurance, Karachi
Honda CG-125 -MNL 12 - 8361	94	37	57	80	23	Insurance Claim	Jubilee General Insurance, Karachi
Toyota Corolla - AZA-878	1,695	363	1,332	1,525	193	Insurance Claim	Jubilee General Insurance, Karachi
Suzuki Cultus - AKC-695	604	533	71	428	357	Insurance Claim	Jubilee General Insurance, Karachi
Hino Prime Mover TLJ-206	3,172	1,724	1,448	5,500	4,052	Insurance Claim	Jubilee General Insurance, Karachi
Hino Prime Mover TLL-402	3,683	1,882	1,801	5,000	3,199	Insurance Claim	Jubilee General Insurance, Karachi
Honda Citi - AKU-391	896	620	276	835	559	Tender	Mr. Mehmood Ali, Karachi.
Suzuki Cultus - AUL - 328	895	512	383	780	397	Tender	Mr. Zahid Qadri, Karachi.
Honda Citi - LWO-2629	866	736	130	868	738	Tender	Mr. Nasir Zahoor, Lahore
Honda Citi - JK-457	852	725	127	769	642	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - IDM-4965	793	725	68	629	561	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - HT-664	803	708	95	784	689	Tender	Mr. Muhammad Irshad, Rawalpindi
Honda Citi - AKE-314	906	787	119	661	542	Tender	Mr. Hassan Qamar, Karachi
Suzuki Cultus - LWK-3313	681	579	102	490	388	Tender	Rana Brothers, Lahore
Honda Citi - AGT-349	1,256	845	411	1,077	666	Tender	Mr. Mohammad Yamin, Karachi
Toyota Corolla - AUN-458	1,500	814	686	1,276	590	Tender	Mr. Numeri Abrar, Karachi
Toyota Corolla - AVB-502	1,481	763	718	1,229	511	Tender	Mr. Syed Adil Ali, Karachi
Suzuki Cultus - AST-981	807	544	263	650	387	Tender	Mr. Ayub Patni, Karachi
KIA Sportage BC-5528	1,605	1,442	163	557	394	Tender	Haji Khadim Ali, Karachi
Suzuki Cultus - KV - 438	651	550	101	588	487	Tender	Mr. Shahid Baig, Rawalpindi
Suzuki Cultus - APM-812	626	517	109	551	442	Tender	Humair Uddin, Karachi
Suzuki Cultus - ASM-320	822	598	224	482	258	Tender	Raja Abdul Jabbar, Karachi
Suzuki Cultus - ARV-126	907	710	197	507	310	Tender	Naveed Rauf, Karachi
Suzuki Cultus - ARV-132	907	710	197	620	423	Tender	Imran Hashwani, Karachi
Honda Citi - HH-116	803	732	71	658	587	Tender	Mr. Shahid Baig, Rawalpindi
Honda Citi - NJ-253	906	711	195	988	793	Tender	Mr. Muhammad Imran Afzal, Fateh Jang, Attock
Honda Citi - JH-754	852	758	94	857	763	Tender	Syed Manzoor Hussain Shah, Mansehra
Computer and accessories	92	24	68	68	-	Negotiation	Mr. Ruhail Thobani, Karachi. Ex-employee
Computer and accessories	75	12	63	60	(3)	Negotiation	Mr. Muhammad Suhail, Karachi. Ex-employee
Computer and accessories	120	35	85	-	(85)	Insurance Claim	Jubilee General Insurance, Karachi
Furniture and Fixture	538	397	141	114	(27)	Tender	Rana Zarees, Lahore
Plant and Machinery	14,557	3,634	10,923	10,073	(850)	Insurance Claim	Jubilee General Insurance, Karachi
Plant and Machinery	24,059	1,555	22,504	21,598	(906)	Insurance Claim	Jubilee General Insurance, Karachi
Plant and Machinery	31,040	14,606	16,434	1,301	(15,133)	Scrap	Shahbaz and Company, Malakwal Disrict Mandi Bahauddin
Rolling stock and vehicles	6,440	1,739	4,701	5,343	642	Tender	Mr. Azfar Abbas Ashary, Karachi
Building	2,877	2,648	229	20	(209)	Scrap	Shahbaz and Company, Malakwal Disrict Mandi Bahauddin
Quarry Equipment	519	460	59	286	227	Tender	Sh. Ashiq Ali Sohail & Co., D.G.Khan
Items having book value less than Rs.50,000 each	52,911	51,867	1,044	2,860	1,816	-	Various
Total	171,901	103,048	68,853	77,584	8,731		
2013	167,553	156,828	10,725	25,753	15,028		

6.4 The following is the movement in capital work-in-progress during the year:

	Opening balance	Additions	Transferred to operating fixed assets	Closing balance 2014	Closing balance 2013
	Rupees in '000'				
Building and civil works	316,962	712,650	499,649	529,963	316,962
Plant and machinery	2,123,625	4,131,076	3,881,859	2,372,842	2,123,625
Generators	–	282,242	11,146	271,096	–
Others	337,192	127,447	309,456	155,183	337,192
	2,777,779	5,253,415	4,702,110	3,329,085	2,777,779

6.5 During the year, the Group appointed a professional firm to conduct a physical verification exercise for reconciling physical fixed assets with the books of account. As per their recommendation, fixed asset having net book value of Rs. 27.295 million and Rs. 14.701 million have been written off and reclassified to intangible assets, respectively.

7 INTANGIBLE ASSETS

	June 30, 2014						
	At July 01, 2013	Additions	Acquisitions through business combination	Adjustment Note 7.3	Amortisation Note 7.2	At June 30, 2014	Amortisation rate %
	Rupees in '000'						
Goodwill	2,133,955	–	–	–	–	2,133,955	–
Trademark & Roundil	2,184,172	–	–	–	(229,913)	1,954,259	10
Customer relationship	673,068	–	–	–	(73,222)	599,846	9 - 25
Distribution relationship	108,490	–	–	–	–	108,490	Indefinite
Principal relationship	1,831,328	–	–	–	–	1,831,328	Indefinite
Product rights	826,855	–	–	–	–	826,855	Indefinite
Software and license	299,987	83,489	–	14,592	(111,591)	286,477	20 - 50
	8,057,855	83,489	–	14,592	(414,726)	7,741,210	

	June 30, 2013						
	At July 01, 2012	Additions	Acquisitions through business combination	Disposals	Amortisation Note 7.2	At June 30, 2013	Amortisation rate %
	Rupees in '000'						
Goodwill	–	–	2,133,955	–	–	2,133,955	–
Trademark & Roundil	–	–	2,299,128	–	(114,956)	2,184,172	10
Customer relationship	–	–	709,679	–	(36,611)	673,068	9 - 25
Distribution relationship	–	–	108,490	–	–	108,490	Indefinite
Principal relationship	–	–	1,831,328	–	–	1,831,328	Indefinite
Product rights	–	–	826,855	–	–	826,855	Indefinite
Software and license	1,514	29,467	318,941	(9)	(49,926)	299,987	20 - 50
	1,514	29,467	8,228,376	(9)	(201,493)	8,057,855	

7.1 These have been recognised on the acquisition of ICI by LHL. These intangible assets have been treated as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely based on the analysis of various economic factors prepared by the management of the Group which indicated that there is no limit to the period these assets would contribute to the net cash inflows and, consequently, the said intangibles will not be amortised until their useful life is determined to be finite.

7.2 The amortisation charge for the year has been allocated as follows:

	Note	2014	2013
		Rupees in '000'	
Cost of turnover	31	336,761	166,067
Distribution costs	32	6,396	6,620
Administrative expenses	33	71,569	28,806
		414,726	201,493

7.3 As explained in note 6.5, assets having net book value of Rs. 14.701 million and Rs. 0.109 million have been reclassified from tangible assets and written off, respectively.

7.4 **Impairment testing of goodwill**

For impairment testing, goodwill has been allocated to the following segments which are Cash Generating Units (CGUs) based on their operating results at the acquisition date:

1. Soda Ash;
2. Chemicals;
3. Life Sciences

The recoverable amount of all CGUs has been determined based on value-in-use calculations. The management has used the Income Approach - Discounted Cash Flow Method (DCF) to determine the value-in-use of the operating segments. The financial projections used have been prepared by the management of ICI and approved by its Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Key assumptions used in value-in-use calculation

The calculation of value-in-use is most sensitive to the following assumptions:

(a) Discount rates

Discount rates reflect management estimates of the rate of return required for each business. The management used the Weighted Average Cost of Capital (WACC) to determine the cost of capital rate. The cost of equity has been computed through the "Capital Asset Pricing Model".

The following discount rates have been used which are based on the WACC of that CGU:

	Discount rate %
Soda Ash	16.02
Chemicals	16.54
Life sciences	18.04

A terminal growth rate of 4% has been used, which is the management's estimate of sustainable growth in revenue and long term industry growth.

(b) Key commercial assumptions

The valuation is based on the key commercial assumptions that revenue growth, contribution margins, customer demands in the products of the CGUs etc. would be achieved.

7.5 Impairment testings of other intangibles acquired through business combination

The recoverable amount of intangibles have been determined based on value-in-use calculations. The value-in-use has been determined on the following basis:

Intangibles Basis of valuation

Brand - Trademark and roundil	Income Approach - Relief from Royalty Method
Customer relationship	Income Approach - Multi-Period Excess Earnings Method
Distribution relationship	Income Approach - Multi-Period Excess Earnings Method
Principal relationship	Income Approach - Multi-Period Excess Earnings Method
Product rights	Income Approach - Multi-Period Excess Earnings Method

Key assumptions used in value-in-use calculation

The following key assumptions have been made by the management for the intangibles:

	Growth/ royalty rate %	Discount rate %	Attrition rate %
Brand - Trademark and roundil	1.5	16.02 & 16.04	N/A
Customer relationship	5 - 10	16.54	10.68 - 35.80
Distribution relationship	5	16.54	N/A
Principal relationship	10 to 15	15.32 - 18.88	N/A
Product rights	14 & 26	15.32 & 18.85	N/A

A terminal growth rate of 4% has been used, which is the management's estimate of sustainable growth in revenue and long term industry growth.

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		Note	2014	2013
			Rupees in '000'	
8	**LONG-TERM INVESTMENTS**			
	Joint ventures			
	Equity accounted investment			
	Lucky Al Shumookh Holdings Limited	8.1	1,711,234	–
	LuckyRawji Holdings Limited	8.2	395	–
			1,711,629	–
	Unquoted - at cost			
	Equity security available-for-sale			
	Arabian Sea Country Club Limited			
	(250,000 ordinary shares of Rs. 10 each)		2,500	2,500
	Yunus Energy Limited	8.3	750	-
			1,714,879	2,500
8.1	**Lucky Al Shumookh Holdings Limited**			
	Investment at cost		1,729,081	-
	Share of loss		(18,583)	-
	Foreign currency translation reserve		736	-
			1,711,234	-

Lucky Al Shumookh Holdings Limited (LASHL) is a joint venture between the Group and Al Shumookh Group. LASHL was incorporated as an offshore company with limited liability in Jebel Ali Free Zone, United Arab Emirates. The Group holds 50 percent ownership interest in LASHL.

The Group's interest in LASHL's assets and liabilities is as follows:

	2014	2013
	Rupees in '000'	
Total assets	4,171,366	-
Total liabilities	(746,475)	-
Net assets (100%)	3,424,891	-
Company's share of net assets (50%)	1,712,446	-
Less: Share of pre-acquisition loss	(1,212)	-
	1,711,234	-
The Group's share in LASHL's profit and loss account is as follows:		
Revenue (100%)	1,186,339	-
Net loss (100%)	(37,166)	-
Company's share of net loss (50%)	(18,583)	-

		2014	2013
		Rupees in '000'	
8.2	**LuckyRawji Holdings Limited**		
	Investment at cost	395	–

LuckyRawji Holdings Limited (LRHL) is a joint venture between the Group and Rawsons Investments Limited. LRHL was incorporated with limited liability under the laws of British Virgin Islands. The Group holds 50 percent ownership interest in LRHL. No activity affecting the profit and loss account of LRHL has been carried out as of the balance sheet date.

