



Annual Report 2018

Head Office

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

Factory

Ghulamullah Road, Makli,
District Thatta, Sindh

Thatta Cement Company Limited

Annual Report 2018

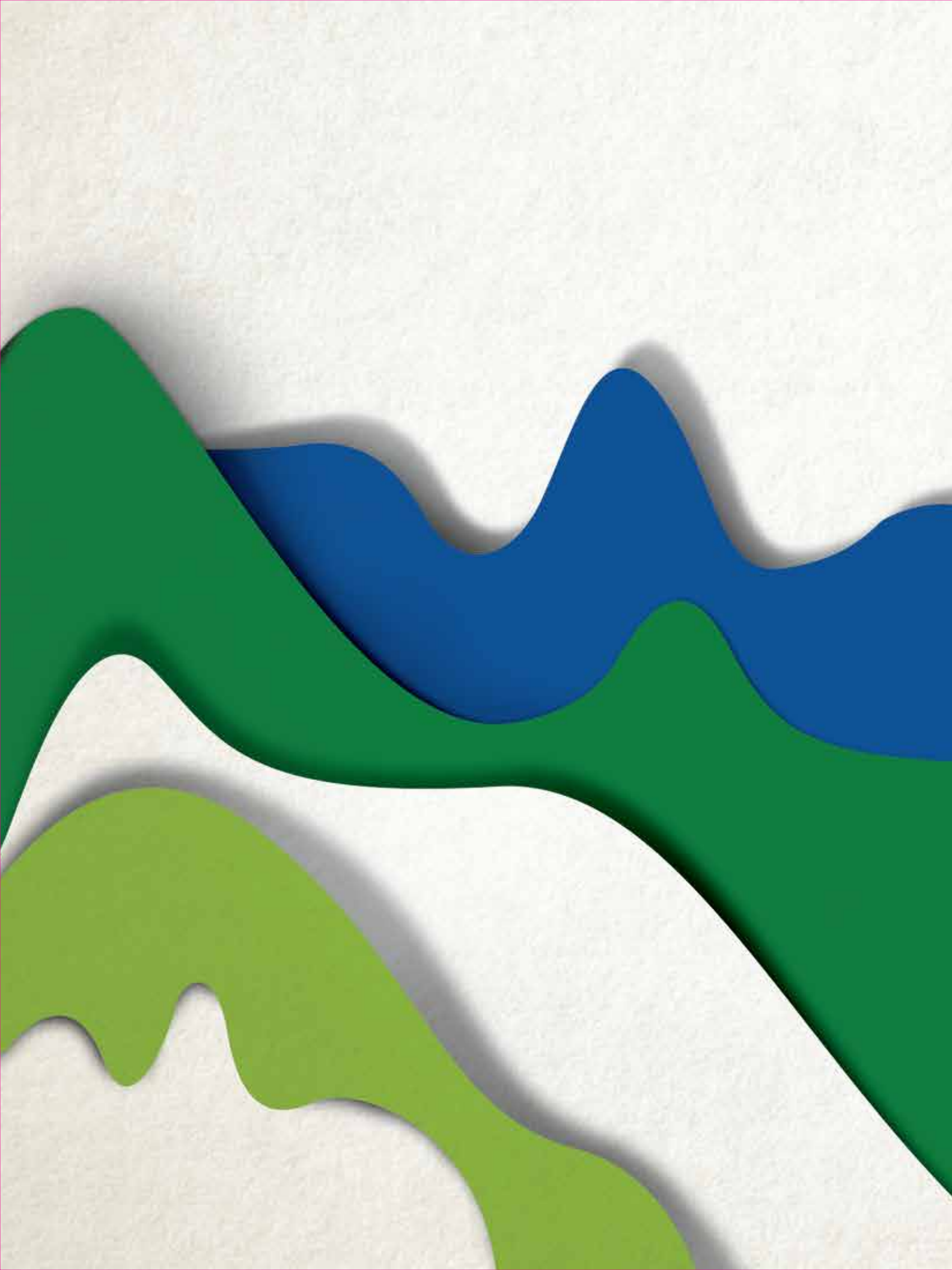


THATTA CEMENT
COMPANY LIMITED

Annual Report 2018



Making
a Difference





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

Annual Report

2018

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Making a Difference

As we go faster and smarter with the passing time, we damage too much of our environment; something we don't plan to do. But every day someone somewhere works to conserve what we are losing each minute. A little attention may prevent us from losing our planet earth too soon and make a greater difference.