The Group's interest in LRHL's assets and liabilities is as follows:

	2014	2013
	Rupees in '000'	
Total assets	2,771,503	–
Total liabilities	(2,770,713)	–
Net assets (100%)	790	–
Company's share of net assets (50%)	395	–

8.3 Represents equity investment of 75,000 shares @ Rs.10/- each in Yunus Energy Limited.

		Note	2014	2013
			Rupees in '000'	
9	**LONG-TERM LOANS AND ADVANCES**			
	Long-term loans - considered good			
	due from directors, executives and employees	9.1	273,597	202,071
	Advance against issuance of shares		–	492,200
	Others	9.2 & 9.3	1,438,242	55,373
			1,711,839	749,644
9.1	**Due from directors, executives and employees**			
	Due from directors and executives	9.1.1 & 9.1.2	231,590	205,346
	Less: Receivable within one year shown under current assets	14	72,308	65,564
			159,282	139,782
	Due from employees	9.1.2	156,850	102,150
	Less: Receivable within one year shown under current assets	14	42,535	39,861
			114,315	62,289
			273.597	202,071
	Outstanding for period:			
	– less than three years but over one year		172,605	113,643
	– more than three years		100,992	88,428
			273,597	202,071

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		Note	2014	2013
			Rupees in '000'	
9.1.1	Reconciliation of the carrying amount of loans to directors and executives (key management personnel):			
	As at July 01		205,346	27,119
	Acquisitions through business combination		–	182,008
	Disbursements during the year		154,760	66,277
	Repayments during the year		(128,516)	(70,058)
		9.1.3	231,590	205,346

9.1.2 Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Group in accordance with their terms of employment.

9.1.3 The maximum aggregate amount of loans due from the Executives at the end of any month during the year was Rs. 221.590 million (2013: Rs. 220.97 million).

9.2 Included herein is an advance of Rs. 55.373 million (2013: Rs. 55.373 million) given to Sui Southern Gas Company Limited in respect of additional gas line which will be adjusted after commissioning of gas line in 48 equal monthly installments.

9.3 Included herein is an unsecured interest free loan with no fixed repayments to LuckyRawji Holdings Limited lended by LCLIHL amounting to USD 13.996 million (2013: USD Nil) equivalent to Rs. 1,383 million (2013: Rs. Nil).

		Note	2014	2013
			Rupees in '000'	
10	LONG-TERM DEPOSITS AND PREPAYMENTS			
	Deposits		28,854	27,807
	Prepayments		2,164	8,706
			31,018	36,513
11	STORES, SPARES AND CONSUMABLES			
	Stores	11.1	2,999,946	2,563,487
	Spares	11.2	4,044,950	3,568,848
	Consumables		112,679	113,495
			7,157,575	6,245,830
	Less: Provision for slow moving spares - net	11.3	205,073	195,073
			6,952,502	6,050,757

11.1 This includes stores in transit, mainly coal, of Rs. 472.172 million (2013: Rs. 28.209 million) as at the balance sheet date.

11.2 This includes spares in transit of Rs. 81.543 million (2013: Rs. 72.831 million) as at the balance sheet date.

		Note	2014	2013
			Rupees in '000'	
11.3	Movement in provision for slow moving spares is as follows:			
	As at July 01		195,073	150,028
	Provision during the year	31	10,000	45,045
			205,073	195,073

		Note	2014	2013
			Rupees in '000'	
12	**STOCK-IN-TRADE**			
	Raw and packing material (include in-transit Rs 791.850 million			
	June 30, 2013: Rs 741.313 million)	12.1	2,927,290	2,717,713
	Work-in-process		793,875	606,197
	Finished goods - net		2,537,832	2,710,355
			6,258,997	6,034,265
	Less: Provision for slow moving and obsolete stocks - net			
	- Raw material		8,771	3,237
	- Finished goods		4,026	4,994
			12,797	8,231
			6,246,200	6,026,034

12.1 Raw and packing materials includes held with the toll manufacturers which are as follows:

		Note	2014	2013
			Rupees in '000'	
	Searle Pakistan Limited		349,019	305,766
	Maple Pharmaceutical (Private) Limited		2,064	1,934
	EPLA Laboratories (Private) Limited		10,031	46,258
	Breeze Pharma (Private) Limited		20,811	33,831
	Nova Med Pharmaceuticals		18,002	25,308
	Others		23,328	1,597
			423,255	414,694
13	**TRADE DEBTS**			
	Considered good			
	Bills receivable - secured		1,512,183	1,556,526
	Others - unsecured		1,618,673	1,143,849
			3,130,856	2,700,375
	Considered doubtful		93,664	94,802
			3,224,520	2,795,177
	Less: Provision for			
	- Doubtful debts	13.2	93,664	94,802
	- Discounts payable on sales		169,432	140,890
			263,096	235,692
			2,961,424	2,559,485

Notes to the Consolidated Financial Statements

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		2014	2013
		Rupees in '000'	
13.1	The above balances include amounts due from the following associated undertakings:		
	Yunus Textile Mills Limited	26,397	17,496
	Lucky Textile Mills Limited	1,162	10,657
	Lucky Knits (Private) Limited	3,340	730
		30,899	28,883
13.2	Movement in provision for doubtful debts is as follows:		
	As at July 01	94,802	–
	Acquisitions through business combination	–	94,802
	Additional provision	1,556	–
	(Write off) / Provision utilised against write-offs	(194)	–
	Provision no longer required	(2,500)	–
		93,664	94,802
14	**LOANS AND ADVANCES**		
	Considered good		
	Current portion of loans and advances due from:		
	Employees	42,535	39,861
	Directors and executives	72,308	65,564
		114,843	105,425
	Advances to suppliers and others	239,782	315,213
		354,625	420,638
	Considered doubtful	7,292	7,292
		361,917	427,930
	Less: Provision for doubtful loans and advances	7,292	7,292
		354,625	420,638
15	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**		
	Deposits		
	Containers	–	315
	Coal supplier	1,000	1,000
	Karachi Port Trust	11,550	10,150
	Utilities	735	735
	Others	33,655	171,196
		46,940	183,396
	Prepayments		
	Insurance	17,597	11,418
	Rent	4,875	6,543
	Others	208,598	2,345
		231,070	20,306
		278,010	203,702

		Note	2014	2013
			Rupees in '000'	
16	OTHER RECEIVABLES			
	Unsecured			
	Considered good			
	Duties, sales tax and octroi refunds due		287,020	392,101
	Commission and discounts receivable		22,612	21,784
	Receivable from principal	16.1	1,068,427	710,600
	Rebate on export sales		67,917	63,875
	Due from Collector of Customs	16.2	19,444	19,444
	Hyderabad Electricity Supply Company (HESCO)		166,019	420,920
	Insurance claim receivable		50,782	–
	Interest income receivable		81,483	11,577
	Others	16.3	432,252	241,448
			2,195,956	1,881,749
	Considered doubtful		20,237	57,312
			2,216,193	1,939,061
	Less: Provision for doubtful receivables	16.4	20,237	57,312
			2,195,956	1,881,749

16.1 This includes receivable amounting to Rs 1,019.8 million (2013: Rs 710.6 million) from foreign vendor in relation to margin support guarantee.

16.2 The Group imported cement bulkers during October 19, 2006 to December 05, 2006 under SRO 575(1) of 2006 dated June 05, 2006 for export of loose cement which provided concessionary rate of import duty to an industrial concern. The Group claimed exemption of duty at the time of port clearance, however, the Collector of Customs passed order allowing provisional release of consignment subject to final approval from the Federal Board of Revenue (FBR) and deposit of post dated cheques for the differential amount of duty. The Group deposited three post dated cheques aggregating to Rs.19.444 million for three different consignments of cement bulkers and simultaneously approached to the FBR for giving direction to the Collector of Customs, Karachi.

The FBR moved a summary to the Federal Government / ECC on the representation of the Group and finally issued SRO 41(1) of 2007 on January 07, 2007 which clarified that the imported cement bulkers were also entitled for concessional rate of duty of 5%. The Collector of Customs instead of releasing the post dated cheques, encashed the same on the plea that the effect of SRO will not be given to the Group with retrospective effect despite the fact that the said classification was issued on the representation of the Group.

The Group filed a writ petition before the High Court of Sindh at Karachi in 2007 challenging the illegal and malafide act of encashment of post dated cheques. The matter is pending before the High Court of Sindh. The management believes that the ultimate outcome of the matter will be in favor of the Group. Hence no provision has been made against the said advance in these consolidated financial statements.

16.3 This amount includes Rs. Nil (2013: 23.36 million) on account of exchange gain / loss on forward exchange contracts.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

		2014	2013
		Rupees in '000'	
16.4	Movement in provision for doubtful receivables is as follows:		
	As at July 01	57,312	–
	Acquisitions through business combination	–	57,312
	Reversal	(37,075)	–
		20,237	57,312
17	**INVESTMENTS**		
	Mutual Funds		
	Meezan Sovereign Fund	–	65,025
	Lakson Money Market Fund	–	45,037
		–	110,062

18 TAX REFUNDS DUE FROM THE GOVERNMENT

A dispute with respect to the calculation of excise duty on retail price of cement arose between the Holding Company and the Federal Board of Revenue (FBR) from the very first day the Holding Company started sales of cement in 1996. The FBR's point of view was that excise duty be calculated on the declared retail price, inclusive of excise duty whereas the Holding Company contended that the excise duty would not be included in retail price for the calculation of the excise duty payable to the Government. In June 2, 1997, the Holding Company filed a writ petition before the Peshawar High Court seeking judgment on this matter. The dispute related to the period from June 26, 1996 to April 19, 1999 after which the FBR changed the mechanism of levying excise duty from percentage of retail price to a fixed amount of duty at the rate of Rs.1,400 per ton. The Peshawar High Court after hearing both the parties issued a detailed judgment, operating paragraph of which is reproduced as follows:

> "For the reasons we accept the petitions declare, that present system of realization of duties of excise on the "Retail Price" inclusive of excise duty is illegal and without lawful authority, the duties of excise on cement must not form part of retail price and the petitioners are not liable to pay duties of excise forming part of the retail price of cement."

Simultaneously, a similar nature of dispute arose between various beverage companies operating in the provinces of Sindh and Punjab and accordingly they also filed petitions before the Honourable High Courts of Sindh and Lahore respectively. Both the Courts also decided the case against the method of calculation of excise duty as interpreted by the FBR.

The FBR preferred an appeal before the Honourable Supreme Court of Pakistan against the judgments of all three High Courts of the country. A full bench of the Honourable Supreme Court of Pakistan heard the legal counsel of all the parties and finally announced the judgment on April 14, 2007, upholding the judgments of the High Courts and dismissed the appeal of the FBR.

As a result of the full bench judgment of the Honourable Supreme Court of Pakistan, the Holding Company filed a refund claim of Rs.538.812 million on May 08, 2007 with the Collector of Central Excise and Sales Tax, Peshawar, who had earlier collected the same due to incorrect interpretation of law. The Holding Company on the basis of legal opinions obtained, recognised this refund claim in the financial statements for the year ended June 30, 2007.

A review petition was also filed by the Federal Board of Revenue (FBR) in the Honourable Supreme Court of Pakistan. The Honourable Supreme Court of Pakistan vide its order dated January 27, 2009 dismissed the review petition filed by the FBR and upheld its earlier decision which was in favour of the Holding Company.

While verifying the refund claim, the Collector of Excise and Sales Tax Peshawar issued show cause notice to the Holding Company, raising certain objections against the release of said refund including an objection that the burden of this levy has been passed on to the end consumer. The Holding Company challenged this show cause notice in the Honourable Peshawar High Court and took the stance that this matter has already been dealt with at the Honourable Supreme Court of Pakistan level, based on the doctrine of res judicata. The Honourable Peshawar High Court granted a stay order to the Holding Company against any adverse proceeding by the FBR in this case.

During the year ended June 30,2013, the Holding Company filed a complaint before the Federal Tax Ombudsman (FTO) with a request that the FBR may be directed for early issuance of refund along-with the compensation for the delayed refund. The FTO directed the FBR to verify the claim of the Holding Company and submit a report in the matter. Subsequently, the FBR on the basis of audit conducted submitted a report to the FTO. However, the Holding Company did not agree to the findings of the department and argued before the FTO that the report submitted by the department is not based on the facts of the case.

After hearing the arguments of both the parties, the FTO forwarded its recommendations/findings to the Secretary, Revenue Division, Islamabad through its order dated November 22, 2013.

Subsequently, FBR filed representation, before the President of Pakistan against the recommendations of the FTO under section 32 of Federal Tax Ombudsman Ordinance, 2000. Accordingly, the President of Pakistan through its secretariat invited comments of the Holding Company which have been submitted. The matter is still pending before the President of Pakistan.

		Note	2014	2013
			Rupees in '000'	
19	**CASH AND BANK BALANCES**			
	Sales collection in transit		556,066	669,765
	Cash at bank - on current accounts		3,177,473	498,978
	- on deposit accounts	19.1	7,979,069	2,307,682
			11,156,542	2,806,660
	In hand			
	- Cheques		–	261,159
	- Cash		10,640	9,384
			11,723,248	3,746,968

19.1 Included herein are security deposits received from customers amounting to Rs. 103 million (2013: Rs. 102 million) that are placed with various banks with terms ranging from one week to one year. The mark-up on these deposits range between 8.00% to 9.00% (June 30, 2013: 9.50% to 11.50%) and these term deposits are readily encashable without any penalty.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
20	SHARE CAPITAL			
	Authorised capital			
	500,000,000 (2013: 500,000,000)			
	Ordinary shares of Rs.10/- each		5,000,000	5,000,000
	Issued, subscribed and paid-up capital			
	305,000,000 (2013: 305,000,000) Ordinary shares			
	of Rs.10/- each issued for cash	20.1	3,050,000	3,050,000
	18,375,000 (2013: 18,375,000) Ordinary shares			
	of Rs. 10/- each issued as bonus shares		183,750	183,750
			3,233,750	3,233,750

20.1 During the year ended June 30, 2008, the Holding Company was admitted to the official list of the Financial Services Authority and to the London Stock Exchange for trading of Global Depository Receipts (GDRs) issued by the Holding Company on the Professional Securities Market of the London Stock Exchange. The GDR issue constituted an offering to qualified institutional buyers in the United States under Rule 144A and to non US persons outside the United States (US) under Regulation - S of the US Securities Act of 1933. The GDRs have also been included for trading on the International Order Book system of the London Stock Exchange, which will make the GDRs issued under Rule 144A to become eligible for trading by qualified institutional buyers in the Portal Market; a subsidiary of the NASDAQ Stock Market, Inc in the United States. The Holding Company has issued 15,000,000 GDRs each representing four ordinary equity shares at an offer price of US$. 7.2838 per GDR (total receipt being US$. 109.257 million). Accordingly, based on an exchange rate of Rs. 65.90 = US$ 1.00 (which was the exchange rate on the date of final offering circular relating to the GDR issue made by the Holding Company) 60,000,000 ordinary equity shares of a nominal value of Rs.10 each of the Holding Company were issued at a premium of Rs.110 per ordinary equity share (total premium amount being Rs.6,600 million).

The holders of GDRs are entitled, subject to the provisions of the Deposit Agreement, to receive dividend, if any and rank pari passu with other equity shareholders in respect of dividend. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated May 08, 2008, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of dividend, voting and other direct rights of shareholders.

		2014	2013
		Rupees in '000'	
21	RESERVES		
	Capital reserve		
	Share premium	7,343,422	7,343,422
	Revenue reserves		
	General reserve	27,871,271	20,000,000
	Foreign currency translation reserve	(63,554)	–
	Unappropriated profit	11,994,719	10,552,319
		39,802,436	30,552,319
		47,145,858	37,895,741

	Installments	Note	2014	2013
			Rupees in '000'	
22 LONG-TERM FINANCES – secured				
From banking companies / financial institutions:				
Long-term finance utilized under mark-up arrangements from the following:				
Allied Bank Limited	16 quarters	22.1	80,912	253,148
Allied Bank Limited	16 quarters	22.1	46,586	139,750
Faysal Bank Limited	14 semi annual	22.2	343,591	343,591
Habib Bank Limited	14 semi annual	22.2	543,435	543,435
Standard Chartered Bank (Pakistan) Limited - Islamic finance	12 quarters	22.3	800,000	1,000,000
Meezan Bank Limited - Islamic finance	12 quarters	22.4	500,000	–
Allied Bank Limited	16 quarters	22.5	1,000,000	–
Bank al Habib	20 quarters	22.6	1,000,000	1,000,000
Meezan Bank Limited	10 semi annual	22.6	2,000,000	2,000,000
Habib Bank Limited	20 quarters	22.6	777,000	777,000
Soneri Bank limited	10 semi annual	22.7	500,000	500,000
Bank Alfalah Limited	20 quarters	22.7	1,500,000	1,500,000
Foreign currency loan		22.8	2,055,123	–
			11,146,647	8,056,924
Less : Current portion of long-term finances			(1,163,569)	(265,400)
			9,983,078	7,791,524

22.1 The above finance is secured by a letter of hypothecation providing charge over plant, machinery, equipment, generators, all tools and spares of the Holding company and all future modifications and replacement thereof. The finance agreements executed by the Holding company with the above mentioned financial institutions contain a prepayment clause with no penalty. The long-term facility carries mark-up at the rates of 7.50% and 8.2% (2013: 7.50% and 8.2%) per annum.

22.2 The Group has obtained Long-Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery from Faysal Bank Limited of Rs 343.591 million (limit: Rs 500 million) and Habib Bank Limited of Rs 543.435 million (limit: Rs 1,000 million) for a period of 7 years (including 2 year grace period), with the principal payable on semi annual basis. These facilities are secured against first pari passu hypothecation charge on the Property, Plant and Equipment (PPE) of the Groups's Soda Ash Business located at Khewra. The loans have been refinanced by the State Bank of Pakistan under LTFF for Export Oriented Projects.

22.3 The Group has obtained long-term loan for Rs 1,000 million from Standard Chartered Bank (Pakistan) Limited under Islamic Diminishing Musharaka upto a limit of Rs.1,000 million for a period of 3 years (including 6 month grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on quarterly basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the PPE of the Group's Polyester Business located at Sheikhupura.

22.4 During the year the Group has obtained long-term finance for Rs 500 million from Meezan Bank Limited under Islamic Diminishing Musharaka upto a limit of Rs 500 million for a period of 3 years (including 9 months grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the present and future Plant, Machinery and Equipment of the Group's Soda Ash Business located at Khewra.

22.5 During the year the Group has obtained long-term loan for Rs 1,000 million from Allied Bank Limited under Long-Term Loan upto a limit of Rs 1,000 million for a period of 4 years (including 1 year grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is secured by a first pari passu hypothecation charge on the present and future Plant, Machinery and Equipment of the Group's Soda Ash Business located at Khewra.

22.6 The facility is secured against joint exclusive pari passu letter of hypothecation over specific fixed assets of Yunus Textile Mills Limited (an associated undertaking) amounting to Rs. 5.333 billion with lien and pledge over subsidiary shares in favour of Bank covering facility with margin. The facility is charged at 3 months KIBOR plus 0.25% p.a.

22.7 The facility is secured against exclusive joint pari passu letter of hypothecation amounting to Rs.2.667 billion of plant, machinery and equipment in favour of the banks to be created by Lucky Textile Mills Limited (an associated undertaking) with the pledge of shares of ICI covering facility with margin. The facility is charged at 3 months KIBOR plus 0.25% p.a.

22.8 Represents aggregate of outstanding principal and interest on a medium-term offshore facility from a bank under two facilities of USD 15 million and USD 5 million obtained by LCLIHL. The facility is extendable for one year upon expiry and bears interest at 3-month LIBOR plus a margin of 3% per annum.

		Note	2014	2013
			Rupees in '000'	
23	**LONG-TERM DEPOSITS**			
	Cement stockists	23.1	29,691	19,195
	Transporters	23.2	37,000	36,500
	Others		1,280	1,430
			67,971	57,125

23.1 These represent interest-free security deposits received from stockists and are repayable on cancellation or withdrawal of stockist arrangement and are also adjustable against unpaid amount of sales.

23.2 These represent interest-free security deposits received from transporters and are repayable on cancellation or withdrawal of contracts.

		Note	2014	2013
			Rupees in '000'	
				(Restated)
24	**DEFERRED LIABILITIES**			
	Staff gratuity	24.1	732,276	631,959
	Deferred tax liability	24.3	7,923,437	7,884,309
			8,655,713	8,516,268

24.1 The amounts recognized in the balance sheet, based on the recent actuarial valuation carried on June 30, 2014, are as follows:

		2014					2013				
		Funded			Unfunded		Funded			Unfunded	
		Pension	Gratuity	Total			Pension	Gratuity	Total		
									(Restated)		
		Rupees in '000'									
24.1.1	Present value of defined benefit obligation					732,276					631,959
24.1.2	**Movement in the liability recognized in the balance sheet are as follows:**										
	Opening balance	(225,777)	190,112	(35,665)	631,959	631,959	–	–	–	438,391	438,391
	Acquisitions through business combination	–	–	–	–	–	(29,126)	(302,098)	(331,224)	72,386	72,386
	Actuarial (gain) / loss recognised in other comprehensive income	(68,533)	9,942	(58,591)	6,589	6,589	(191,461)	(129,548)	(321,009)	52,851	52,851
	Net (reversal) / charge for the year	(7,118)	59,858	52,740	147,888	147,888	11,558	37,118	48,676	134,410	134,410
		(301,428)	259,912	(41,516)	786,436	786,436	(209,029)	(394,528)	(603,557)	698,038	698,038
	Payments made during the year	–	(63,178)	(63,178)	(54,160)	(54,160)	75,000	19,556	94,556	(66,079)	(66,079)
	Closing balance	(301,428)	196,734	(104,694)	732,276	732,276	(134,029)	(374,972)	(509,001)	631,959	631,959
24.1.3	**The amount recognized in the profit and loss account is as follows:**										
	Current service cost	17,153	32,702	49,855	89,067	89,067	11,998	20,760	32,758	79,508	79,508
	Interest cost	102,896	54,286	157,182	68,936	68,936	63,871	34,764	98,635	54,902	54,902
	Expected return on plan assets	(127,167)	(37,245)	(164,412)	–	–	(64,311)	(18,406)	(82,717)	–	–
	Past service cost	–	10,115	10,115	(10,115)	(10,115)	–	–	–	–	–
		(7,118)	59,858	52,740	147,888	147,888	11,558	37,118	48,676	134,410	134,410

		2014	2013
24.1.4	**Principal actuarial assumptions used are as follows:**		
	Expected rate of increase in salary level	11.00%	11.50%
	Valuation discount rate	13.50%	11.50%

24.1.5 Sensitivity analysis

A sensitivity analysis for the above principal actuarial assumptions as of the balance sheet date showing how the defined benefit obligation would have been affected by changes in the said assumptions is as follows:

	Increase	Decrease
	by 1 %	
Expected rate of increase in salary level	109,104	(98,360)
Valuation discount rate	(138,326)	156,862

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

24.1.6 Description of the risks to the Group

The defined benefit plan exposes the Group to the following risks:

Mortality risks - The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

	2014	2013
	(Unaudited)	
24.2 Provident fund		
Size of the fund	1,269,506	1,234,564
Cost of investments made	1,127,747	1,062,906
Percentage of investments made	89%	86%
Fair value of investments	1,192,093	1,196,650

24.2.1 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	2014 (Unaudited)		2013 (Unaudited)	
	Investment	Investment as size of the fund	Investment	Investment as size of the fund
On fair value				
Pakistan Investment Bonds	854,999	72%	518,722	44%
Treasury Bill	49,604	4%	170,814	14%
Regular Income Certificates	–	0%	222,300	19%
Mutual Funds	81,682	7%	76,867	6%
Shares	196,142	16%	195,654	16%
Term Finance Certificates	9,666	1%	12,293	1%
	1,192,093	100%	1,196,650	100%

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

	2014	2013
	Rupees in '000'	
24.3 Deferred tax liability		
This comprises of the following:		
- Difference in tax and accounting bases of fixed assets	8,528,034	8,510,660
- Provisions	(604,597)	(626,351)
	7,923,437	7,884,309

		Note	2014	2013
			Rupees in '000'	
25	**SHORT-TERM BORROWINGS AND RUNNING FINANCE**			
	Running finance	25.1	267,368	2,524,549
	Export refinance	25.2	170,000	130,000
			437,368	2,654,549

25.1 The above foreign currency loan carry mark up during the period of relevant LIBOR+ bank's spread which is decided at the time of disbursement.

25.2 The Group has export refinance facility of upto Rs. 200 million (2013: Rs. 200 million) available from Faysal Bank Limited as at June 30, 2014 out of which Rs 170 million was utilized (2013: Rs 130 million). The above export refinance facility is secured by first pari passu hypothecation charge over assets of ICI. The export refinance facility carries mark-up at State Bank of Pakistan rate (currently 8.40%) + 0.25% per annum (June 30, 2013: SBP rate 8.4% + 0.25% per annum).

		Note	2014	2013
			Rupees in '000'	
				(Restated)
26	**TRADE AND OTHER PAYABLES**			
	Creditors		3,175,551	1,489,590
	Bills payable	26.1	2,338,350	2,116,253
	Accrued liabilities	26.2	3,264,426	2,304,089
	Customers running account		322,459	254,868
	Retention money		21,339	16,090
	Sales tax payable		71,638	382,439
	Excise and other government levies		256,489	319,444
	Unclaimed and unpaid dividend		128,084	105,481
	Workers' profit participation fund (WPPF) payable	26.3	412,217	348,914
	Workers' welfare fund		51,539	54,110
	Distributors' security deposits - payable			
	on termination of distributorship	26.4	106,142	118,888
	Advances from customers	26.5	223,874	118,086
	Contractors' earnest / retention money		9,809	9,550
	Payable for capital expenditure		329,509	253,710
	Provision for compensated absences	26.6	31,249	31,249
	Technical service fee / royalty		–	680
	Others		157,761	181,901
			10,900,436	8,105,342

26.1 This includes Rs. Nil (2013: Rs 1.17 million) on account of exchange gain / loss on forward exchange contracts.

26.2 It includes Rs.380.608 million in respect of accrual of gas charges (2013: 271.116 million).

Notes to the Consolidated Financial Statements
For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
26.3	The movement of WPPF payable is as follows:			
	As at July 01		348,914	418,419
	Allocation for the year	35	872,386	674,315
	Interest on funds utilized by the Group		5,109	12,711
			1,226,409	1,105,445
	Payments during the year		(814,192)	(756,531)
			412,217	348,914

26.4 Interest on security deposits from certain distributors is payable at 8.8% (2013: 11.2%) per annum as specified in the respective agreements.

26.5 It includes amounts due to the following associated undertakings (related parties):

	Note	2014	2013
		Rupees in '000'	
Gadoon Textile Mills Limited		27,910	2,891
Yunus Textile Mills Limited		197	–
Fazal Textile Mills Limited		764	249
		28,871	3,140

26.6 This figure is based on actuarial valuation and estimation.

		Note	2014	2013
27	**ACCRUED MARK-UP**			
	Long-term finance		3,051	157,529
	Short-term borrowings		217,453	28,467
	Accrued interest on expansion project		3,152	38,733
			223,656	224,729
28	**CONTINGENCIES AND COMMITMENTS**			
	CONTINGENCIES			
	Claims against the Group not acknowledged as debts are as follows:			
	Local bodies	28.5	36,616	30,446
	Others		38,956	28,288
			75,572	58,734

28.1 The Honourable Supreme Court of Pakistan while disposing off an appeal of the Collector of Customs, Karachi has issued a judgment on July 28, 2009 whereby it has set aside the earlier order of the Honourable Peshawar High Court decided in favour of the Holding Company on the issue of plant and machinery imported under SRO 484(I)/92 dated May 14, 1992 after obtaining approvals from the concerned ministries. On August 20, 2009 the Holding Company filed a review petition which was subsequently disposed off by Honourable Supreme Court on May 8, 2014. The Customs department issued recovery notice on which, the Holding Company has filed a Constitution Petition in the Honourable Sindh High Court which is currently pending. The amount of disputed levy is not ascertainable at this stage as no order was earlier framed by the Collector of Customs. Hence, no provision has been made against the same in these consolidated financial statements.

28.2 The Holding Company was entitled to sales tax exemption on cement produced by it from the date of commissioning to June 30, 2001 vide SROs 580(1)/91 and 561(1)/94 dated 27-06-1991 and 09-06-1994 respectively. In June 1997, the Federal Government withdrew the sales tax exemption from the entire cement industry and deprived the Holding Company from the advantage of its sales tax exemption. Being aggrieved, the Holding Company filed a writ petition in the Peshawar High Court. Subsequently, the sales tax exemption was restored on September 5, 2000. The writ petition was therefore withdrawn on legal advice but at the same time a suit was filed for compensation. The civil judge Peshawar has granted the ex-parte decree in favor of the Holding Company amounting to Rs. 1,693.61 million along with 14% per annum until the said amount is actually paid.

On August 3, 2011, the Holding Company filed an execution petition for realization of the decretal amount as per the decree granted by the civil court on November 20, 2009. The Civil Judge, Peshawar, however, dismissed the recovery suit of the Holding Company on December 18, 2012. Dismissal of the recovery suit by the lower court has been challenged by the Holding Company in Peshawar High Court on March 9, 2013. The case is still pending before the Peshawar High Court.

28.3 The Income Tax Department levied tax of Rs. 85 million on certain pre-operational earnings for assessment years 1994-95, 1995-96 and 1996-97. The Commissioner Income Tax (CIT) [Appeals] reversed the order of the assessing officer and decided the case in favour of the Holding Company. The Income Tax Department filed appeals before Income Tax Appellate Tribunal (ITAT) who deleted the order of CIT (Appeals). The Holding Company filed an appeal in Honourable Peshawar High Court and the Court decided the case against the Holding Company. The Holding Company has now filed an appeal in the Honourable Supreme Court of Pakistan and also referred the matter to FBR for constitution of Dispute Resolution Committee. The amount of tax has already been deposited with the relevant tax authority. However the aforementioned appeal is still pending with the Honourable Supreme Court of Pakistan and Dispute Resolution Committee.

28.4 The Competition Commission of Pakistan passed a single order on August 27, 2009 against all the cement manufacturers of the country on the alleged ground of formation of cartel for marketing arrangement and imposed a penalty at the rate of 7.5% of total turnover of each company consisting of both local and export sales. The amount of penalty imposed on the Holding Company is Rs.1,271.84 million which has been challenged in the Courts of Law. The aforementioned case is still pending with the Courts of Law. The Holding Company's legal counsel is confident that the Holding Company has a good case and there are reasonable chances of success to avoid the penalty, hence, no provision for the above has been made in these consolidated financial statements.

28.5 The Subsidiary Company (ICI) was served notice by Punjab Employees Social Security Institution's Local office Shahdara, dated November 24, 1997 on Polyester Plant for alleged non payment Rs 11.96 million on account of Social Security Contribution on the basis of assessment made by the PESSI for the period 1996 and 1997, on behalf of contractors' workers (M/s Descon Engineering Limited) engaged for Expansion Project. The Group challenged the notice and filed an appeal with Vice Commissioner Social Security Institution and also filed petition in Lahore High Court on July 20, along with stay filed application, the court granted stay order on July 25, 2012. The outcome of the case cannot be determined yet.

28.6 A demand for additional electricity duty amounting to Rs. 17.711 million (December 31, 2012: Rs. 17.711 million) has been raised by the electric inspector to ICI PowerGen for the period from March 2004 to June 2007. The matter along with other legal options are currently being explored by the Group. No provision has been made for the demand as the Group considers that this additional duty is not payable.

28.7 The Holding Company is defending various suits filed in various courts of Pakistan for sums, aggregating Rs.900 million. However, the Holding Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in its favor and, accordingly, no provision has been made for any liability against these law suits in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

28.8 Also refer to notes 16.1, 18 and 44 to these consolidated financial statement for income tax contingencies.

		2014	2013
		Rupees in '000'	
	COMMITMENTS		
28.9	**Capital commitments**		
	Plant and machinery under letters of credit	2,840,266	2,312,724
28.9	**Other commitments**		
28.9.1	Stores, spares and packing material under letters of credit	1,870,971	1,992,477
28.9.2	Bank guarantees issued on behalf of the Holding Company and its subsidiaries	942,233	684,448
28.9.3	Post dated cheques	555,150	375,468

28.9.4 Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles amounting to Rs 155.610 million (2013: Rs 135.266 million) are as follows:

Year	2014	2013
	Rupees in '000'	
2014	–	55,030
2015	62,223	43,872
2016	49,215	26,783
2017	34,969	9,581
2018	9,203	–
	155,610	135,266
Payable not later than one year	62,223	55,030
Payable later than one year but not later than five years	93,387	80,236
	155,610	135,266

28.9.5 Outstanding foreign exchange contracts as at June 30, 2014 entered into by the Group amounted to Rs Nil (2013: Rs 1,166.117 million).

29 OPERATING SEGMENT RESULTS

	Note	Cement 2014	Cement 2013 (Restated)	Polyester 2014	Polyester 2013 (Restated)	Soda Ash 2014	Soda Ash 2013 (Restated)	Life Sciences 2014	Life Sciences 2013 (Restated)	Chemicals 2014	Chemicals 2013 (Restated)	LCLIHL/ICI PowerGen 2014	LCLIHL/ICI PowerGen 2013 (Restated)	Group 2014	Group 2013 (Restated) (Note 4.13)
								Rupees in '000'							
Gross sales															
Exports		15,234,768	14,720,747	-	8,233	505,250	185,667	-	699	52,768	9,789	-	-	15,792,786	14,925,135
Inter-segment		-	-	-	-	-	-	-	-	5,857	9,785	1,068,140	543,181	1,073,997	552,966
Local		36,178,158	29,017,255	19,667,433	9,701,479	10,427,943	4,683,715	7,504,584	3,383,635	4,479,076	2,125,869	-	-	78,257,194	48,911,953
		51,412,926	43,738,002	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,537,701	2,145,443	1,068,140	543,181	95,123,977	64,390,054
Commission / toll income		-	-	-	-	-	-	-		61,605	34,891	-	-	61,605	34,891
Turnover		51,412,926	43,738,002	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,599,306	2,180,334	1,068,140	543,181	95,185,582	64,424,945
Sales tax and excise duty		7,708,848	5,547,756	385,692	126,708	1,518,523	645,513	40,978	9,189	479,680	215,631	155,200	75,641	10,288,921	6,620,438
Rebates and commission		620,909	379,790	439,358	126,914	425,196	137,643	859,787	424,271	315,968	132,430	-	-	2,661,218	1,201,048
		8,329,757	5,927,546	825,050	253,622	1,943,719	783,156	900,765	433,460	795,648	348,061	155,200	75,641	12,950,139	7,821,486
		43,083,169	37,810,456	18,842,383	9,456,090	8,989,474	4,086,226	6,603,819	2,950,874	3,803,658	1,832,273	912,940	467,540	82,235,443	56,603,459
Cost of turnover	31	24,393,064	21,054,059	19,209,115	9,642,565	6,817,158	3,381,891	4,792,331	2,229,845	3,113,459	1,498,963	783,145	401,028	59,108,272	38,208,351
Gross profit		18,690,105	16,756,397	(366,732)	(186,475)	2,172,316	704,335	1,811,488	721,029	690,199	333,310	129,795	66,512	23,127,171	18,395,108
Distribution costs	32	3,382,156	3,664,019	70,575	48,713	149,063	53,003	826,232	348,265	210,335	100,570	-	-	4,638,361	4,214,569
Administrative expenses	33	760,269	680,347	316,961	138,829	278,664	119,017	206,050	85,076	125,220	63,721	13,152	108,188	1,700,316	1,195,178
Operating result		14,547,680	12,412,031	(754,268)	(374,016)	1,744,589	532,315	779,206	287,688	354,644	169,019	116,643	(41,676)	16,788,494	12,985,361
29.1 Segment assets	29.5	43,928,057	44,577,175	7,643,268	8,988,264	15,888,823	13,995,600	7,046,119	7,489,480	3,191,493	2,975,150	2,716,991	602,248	76,819,198	69,673,431
29.2 Unallocated assets														11,196,864	4,561,669
														88,016,062	74,235,100
29.3 Segment liabilities	29.5	9,620,789	9,160,732	11,336,335	9,171,863	4,389,791	3,649,032	2,555,658	2,577,011	1,024,907	1,005,652	1,092,823	96,493	19,847,776	16,903,464
29.4 Unallocated liabilities														11,584,015	10,711,473
														31,431,791	27,614,937

29.5 Inter unit current account balances of respective businesses have been eliminated from the total.

		Cement 2014	Cement 2013	Polyester 2014	Polyester 2013	Soda Ash 2014	Soda Ash 2013	Life Sciences 2014	Life Sciences 2013	Chemicals 2014	Chemicals 2013	LCLIHL/ICI PowerGen 2014	LCLIHL/ICI PowerGen 2013	Group 2014	Group 2013
29.6 Depreciation and amortisation		2,073,303	1,885,467	680,968	296,920	963,151	408,593	29,134	14,505	47,309	28,461	56,909	30,086	3,850,774	2,664,032
29.7 Capital expenditure		3,072,210	1,886,264	1,627,533	407,574	803,035	550,903	43,008	16,997	35,232	19,671	21,695	11,573	5,602,713	2,892,982

29.8 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

29.9 There were no major customer of the Group which formed part of 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

		Note	2014	2013
			Rupees in '000'	
30	RECONCILIATIONS OF REPORTABLE SEGMENT TURNOVER, COST OF SALES, ASSETS AND LIABILITIES			
30.1	Turnover			
	Total turnover for reportable segments	29	95,185,582	64,424,945
	Elimination of inter-segment turnover		(19,084)	(9,785)
	Elimination of inter-segment turnover from subsidiary		(1,068,140)	(543,181)
			94,098,358	63,871,979
30.2	Cost of turnover			
	Total cost of sales for reportable segments	29	59,108,272	38,208,351
	Elimination of inter-segment purchases		(19,084)	(9,785)
	Elimination of inter-segment purchases from subsidiaries		(1,068,140)	(543,181)
			58,021,048	37,655,385
30.3	Assets			
	Total assets for reportable segments	29	76,819,198	69,673,431
	Unallocated assets included in:			
	- taxation - net		1,502,916	1,759,287
	- bank deposits	19	7,979,069	2,307,682
	- long term investments	8	1,714,879	2,500
	- long term advance against issuance of shares	9	–	492,200
			88,016,062	74,235,100
30.4	Liabilities			
	Total liabilities for reportable segments	29	19,847,776	16,903,464
	Unallocated liabilities included in:			
	- short-term borrowings and running finance	25	437,368	2,654,549
	- long-term finance	22	11,146,647	8,056,924
			31,431,791	27,614,937

31 COST OF TURNOVER

	Note	Cement 2014	Cement 2013 (Restated)	Polyester 2014	Polyester 2013 (Restated)	Soda Ash 2014	Soda Ash 2013 (Restated)	Life Sciences 2014	Life Sciences 2013 (Restated)	Chemicals 2014	Chemicals 2013 (Restated)	LCLIHL/ICI PowerGen 2014	LCLIHL/ICI PowerGen 2013 (Restated)	Group 2014	Group 2013 (Restated) (Note 4.13)
		Rupees in '000'													
Salaries, wages and benefits		1,448,779	1,228,225	347,903	155,689	645,747	256,409	2,832	1,049	44,669	18,379	18,725	11,541	2,508,655	1,671,292
Raw material consumed		1,166,151	1,163,164	15,182,224	8,075,007	2,156,381	894,512	1,876,164	618,434	1,737,840	922,186	635,407	331,020	22,754,167	12,004,323
Packing material	31.1	2,875,786	2,203,968	-	-	-	-	-	-	-	-	-	2,875,786	2,203,968	
Fuel and power		14,830,391	12,984,960	1,890,218	1,002,818	2,713,782	1,210,796	-	-	12,481	4,690	41,948	13,950	19,488,820	15,217,214
Stores and spares consumed		1,913,893	1,307,709	183,251	69,819	104,415	47,339	-	-	7,697	2,293	17,615	7,621	2,226,871	1,434,781
Conversion fee paid to contract manufacturers		-	-	-	-	-	-	396,884	136,435	10,056	4,871	-	-	406,940	141,306
Repairs and maintenance		152,330	131,829	4,596	1,657	891	3	608	-	4,678	2,174	120	61	163,223	135,724
Depreciation / amortization	6.2 & 7.2	1,750,528	1,636,774	644,933	279,676	923,435	389,387	262	461	21,045	15,115	56,909	30,086	3,397,112	2,351,499
Insurance		68,652	74,929	24,031	12,923	27,989	16,970	-	-	1,110	563	1,395	875	123,177	106,260
Write-offs		-	-	1,708	20,706	-	751	82	23,247	-					
Provision for slow moving spares	11.3	10,000	45,045	-	-	-	-	-	-	-	-	-	-	10,000	45,045
Earth moving machinery		213,034	186,666	-	-	-	-	-	-	-	-	-	-	213,034	186,666
Vehicle running and maintenance		53,818	44,526	-	-	-	-	-	-	-	-	-	-	53,818	44,526
Communication		13,345	11,813	-	-	-	-	-	-	-	-	-	-	13,345	11,813
Mess subsidy		39,514	27,567	-	-	-	-	-	-	-	-	-	-	39,514	27,567
Transportation		17,029	4,604	-	-	-	-	-	-	-	-	-	-	17,029	4,604
Travelling and conveyance		7,787	3,697	-	-	-	-	-	-	-	-	-	-	7,787	3,697
Inspection fee for electrical installation		1,279	1,279	-	-	-	-	-	-	-	-	-	-	1,279	1,279
Rent, rates and taxes		4,824	2,114	936	490	1,098	864	-	-	14,321	6,948	420	210	21,599	10,626
Printing and stationery		3,356	4,720	-	-	-	-	-	-	-	-	-	-	3,356	4,720
Excise duty		-	-	-	-	-	-	-	-	-	-	9,321	4,737	9,321	4,737
Technical fees		-	-	-	-	-	-	1,020	-	2,807	1,354	-	-	3,827	1,354
Royalty		-	-	-	-	1,629	-	-	-	-	-	1,629	-		
Other manufacturing expenses		99,349	74,571	166,739	67,477	168,250	67,482	2,887	1,167	17,027	6,940	1,203	464	455,455	218,101
		24,669,845	21,138,160	18,446,539	9,665,556	6,762,694	2,883,762	2,282,286	757,546	1,874,482	985,513	783,145	400,565	54,818,991	35,831,102
Work-in-process:															
Opening		373,356	564,367	170,516	78,518	-	-	59,475	75,076	2,850	1,336	-	-	606,197	719,297
Closing		(628,533)	(373,356)	(143,343)	(170,516)		-	(16,447)	(59,475)	(5,551)	(2,850)	-	-	(793,874)	(606,197)
		(255,177)	191,011	27,173	(91,998)	-	-	43,028	15,601	(2,701)	(1,514)	-	-	(187,677)	113,100
Cost of goods manufactured		24,414,668	21,329,171	18,473,712	9,573,558	6,762,694	2,883,762	2,325,314	773,147	1,871,781	983,999	783,145	400,565	54,631,314	35,944,202
Finished goods:															
Opening		434,254	159,142	994,304	1,057,345	78,767	401,569	793,560	1,154,780	404,476	292,063	-	-	2,705,361	3,064,899
Purchases		-	136,304	6,979	-	175,327	2,977,682	1,098,109	1,203,805	631,964	-	463	4,317,791	1,912,842	
Closing		(455,858)	(434,254)	(395,205)	(994,304)	(24,303)	(78,767)	(1,291,836)	(793,560)	(366,603)	(404,476)	-	-	(2,533,805)	(2,705,361)
Provision		-	-	(1,013)	-	-	(12,389)	(2,631)	-	(4,587)	-	-	(12,389)	(8,231)	
		(21,604)	(275,112)	735,403	69,007	54,464	498,129	2,467,017	1,456,698	1,241,678	514,964	-	463	4,476,958	2,264,149
		24,393,064	21,054,059	19,209,115	9,642,565	6,817,158	3,381,891	4,792,331	2,229,845	3,113,459	1,498,963	783,145	401,028	59,108,272	38,208,351

31.1 These are net of duty draw back on export sales amounting to Rs.67.531 million (2013: 56.545 million).

31.2 Included herein is an amount Rs 1.740 million (2013: Rs 0.870 million) charged within the Group for certain administrative service charges in accordance with the service level agreement which has been eliminated from the total.

	Note	Cement 2014	Cement 2013 (Restated)	Polyester 2014	Polyester 2013 (Restated)	Soda Ash 2014	Soda Ash 2013 (Restated)	Life Sciences 2014	Life Sciences 2013 (Restated)	Chemicals 2014	Chemicals 2013 (Restated)	LCLIHL/ICI PowerGen 2014	LCLIHL/ICI PowerGen 2013 (Restated)	Group 2014	Group 2013 (Restated) (Note 4.13)
		Rupees in '000'													
32 DISTRIBUTION COST															
Salaries and benefits		88,882	68,416	42,010	19,067	24,624	8,955	331,964	121,600	68,240	27,494	-	-	555,720	245,532
Logistics and related charges		2,977,342	3,307,396	2,751	5,014	81,359	30,530	61,650	30,299	66,133	28,307	-	-	3,189,235	3,401,546
Loading and others		112,246	58,748	-	-	-	-	-	-	-	-	-	-	112,246	58,748
Communication		4,212	3,444	1,155	779	1,191	343	17,982	8,856	3,425	2,477	-	-	27,965	15,899
Travelling and conveyance		4,897	3,691	7,415	3,350	3,138	1,336	116,545	43,833	16,408	7,761	-	-	148,403	59,971
Printing and stationery		1,549	1,243	-	-	-	-	-	-	-	-	-	-	1,549	1,243
Insurance		16,946	19,750	-	-	370	597	7,238	5,069	2,264	1,594	-	-	26,818	27,010
Rent, rates and taxes		19,464	12,968	400	192	3,015	1,529	7,936	4,179	1,225	613	-	-	32,040	19,481
Utilities		2,335	1,627	107	59	1,862	680	3,336	1,357	6,292	1,453	-	-	13,932	5,176
Vehicle running and maintenance		14,828	12,251	-	-	-	-	-	-	-	-	-	-	14,828	12,251
Repairs and maintenance		2,859	1,155	155	101	1,810	1,092	2,828	1,378	2,491	856	-	-	10,143	4,582
Fees, subscription and periodicals		1,916	408	-	-	-	-	-	-	-	-	-	-	1,916	408
Advertisement and sales promotion		38,930	86,166	1,103	193	15,409	42	118,980	62,127	5,347	3,926	-	-	179,769	152,454
Entertainment		2,982	1,395	-	-	-	-	-	-	-	-	-	-	2,982	1,395
Security service		2,475	1,702	-	-	-	-	-	-	-	-	-	-	2,475	1,701
Depreciation / amortization	6.2 & 7.2	78,393	76,961	769	-	2,454	447	11,739	5,593	5,256	3,417	-	-	98,611	86,418
Royalty		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs		-	-	-	-	-	-	862	-	-	-	-	-	862	-
Other general expenses		11,900	6,698	14,710	19,958	13,831	7,452	145,172	63,974	33,254	22,672	-	-	218,867	120,754
		3,382,156	3,664,019	70,575	48,713	149,063	53,003	826,232	348,265	210,335	100,570	-	-	4,638,361	4,214,569
33 ADMINISTRATIVE EXPENSES															
Salaries and benefits		310,580	223,155	186,182	71,248	168,080	63,086	111,969	45,159	78,635	32,897	1,379	-	856,825	435,545
Communication		14,044	13,068	3,276	1,633	3,154	1,420	2,935	1,167	1,707	827	-	-	25,116	18,115
Travelling and conveyance		38,173	23,539	7,872	3,203	4,753	1,941	7,113	2,402	4,109	2,292	-	-	62,020	33,377
Insurance		10,588	3,144	1,310	493	1,567	589	2,793	2,390	426	160	-	-	16,684	6,776
Rent, rates and taxes		6,324	4,434	5,645	2,838	2,986	1,441	965	466	645	312	-	-	16,565	9,491
Vehicle running and maintenance		24,305	19,345	-	-	-	-	-	-	-	-	-	-	24,305	19,345
Aircraft running and maintenance		56,611	20,052	-	-	-	-	-	-	-	-	-	-	56,611	20,052
Printing and stationery		8,818	9,247	-	-	-	-	-	-	-	-	5	34	8,823	9,281
Fees and subscription		28,481	19,473	-	-	-	-	-	-	-	-	780	5,630	29,261	25,103
Security services		12,091	8,542	-	-	-	-	-	-	-	-	-	-	12,091	8,542
Legal fee		9,475	6,955	-	-	-	-	-	-	-	-	2,680	98,673	12,155	105,628
Professional and advisory services		22,262	216,887	-	-	-	-	-	-	-	-	-	-	22,262	216,887
Transportation and freight		868	1,297	-	-	-	-	-	-	-	-	-	91	868	1,388
Utilities		6,745	5,745	6,241	2,987	4,905	2,874	9,118	2,909	1,060	621	-	-	28,069	15,136
Repairs and maintenance		42,806	19,954	4,235	2,797	3,470	1,582	4,732	1,686	1,185	481	-	-	56,428	26,500
Advertisement		2,039	2,219	5,057	1,018	5,778	1,159	1,915	388	1,249	251	-	-	16,038	5,035
Auditors' remuneration *	33.1	2,273	2,029	-	-	-	-	-	-	-	-	3,937	3,139	6,210	5,168
Other auditors' remuneration	33.2	280	218	-	-	-	-	-	-	-	-	-	-	280	218
Depreciation / amortization	6.2 & 7.2	142,226	69,661	35,266	17,244	37,262	18,759	17,133	8,451	21,008	9,929	-	-	252,895	124,044
Write-offs		-	-	993	1,188	-	667	-	448	-	-	-	-	3,296	-
Provision for doubtful debts		-	-	-	-	-	-	1,556	-	-	774	-	-	1,556	774
Provision for slow moving and obsolete stocks		-	-	-	1,013	-	-	12,389	2,631	-	4,587	-	-	12,389	8,231
Provision for slow moving spares		-	-	-	-	52	-	102	-	-	-	-	-	154	-
Training cost		6,906	1,708	-	-	-	-	-	-	-	-	-	-	6,906	1,708
Other general expenses	33.3	14,374	9,675	60,884	34,355	45,469	26,166	32,663	17,427	14,748	10,590	4,371	621	172,509	98,834
		760,269	680,347	316,961	138,829	278,664	119,017	206,050	85,076	125,220	63,721	13,152	108,188	1,700,316	1,195,178

* Auditors' remuneration reported under "Others" pertains to ICI and ICI PowerGen.

		2014	2013
		Rupees in '000'	
33.1	**Auditors' remuneration**		
	Statutory audit fee of the Holding Company's		
	- standalone financial statements	1,294	1,100
	- consolidated financial statements	312	300
	Audit fee of the subsidiary companies	3,937	2,750
	Half yearly review fee	359	300
	Fee for the review of Code of Corporate Governance	78	75
	Out of pocket expenses	230	643
		6,210	5,168
33.2	**Cost auditors' remuneration**		
	Cost audit fee	259	200
	Out of pocket expenses	21	18
		280	218

33.3 Included herein is an amount Rs Nil (2013: Rs 0.120 million) charged within the Group for certain administrative service charges in accordance with the service level agreement which has been eliminated from the total.

		Note	2014	2013
			Rupees in '000'	
34	**FINANCE COSTS**			
	Mark-up on long-term finance		650,590	290,204
	Mark-up on short-term borrowings		327,724	180,590
	Interest on workers' profit participation fund		5,108	12,711
	Discounting charges on receivables		46,292	20,917
	Exchange loss		4,775	38,343
	Bank charges and commission		18,429	19,463
	Guarantee fee and others		26,562	1,998
			1,079,480	564,226
35	**OTHER CHARGES**			
	Workers' Profit Participation Fund	26.2	872,386	674,315
	Workers' Welfare Fund		43,140	22,395
	Donations	35.1 & 35.2	291,533	215,934
			1,207,059	912,644

35.1 Included herein is donation amounting to Rs. 105 million (2013: Rs.135 million) to Aziz Tabba Foundation (ATF). ATF is located at 1-A, Latif Cloth Market, M.A. Jinnah Road, Karachi. Mr. Muhammad Yunus Tabba, Chairman of the Board of Directors of the Holding Company, is the Chairman of ATF and Mr. Muhammad Ali Tabba, the Chief Executive of the Holding Company, is the Vice Chairman of ATF. Further, Mr. Muhammad Sohail Tabba, Mr. Muhammad Jawed Yunus Tabba, Mrs. Rahila Aleem and Mrs. Zulekha Tabba Maskatiya, the Directors of the Holding Company, are the Directors of ATF.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

35.2 Included herein is a provision in respect of donation to ICI Pakistan Foundation (Head office, Karachi) amounting to Rs. 17.452 million (2013: Rs. 7.450 million). Mr. Asif Jooma, the Chief Executive of ICI, Mr. Suhail Aslam Khan, Mr. Asif Malik, Ms. Saima Kamila Khan and Ms. Fathema Zuberi, Executives of the Group are amongst the Trustees of the Foundation. No amount has been paid during the current year and corresponding period.

		Note	2014	2013
			Rupees in '000'	
36	OTHER INCOME			
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	6.3	8,731	15,028
	Sale of electricity		1,682,520	1,525,398
	Cost of sale of electricity		(1,501,218)	(1,302,914)
			181,302	222,484
	Scrap sales		67,994	22,563
	Exchange gain - net		137,113	–
	Provisions and accruals no longer required written back		138,552	92,214
	Others		36,412	19,378
			570,104	371,667
	Income from financial assets			
	(Loss) / gain on investment		(991)	62
	Dividend income		10,072	–
	Interest income on deposits		710,846	2,964
			719,927	3,026
			1,290,031	374,693
37	TAXATION			
	Current		3,207,319	541,867
	Prior		(103,571)	(35,887)
	Deferred		95,891	1,558,596
			3,199,639	2,064,576
37.1	Relationship between income tax expense and accounting profit:			
	Tax at the applicable tax rate of 34% (2013: 35%)		5,362,957	4,040,283
	Tax impact on profit of the ICI PowerGen	37.3	(45,186)	(24,885)
	Effect of prior year change		(103,571)	(35,887)
	Effect of credit under section 65B		(316,690)	–
	Effect of change in tax rate on beginning deferred tax balance		(127,362)	–
	Tax effects of items not deductible for tax purposes		7,278	2,608
	Tax effect under lower rate of tax		(1,248,425)	(1,114,523)
	Others		(329,362)	(803,020)
			3,199,639	2,064,576

37.2 The tax assessments of the Holding Company have been finalized upto and including the tax year 2013.

37.3 The minimum turnover tax on ICI PowerGen has been waived under second schedule of the Income Tax Ordinance 2001 and accordingly, the income of the ICI PowerGen is exempt under the provision of Income Tax Ordinance 2001.

38 EARNINGS PER SHARE - basic and diluted

There is no dilutive effect on the basic earnings per share of the Holding Company, which is based on:

	2014	2013
Profit attributable to owners of the Holding Company (Rupees in thousands)	11,892,359	9,718,135
Weighted average number of ordinary shares (in thousands)	323,375	323,375
Basic and diluted earnings per share - (Rupees)	36.78	30.05

	Note	2014	2013
		Rupees in '000'	
39 CASH GENERATED FROM OPERATIONS			
Profit before taxation		15,773,403	11,883,184
Adjustments for non cash charges and other items			
Depreciation	6.2	3,436,048	2,462,539
Amortization on intangible assets	7.2	414,726	201,493
Provision for slow moving spares	11.3	10,000	45,045
Provision for slow moving and obsolete stocks		12,389	8,231
Gain on disposal of property, plant and equipment	6.3	(8,731)	(15,028)
Assets written-off	6.5 & 7.3	27,403	–
Loss on disposal of intangible asset		–	9
Provision for staff gratuity	24.1.1.2	200,628	174,873
Share of loss in equity-accounted investments		18,582	–
Finance costs	34	1,079,480	564,226
Profit before working capital changes		20,963,928	15,324,572
(Increase) / decrease in current assets			
Stores, spares and consumables		(911,745)	153,697
Stock-in-trade		(232,555)	908,600
Trade debts		(401,939)	(913,153)
Loans and advances		66,013	(78,601)
Trade deposits and short-term prepayments		(5,597)	(29,877)
Other receivables		(306,532)	(710,549)
		(1,792,355)	(669,883)
Increase / (decrease) in current liabilities			
Trade and other payables		2,752,635	(2,147,386)
		21,924,208	12,507,303

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

40.1 Aggregate amounts charged in these consolidated financial statements are as follows :

Particulars	Chief Executive		Director(s)		Executives		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Rupees in '000'							
Remuneration	28,000	22,044	1,600	2,150	991,133	361,437	1,020,733	385,631
House rent allowance	11,200	8,818	640	860	309,902	125,246	321,742	134,924
Utility allowance	2,800	2,205	160	215	74,051	28,901	77,011	31,321
Conveyance allowance	–	–	–	–	29,488	15,527	29,488	15,527
Charge for defined benefit obligation	3,500	17,500	200	613	181,047	69,627	184,747	87,740
Group insurance	–	–	–	–	4,503	580	4,503	580
Medical expenses	–	–	–	–	31,339	15,206	31,339	15,206
	45,500	50,567	2,600	3,838	1,621,463	616,524	1,669,563	670,929
Number of persons	1	1	1	2	670	511	672	514

40.2 In addition to the above, chief executive, director(s) and some executives are provided with the Group maintained cars and other benefits as per the Group policy.

40.3 An amount of Rs. 200,000/- was paid to 6 non executive directors and Rs. 80,000/- was paid to 2 executive directors during the year as fee for attending board meetings (2013: 9 non executive directors were paid Rs. 360,000/- and 2 executive directors were paid Rs. 130,000/-).

41 TRANSACTIONS WITH RELATED PARTIES

41.1 Related parties comprise associated entities, entities with common directorship, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2014	2013
	Rupees in '000'	
Associates		
Lucky Paragon ReadyMix Limited		
Sales	250,665	193,459
Fazal Textile Mills Limited		
Sales	302,051	32,663
Yunus Textile Mills Limited		
Sales	181,242	4,607
Lucky Textile Mills		
Sales	35,007	27,205
Gadoon Textile Mills Limited		
Sales	1,249,358	9,709
Aziz Tabba Foundation		
Sales	1,995	1,562
Donation	105,000	135,000
Lucky One (Pvt) Limited		
Sales	172,855	112,208
Lucky Commodities		
Sales	229,494	31,237
Lucky Air (Pvt) Limited		
Services	20,882	13,455
Yunus Energy Limited		
Investment	750	–
Arabian Sea Country Club Limited		
Purchase of goods, materials and services	127	–
Lucky Knits (Pvt) Ltd		
Sales	3,745	–
Staff Retirement Benefit Plan		
Contribution	174,592	–

41.2 There are no transactions with key management personnel other than under the terms of employment.

42 PRODUCTION CAPACITY

In metric tones except ICI PowerGen which is thousand of megawatt hours:

	Note	2014		2013	
		Annual Name plate Capacity	Production	Annual Name plate Capacity	Production
Cement	42.1	7,750,000	6,621,208	7,750,000	6,150,440
Clinker		–	6,365,814	–	5,770,980
Polyester	42.2	122,000	109,810	122,000	54,428
Soda Ash	42.2	350,000	287,445	350,000	118,864
Chemicals	42.3	–	15,643	–	9,291
Sodium Bicarbonate		26,000	27,000	20,000	13,070
PowerGen	42.4	122,640	42,873	122,640	22,567

42.1 Production capacity utilization is 85.43% (2013: 79.36%) of total installed capacity. The shortfall is due to low demand.

42.2 Production of Soda Ash was greater as compared to previous year since coal fired boilers became online during current year. Further last period production was low due to gas curtailment.

42.3 The capacity of Chemicals is indeterminable because these are multi-product plants.

42.4 Electricity by ICI PowerGen is produced as per demand.

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's principal financial liabilities comprise long-term finance, long-term deposits, short-term borrowings and running finance and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as investments, loans, deposits, trade and other receivables and cash and bank balances, which are directly related to its operations. The Group's finance and treasury departments oversee the management of these risks and provide assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and risk appetite. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2014. The policies for managing each of these risks are summarized below:

43.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments susceptible to market risk include deposits, loans and borrowings. The sensitivity analysis in the following sections relate to the position as at June 30, 2014 and 2013.

43.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. Bank balances carrying interest at rates between 6% and 10.25% (2013: 5% and 11.5%). The Group mitigates its risk against exposure through focusing on short term borrowings that are available at lower rates to the Group and maintaining bank balances.

Notes to the Consolidated Financial Statements

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43.1.1.1 Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit before tax.

	Increase/ decrease in basis points	Effect on Profit before tax
	Rupees in '000'	
2014		
Pak Rupee	+100	49,753
Pak Rupee	-100	(49,753)
2013		
Pak Rupee	+100	23,077
Pak Rupee	-100	(23,077)

43.1.2 Currency risk

Currency risk arises mainly due to fluctuation in foreign exchange rates. The Group also has transactional currency exposure. Such exposure arises from sales and purchases of certain materials by the Group in currencies other than Rupee. Approximately, 23% (2013: 23%) of the Group's sales are denominated in currencies other than Pakistani Rupee, while almost 77% (2013: 77%) of sales are denominated in local currency. When the management expects future depreciation of Pak Rupees, the Group enters into forward foreign exchange contracts in accordance with State Bank of Pakistan instructions.

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate. If Pakistani Rupee (Pak Rupee) had weakened / strengthened by 5% against the USD, with all other variables held constant, the effect on the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) at June 30, 2014 and 2013 would have been as follows:

	Increase/ decrease US Dollars to Pak Rupee	Effect on Profit before tax
	Rupees in '000'	
2014		
Pak Rupee	+5%	181,138
Pak Rupee	-5%	(181,138)
2013		
Pak Rupee	+5%	89,839
Pak Rupee	-5%	(89,839)

43.1.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices.

43.2 Credit risk

43.2.1 Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group manages credit risk by limiting significant exposure to any individual customers, by obtaining advance against sales and developing a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees. The Group does not have significant exposure to any individual customer. As of the balance sheet date, the Group is exposed to credit risk on the following assets:

	Note	2014	2013
		Rupees in '000'	
Long-term loans	9	273,597	202,071
Long-term deposits	10	28,854	27,807
Trade debts	13	2,961,424	2,559,485
Loans and advances	14	114,843	105,425
Trade deposits	15	46,940	183,396
Other receivables		1,821,575	1,406,329
Bank balances		11,712,608	3,476,425
		16,959,841	7,960,938

43.2.2 The ageing of trade debts and loans and advances at the reporting date is as follows:

	2014	2013
Not past due	3,000,251	3,068,587
Past due but not Impaired:		
Not more than three months	106,392	63,946
Past due and Impaired:		
More than three months and not more than one year	48,507	2,000
More than one year	138,242	103,858
	293,141	169,804
Less: Provision for:		
- Doubtful debts	93,664	94,802
- Doubtful loans and advances	7,292	7,292
	100,956	102,094
	3,192,436	3,136,297

43.2.3 Credit quality of financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank (in current and deposit accounts) as per credit rating agencies are as follows:

	2014	2013
	Rupees in '000'	
A1+	11,712,608	3,476,425

43.3 Liquidity risk

Liquidity risk reflects the Group's inability in raising fund to meet commitments. 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.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

	Less than one year	1 to 5 year	Total
		Rupees in '000'	
June 30, 2014			
Long-term finance	378,569	9,983,079	10,361,648
Long-term deposit	–	67,971	67,971
Short-term borrowings and running finance	453,556	–	453,556
Trade and other payables	10,808,562	–	10,808,562
Accrued mark-up	169,372	–	169,372
	11,810,059	10,051,050	21,861,109
June 30, 2013			
Long-term finance	265,400	7,791,524	8,056,924
Long-term deposit	–	57,125	57,125
Short-term borrowings and running finance	2,654,549	–	2,654,549
Trade and other payables	8,065,628	–	8,065,628
Accrued mark-up	224,729	–	224,729
	11,210,306	7,848,649	19,058,955

43.4 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction. As of the balance sheet date, the carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate to their fair values.

43.5 Capital management

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the year ended June 30, 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

During the year, the Group's strategy was to minimize leveraged gearing. The gearing ratios as at June 30, 2014 and 2013 were as follows:

	Note	2014	2013
		Rupees in '000'	
Long-term finance	22	9,983,078	7,791,524
Short-term borrowings and running finance	25	437,368	2,654,549
Trade and other payables	26	10,900,436	8,105,342
Accrued mark-up	27	223,656	224,729
Current portion of long-term finance	22	1,163,569	265,400
Total debt		22,708,107	19,041,544
Cash and bank balances	19	(11,723,248)	(3,746,968)
Net debt		10,984,859	15,294,576
Share capital	20	3,233,750	3,233,750
Reserves	21	47,145,858	37,895,741
Equity		50,379,608	41,129,491
Capital		61,364,467	56,424,067
Gearing ratio		17.90%	27.11%

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

44 ACCOUNTING JUDGEMENTS AND ESTIMATES

Income taxes

In making the estimates for income taxes payable by the Group, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in the past. The details of the tax matters are as follows:

The Appellate Tribunal Inland Revenue had earlier set aside the Subsidiary company's (ICI) assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalization of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalized by the department on June 29, 2010 giving rise to an additional tax demand. The Subsidiary company (ICI) had filed an appeal against the said order before the CIR (Appeals), the hearing of appeal of which has been completed and the order is awaited.

The tax department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from the Subsidiary company (ICI) was effective from the completion date i.e. August 6, 2001. This was challenged by the Group in the High Court which upheld the Subsidiary company's (ICI) contention that the department did not have the right to reopen this finalized assessment. The department filed an appeal in the Supreme Court against the High Court's order. The appeal was dismissed by the Supreme Court under the principle of well known case of Eli Lilly. After the Supreme Court's decision on retrospectively as mentioned above, a notice has been issued u/s 66A of the repealed Ordinance by Tax department on June 20, 2011, which was challenged by the Subsidiary company (ICI) in the High Court on the basis of Supreme Court's decision as above. However, despite the stay granted by High Court, the Tax Department issued an order on May 7, 2012 and raised the demand of the additional tax liability of Rs 19 million. The Subsidiary company (ICI) filed an appeal before the Appellate Tribunal Inland Revenue which decided the case in Subsidiary company's (ICI) favour on the basis that order issued on May 7, 2012 was time barred. The tax department has also issued an order through which Tribunal's order has been given effect and Subsidiary company's (ICI) position has been accepted.

For the assessment year 2002-2003 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the subsidiary company (ICI) had filed a writ petition in the Supreme Court 'after it being dismissed by the Sindh High Court on maintainability', challenging the tax department's notice that the effective date of PTA's demerger was August 6, 2001 rather than the effective date given in the Scheme of Arrangement as October 1, 2000. That notice had raised certain issues relating to vesting of PTA assets by the Subsidiary company (ICI). It is the Subsidiary company's (ICI) contention that such an action is unwarranted and which has illegally changed the settled position.

Whilst amending Subsidiary company's (ICI) assessment for the Tax Year 2003, 2004, 2005, 2007, 2008 and 2010 tax department has taken certain action in the order, considered by the department as " protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Subsidiary company's (ICI) contention that such an action is unwarranted. An appeal before the CIR (Appeals) , on the matter has been filed, which is pending. The very basis of such an action has also been challenged before the High Court of Sindh which are pending for hearing.

In April 2012, a notice had been issued by the Tax Department for recovery of tax demand of Rs 271 million for Tax year 2003 and Rs 310 million for Tax year 2004 on account of unabsorbed tax depreciation relating to the demerger of PPTA business. This notice has been issued by the Tax Department on the basis that revenue cases cannot be stayed by the High Court of Sindh for a period of more than six months as mentioned in Article 199(4A) of the Constitution of Pakistan. The Subsidiary company (ICI) through its counsel has filed a reply to Tax Department stating that since our assessments are protective assessments and as stated in the order the demand can only arise after the matter is finally decided by the Supreme Court for assessment year 2002-03. No action has been taken by the Tax Department after the reply of the Subsidiary company (ICI).

Notice under section 221 of the Income Tax Ordinance 2001 for rectification of deemed assessment order for the Tax Year 2005 has been issued to the Subsidiary company (ICI) to disallow unabsorbed depreciation carried forward. A writ petition against the said notice has been filed with the High Court of Sindh which is pending for hearing.

For Tax Year 2006, the case had been selected for audit/scrutiny and whilst framing the order tax department has taken certain action in the orders, considered by the department as "protective assessments" on the matter of unabsorbed depreciation carried forward. A tax demand of Rs 616 million was raised in the order. It is the Subsidiary company's (ICI) contention that such an action is unwarranted. An appeal before the CIR (Appeals) on the matter has been filed which is pending to date.

In June 2012, whilst amending the assessment for the Tax Year 2009, the tax department had disallowed the unabsorbed depreciation on the ground that there was no brought forward depreciation from Tax Year 2008 and a demand of Rs 972 million was created. It was the Subsidiary company's (ICI) contention that such an action was unwarranted. This position was totally different from the position taken earlier by the tax department. The Subsidiary company (ICI) had filed an appeal before the High Court of Sindh challenging the said order which had decided the case with the direction that the matter will be finalised by the CIR(Appeals) within six weeks from the date of High Court's Order. On August 15, 2012 CIR (Appeals) issued its order and upheld the order passed by the tax department earlier. The Subsidiary company (ICI) then filed an appeal before the Appellate Tribunal Inland Revenue against the said order of CIR (Appeals) as well as for the stay of demand. On November 15, 2012, the Tribunal decided the case in Subsidiary company's (ICI) favour on the basis that the original assessment order for assessment year 2001-02 passed on May 29, 2002 is now crystallized and therefore unabsorbed depreciation is available to the Subsidiary company (ICI). The Tax Department has also issued an order giving effect to the Tribunal's decision through which the unabsorbed depreciation has been allowed to be carried forward for adjustment in Tax Year 2009. Subsequently in July the Tax Department has also passed an order for Tax Year 2010 giving us the benefit of carried forward depreciation from Tax Year 2009. Subsequently, in July 2013, the Tax Department has also passed an order for Tax Year 2010, whereby allowed the benefit of carried forward depreciation from Tax Year 2009.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 24 to the consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuer and recommendation of technical teams of the Group. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Group reviews the value of the assets for possible impairment on an annual basis. The future cash flows used in the impairment testing of assets is based on management's best estimates which may change in future periods. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Provision for stores and spares

The Group has made estimation with respect to provision for slow moving, damaged and obsolete items and their net realizable value.

Future estimation of export sales

Deferred tax calculation has been based on estimate of future ratio of export and local sales.

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.

Impairment of goodwill and intangibles with indefinite lives

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The detail assumptions underlying impairment testing of goodwill and intangibles with indefinite lives are given in note 7.4 and 7.5 to these consolidated financial statements.

45 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 02, 2014 by the Board of Directors of the Holding Company.

46 NUMBER OF EMPLOYEES

The number of persons employed as on the balance sheet date was 3,454 (2013: 3,275) and the average number of employees during the year was 3,356 (2013: 3,267).

Notes to the Consolidated Financial Statements

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47 GENERAL

47.1 The Board of Directors in their meeting held on September 02, 2014 (i) approved the transfer of Rs. 8,433.365 million (2013: Rs.7,871.271 million) from un-appropriated profit to general reserve; and (ii) proposed final dividend of Rs. 9/- per ordinary share for the year ended June 30, 2014 amounting to Rs. 2,910.375 million (2013: Rs.2,587 million) for approval of the members at the Annual General Meeting to be held on October 17, 2014. These consolidated financial statements do not reflect this appropriation and the proposed dividend payable

47.2 For better presentation certain prior year's figures have been reclassified consequent to certain changes in the current year's presentation. However, there have been no material reclassification to report except for reclassification of eligible retired employees' medical scheme from deferred liabilities to trade and other payables amounting to Rs. 39.714 million.

47.3 Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

Muhammad Yunus Tabba
Chairman / Director

Muhammad Ali Tabba
Chief Executive

Pattern of Shareholding

As at June 30, 2014

No of. Shareholders	Shareholdings From	Shareholdings To	Total Shares hold
1453	1	100	59,601
949	101	500	297,008
2713	501	1000	1,560,156
522	1001	5000	1,198,743
115	5001	10000	854,703
67	10001	15000	855,378
35	15001	20000	626,257
25	20001	25000	560,085
22	25001	30000	617,231
11	30001	35000	365,160
12	35001	40000	457,584
6	40001	45000	248,437
10	45001	50000	494,500
6	50001	55000	322,582
4	55001	60000	229,440
3	60001	65000	188,990
5	65001	70000	337,977
6	70001	75000	434,992
5	75001	80000	394,384
2	80001	85000	167,146
2	85001	90000	176,367
2	90001	95000	187,864
3	105001	110000	327,400
1	110001	115000	113,600
2	115001	120000	233,100
1	125001	130000	130,000
1	130001	135000	130,088
2	140001	145000	282,400
1	145001	150000	150,000
4	155001	160000	630,033
3	160001	165000	486,400
3	165001	170000	504,904
3	170001	175000	519,590
3	175001	180000	533,125
1	180001	185000	182,500
1	190001	195000	193,069
1	195001	200000	200,000
2	200001	205000	405,500
1	205001	210000	208,008
1	215001	220000	215,300
2	220001	225000	447,000
3	225001	230000	682,800
1	240001	245000	242,700
1	250001	255000	251,800
1	260001	265000	261,476
2	265001	270000	537,000
1	270001	275000	271,451

Pattern of Shareholding

As at June 30, 2014

No of. Shareholders	Shareholdings From	To	Total Shares hold
3	275001	280000	833,210
3	285001	290000	864,890
2	295001	300000	595,606
1	300001	305000	303,010
1	310001	315000	312,006
2	325001	330000	659,420
1	340001	345000	344,361
4	345001	350000	1,389,087
1	360001	365000	364,200
2	370001	375000	745,025
1	380001	385000	383,700
1	390001	395000	391,600
1	400001	405000	404,200
1	405001	410000	407,100
2	430001	435000	861,809
3	450001	455000	1,361,500
2	465001	470000	934,554
1	470001	475000	470,900
1	480001	485000	485,000
1	485001	490000	486,500
2	490001	495000	986,758
1	515001	520000	517,925
1	550001	555000	554,700
1	555001	560000	558,800
1	570001	575000	573,015
1	575001	580000	579,200
1	600001	605000	603,400
2	605001	610000	1,216,000
1	615001	620000	620,000
1	620001	625000	620,946
1	640001	645000	645,000
1	680001	685000	685,000
2	710001	715000	1,424,017
2	730001	735000	1,465,417
1	765001	770000	765,600
1	780001	785000	782,531
1	800001	805000	802,824
1	825001	830000	825,700
1	835001	840000	839,000
1	845001	850000	849,277
1	865001	870000	868,700
2	875001	880000	1,758,300
1	920001	925000	920,700
1	970001	975000	974,700
1	995001	1000000	1,000,000
1	1000001	1005000	1,000,900
1	1085001	1090000	1,088,701
1	1140001	1145000	1,144,441

No of. Shareholders	Shareholdings From	To	Total Shares hold
1	1195001	1200000	1,200,000
1	1380001	1385000	1,381,200
1	1485001	1490000	1,486,712
1	1600001	1605000	1,603,813
1	1605001	1610000	1,605,800
1	1750001	1755000	1,754,618
1	1900001	1905000	1,902,735
2	1925001	1930000	3,858,900
1	1950001	1955000	1,954,400
1	1975001	1980000	1,978,400
2	1985001	1990000	3,973,800
3	2045001	2050000	6,139,325
1	2095001	2100000	2,095,212
1	2590001	2595000	2,592,500
1	2685001	2690000	2,687,500
1	2695001	2700000	2,697,902
1	2700001	2705000	2,701,000
1	3095001	3100000	3,097,250
1	3125001	3130000	3,127,100
2	3215001	3220000	6,438,900
1	3230001	3235000	3,233,400
1	3275001	3280000	3,278,750
1	3295001	3300000	3,298,598
1	3495001	3500000	3,499,075
1	3660001	3665000	3,663,879
1	3930001	3935000	3,934,855
1	3975001	3980000	3,977,500
1	4275001	4280000	4,275,300
1	4835001	4840000	4,837,500
1	5270001	5275000	5,274,700
3	5370001	5375000	16,125,000
2	6065001	6070000	12,140,000
1	6410001	6415000	6,411,400
1	6560001	6565000	6,560,550
1	7510001	7515000	7,510,275
1	7560001	7565000	7,560,275
1	8155001	8160000	8,158,700
1	8225001	8230000	8,230,000
1	8955001	8960000	8,958,351
1	11480001	11485000	11,482,875
1	13590001	13595000	13,591,550
1	21445001	21450000	21,446,283
2	22800001	22805000	45,606,058
6,139			**323,375,000**

Pattern of Shareholding

As at June 30, 2014

Shareholders' Category	Number of Shareholders	Number Share Held	Percentage %
Directors, Chief Executive Officer and their spouse and minor children	17	76,370,724	23.62
Associated Companies, Undertakings and related parties	4	40,205,256	12.43
NIT and ICP	3	3,833,878	1.19
Public Sector Companies and Corporations	8	3,075,903	0.95
Banks, Development Financial Institutions, Non Banking Financial Institutions	28	4,602,581	1.42
Insurance Companies	10	582,600	0.18
Modarabas and Mutual Funds	62	11,395,582	3.52
Share holders holding 10% or more:	0	0	–
General Public			
a. Local	5774	43,520,504	13.46
b. Foreign	108	134,569,225	41.61
Other (to be specified)	125	5,218,747	1.61
	6139	323,375,000	100.00

Additional Information

As at June 30, 2014

Shareholder's Category	No of. Shareholders	No of. Share Held	Percentage %
Associated Companies, undertakings and related parties			
YUNUS TEXTILE MILLS LIMITED	1	21,446,283	6.63
LUCKY ENERGY (PRIVATE) LIMITED	1	11,482,875	3.55
YOUNUS TEXTILE (PRIVATE) LIMITED	1	3,977,500	1.23
YB PAKISTAN LIMITED	1	3,298,598	1.02
Mutual Funds			
Prudential Stocks Fund Ltd (03360)	1	30,000	0.01
SECURITY STOCK FUND LTD	1	3,762	0.00
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1	140,300	0.04
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	4,600	0.00
CDC - TRUSTEE PICIC INVESTMENT FUND	1	868,700	0.27
CDC - TRUSTEE PICIC GROWTH FUND	1	1,954,400	0.60
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	1	19	0.00
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	75,000	0.02
CDC - TRUSTEE MEEZAN BALANCED FUND	1	271,451	0.08
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	65,377	0.02
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	31,348	0.01
CDC - TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	1	43,000	0.01
MC FSL - TRUSTEE JS KSE-30 INDEX FUND	1	5,872	0.00
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	712,617	0.22
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	3,663,879	1.13
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	383,700	0.12
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1	80,000	0.02
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	554,700	0.17
CDC - TRUSTEE NAFA STOCK FUND	1	156,133	0.05
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	93,364	0.03
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	40,700	0.01
CDC - TRUSTEE APF-EQUITY SUB FUND	1	8,000	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND	1	54,900	0.02
CDC - TRUSTEE HBL - STOCK FUND	1	465,136	0.14
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1	73,300	0.02
CDC - TRUSTEE APIF - EQUITY SUB FUND	1	13,000	0.00
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	130,088	0.04
CDC - TRUSTEE IGI STOCK FUND	1	83,046	0.03
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	38,500	0.01
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,754,618	0.54
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	1	8,197	0.00
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	15,000	0.00
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	168,800	0.05
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	1	13,300	0.00
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	12,800	0.00
CDC - TRUSTEE PICIC INCOME FUND - MT	1	7,400	0.00
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	193,069	0.06
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	1	57,048	0.02
CDC - TRUSTEE PICIC STOCK FUND	1	32,800	0.01
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	20,700	0.01
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	15,000	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	7,700	0.00
CDC - TRUSTEE IGI INCOME FUND - MT	1	1,100	0.00
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	173,090	0.05

Shareholder's Category	No of. Shareholders	No of. Share Held	Percentage %
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	1	15,000	0.00
CDC - TRUSTEE ATLAS INCOME FUND - MT	1	41,500	0.01
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	200,700	0.06
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	1	10,000	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	14,500	0.00
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	1	161,500	0.05
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	1	30,000	0.01
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	1,000	0.00
CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	51,000	0.02
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	20,400	0.01
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,902,735	0.59
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	20,000	0.01
CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	1	7,800	0.00
CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	1	7,800	0.00
Directors and their spouse(s) and minor children			
MR. MUHAMMAD ALI TABBA (DIRECTOR)	2	11,657,775	3.61
MRS. FEROZA TABBA (SPOUSE)	1	645,000	0.20
MR. MUHAMMAD YUNUS TABBA (DIRECTOR)	2	9,839,300	3.04
MRS. KHAIRUNNISA (SPOUSE)	2	8,062,500	2.49
MR. MUHAMMAD SOHAIL TABBA (DIRECTOR)	2	12,397,775	3.83
MRS. SAIMA SOHAIL TABBA (SPOUSE)	1	6,070,000	1.88
MR. JAWED YUNUS TABBA (DIRECTOR)	2	18,966,550	5.87
MRS. RAHILA ALEEM (DIRECTOR)	2	5,314,662	1.64
MRS. ZULEKHA TABBA MASKATIYA (DIRECTOR)	2	3,416,162	1.06
MR. TARIQ IQBAL KHAN (DIRECTOR)	1	1,000	0.00
MR. MUHAMMAD ABID GANATRA (DIRECTOR)	2	4,910	0.00
Executives	15	11,107	0.00
Public Sector Companies and Corporations	8	3,075,903	1.01
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	44	5,228,667	1.62
Share holders holding 5% or more			
JAWED YUNUS TABBA - DIRECTOR	2	18,966,550	5.87
YUNUS TEXTILE MILLS LIMITED - ASSOCIATED COMPANY	1	21,446,283	6.63
KENZO HOLDINGS LIMITED - FOREIGNER	1	22,803,029	7.05
ROSSNEATH INVESTMENTS LIMITED - FOREIGNER	1	22,803,029	7.05

Details of trading in the shares by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor Children has traded in the shares of the Company during the year of the company, except 10 shares traded by Director and 5 shares traded by Company Secretary.

Form of Proxy

I/We ____

of (full address)______________________________________

being a member of Lucky Cement Limited hereby appoint ______________________

______________________ of (full address) ______________________

____

or failing him / her ______________________________________

or (full address)______________________________________

who is also a member of Lucky Cement Limited, as my / our proxy in my / our absence to attend and vote for me / and on my / our behalf at the 21st Annual General Meeting the Company to be held on October 17, 2014 and / or any adjournment thereof.

Signature this ______________________ ______________________ Year 2014 ____

(day) (date, month)

Signature of Member:______________________

Folio / CDC Number :______________________

Number of shares held:______________________

CNIC No.:______________________

Please affix revenue stamp

Signature and Company seal

Signatures, name and addresses of winesses

1. ____

____

2. ____

____

Important:

1. In order to be effective, this Proxy Form duly completed, signed and witnessed along with Power of Attorney, or other instruments (if any,) must be deposited at the registered office of the Company at factory premises Pezu, District Lakki Marwat, Khybar Pakhtunkhwa at least 48 hours before the time of the meeting.

2. If a member appoints more than one Proxy and more than one form of Proxy are deposited by a member with the Companym all such forms of Proxy shall be rendered invalid.

3. In case of Proxy for an individual beneficial owner of shares from CDC, attested copies of beneficial owner's Computerised National Identity Card or Passport, Account and Participant's ID Numbers must be deposited along with the form of Proxy. In case of Proxy for representative of corporate memebrs from CDC, Board of Directors' resolution and / or Power of Attomey with the specimen signature of the nominee must be deposited along with the form of Proxy. The Proxy shall produce his / her original Computerised National Identity Card or Passport at the time of the meeting.

Dividend Mandate

Dear Member / Shareholder

Withholding Tax on Dividends

In pursuance to the Finance Act 2014 the withholding tax rates have been revised and it has been directed that all non-filers of Income Tax returns will be taxed @ 15%. However, the regular filers of Income Tax return will continue to be taxed @ 10%.

You are therefore requested to please send the information related to your NTN number along-with documentary evidence of your latest tax filed E-return, in case your name is not appearing in the active tax payer list available and updated by Federal Board of Revenues (FBR) from time to time at FBR website **http://www.fbr.gov.pk**

If we do not receive your reply along-with required documentary evidence by October 02, 2014, we will have no option but to deduct 15% withholding tax from your dividend.

Please treat the matter as most urgent.

CNIC submission (Mandatory)

In pursuance of the directives of the Securities and Exchange Commission of Pakistan (SECP) vide their SRO 779(1) dated August 18, 2011 and various notices published by the Company in national newspapers and circulated from time to time. It is therefore, once again requested to those shareholders who have not yet submitted their Computerized National Identity Card(CNIC), to immediately send us a photocopy of their valid CNIC October 02, 2014 failing which dividend warrants to those shareholders will be withheld under intimation to regulator till such time they provide the valid copy of their CNIC.

Dividend Mandate

The SECP through its notification No. 8(4)/SM/CDC-2008 dated April 5, 2013 has advised that the shareholders who have provided bank mandate should be paid dividend by transferring directly to their respective bank accounts (e-dividend mechanism); therefore, the registered shareholders of **LUCKY CEMENT LIMITED**, are requested to provide the following details in order to credit their cash dividends directly to their bank account, if declared:

(i) in case of book-entry securities in CDS, to CDS Participants; and

(ii) In case of physical securities to the Company's Share Registrar as mentioned below.

S. No.	Shareholder/Member Details	
1.	Shareholder's Name	
2.	Father's / Husband's Name	
3.	Folio Number	
4.	Postal Address	
5.	Name of Bank	
6.	Name of Branch	
7.	Address of Branch	
8.	Title of Bank Account	
9.	Bank Account Number (Complete with code)	
10.	IBAN Number * (Complete with code)	
11.	Cell Number	
12.	Telephone Number (if any)	
13.	CNIC Number (attach copy)	
14.	NTN (in case of corporate entity, attach copy)	

* IBAN number (International Bank Account Number) will be provided by your banker, containing alpha, numeric and without any space and gap.

Share Registrar: Central Depository Company of Pakistan Limited
99–B, Block – B, S.M.C.H.S. Shahrah-e-Faisal Karachi.

____
Signature of Member / Shareholder

Yours truly,

Fayyaz Abdul Ghaffar
Company Secretary

Lucky Cement Limited
Legal & Corporate Affairs Department
6–A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350.
U.A.N: 111-786-555 Direct # 34543049 F: 34534302 E: info@lucky-cement.com

Glossary

Derivative Financial Instruments.
Transactions used to manage interest rate and/or currency risks

Dividend Payout Ratio.
The dividend payout ratio is the ratio between the dividend for the fiscal year and the earnings per share

EBIT.
Earnings Before Interest and Taxes. EBIT represents the results of operations

EBITDA.
Earnings Before Interest, Taxes, Depreciation and Amortization

EPS.
Earnings Per Share

Gearing Ratio.
The Gearing ratio represents the net indebtedness divided by total equity, expressed as a percentage.

Hedging.
Securing a transaction against risks, such as fluctuations in exchange rates, by entering into an offsetting hedge transaction, typically in the form of a forward contract

HESCO.
Hyderabad Electric Supply Corporation

IAS.
International Accounting Standards, Accounting standards of the IASB

IASB.
International Accounting Standards Board. The authority that defines the International Financial Reporting Standards

IFRIC.
International Financial Reporting Interpretations Committee (predecessor of the International Financial Reporting Standards Interpretations Committee, IFRSC IC).IFRS. International Financial Reporting Standards. The accounting standards of IASB

IFRS IC.
International Financial Reporting Standards Interpretations Committee. The body that determines appropriate accounting treatment in the context of existing IFRS and IAS.

LCL. Lucky Cement Limited
LHL. Lucky Holdings Limited

Net Indebtedness.
The net amount of interest bearing financial liabilities as recognized in the balance sheet, cash and cash equivalents, the positive fair values of the derivative instruments as well as other interest bearing investments

NEPRA.
National Electric & Power Regulatory Authority

OPC.
Ordinary Portland cement

Operating Assets.
Operating assets are the assets less liabilities as reported in the balance sheet, without recognizing the net indebtedness, discounted trade bills, deferred tax assets, income tax receivable and payable, as well as other financial assets and debts.

Operating Lease.
A form of lease that is largely similar to rental. Leased assets are recognized in the lessor's balance sheet and capitalized

PESCO.
Peshawar Electric Supply Corporation

RDF.
Refuse Derived Fuel

ROCE.
Return On Capital Employed. We define ROCE as the ratio of EBIT to average operating assets for the fiscal year

SIC.
Standing Interpretations Committee (predecessor to the IFRIC)

SRC.
Sulphate Resistant Cement

TDF.
Tyre Derived Fuel

WHR.
Waste Heat Recovery

YBG.
Yunus Brother Group

WWW.LUCKY-CEMENT.COM

HEAD OFFICE

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Email: info@lucky-cement.com
Web: www.lucky-cement.com