Similarly, Thatta Cement keeps a check to maintain a healthy and friendly environment for its people so that they progress with excellence, no matter how the time challenges them.



Vision

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

Mission

To provide quality products to customers at competitive prices;and

To generate sufficient profit to add to the shareholder's value.





COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Khawaja Muhammad Salman Younis
Mr. Shahid Aziz Siddiqui
Mr. Agha Sher Shah
Mr. Saleem Zamindar
Mr. Attaullah A. Rasheed
Ms. Naheed Memon
Mr. Muhammad Taha Hamdani

Chairman
Director
Director
Director
Director
Director
Chief Executive

AUDIT COMMITTEE

Mr. Saleem Zamindar
Mr. Khawaja Muhammad Salman Younis
Mr. Shahid Aziz Siddiqui
Mr. Attaullah A. Rasheed

Chairman
Member
Member
Member

HR & REMUNERATION COMMITTEE

Mr. Saleem Zamindar
Mr. Shahid Aziz Siddiqui
Mr. Agha Sher Shah
Mr. Muhammad Taha Hamdani

Chairman
Member
Member
Member

IT STEERING COMMITTEE

Mr. Khawaja Muhammad Salman Younis
Mr. Muhammad Taha Hamdani
Mr. Aamir Waheed Saifi
Mr. Shahid Yaqoob

Chairman
Member
Member
Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Shahid Yaqoob

REGISTERED OFFICE

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

STATUTORY AUDITOR

M/s Grant Thornton Anjum Rahman,
Chartered Accountants

CORPORATE ADVISOR

M/s Shekha & Mufti, Chartered Accountants

FACTORY

Ghulamullah Road, Makli,
District Thatta, Sindh 73160

LEGAL ADVISOR

M/s Usmani & Iqbal

SHARE REGISTRAR

THK Associates (Pvt) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400
UAN: 021-111-000-322
Fax: 021-34168271
Website: www.thk.com.pk

BANKERS - CONVENTIONAL

Sindh Bank Limited
National Bank of Pakistan
Summit Bank Limited
Silk Bank Limited

GROUP STRUCTURE

The Group consists of Thatta Cement Company Limited (TCCL), the Holding Company and Thatta Power (Private) Limited (TPPL), the Subsidiary Company (together referred to as "the Group")

Thatta Cement Company Limited (TCCL)

Holding Company



Established in 1980 as manufacturer of cement and became operative in 1982. In the year 2011, investment was made in a Subsidiary Company which is engaged in the business of generating & supply of electricity and TCCL became Holding Company of the Group.

Thatta Power (Private) Limited (TPPL)

Subsidiary Company



The Holding Company in its effort to be self sufficient to meet its energy requirement had invested in a Subsidiary Company in the year 2011. The Subsidiary Company is in the business of generation, supply and transmission of electricity and commenced its operations in December 2012. The Subsidiary Company generates electricity to supply to the Holding Company for manufacturing of cement and to the National Grid through M/s Hyderabad Electric Supply Company Limited. TPPL is a 62.43% owned subsidiary of the Holding Company as on June 30, 2018.

NATURE OF BUSINESS

Thatta Cement Company Limited was incorporated in 1980 as a public limited company. The Company's main business activity is manufacturing, marketing and sale of cement. The production facility of the Company is located at Ghulamullah Road, Makli, District Thatta. The Company's annual installed clinker capacity is 510,000 tons.

The Company obtained listing on the Pakistan Stock Exchange Limited as a public limited company in the year 2008. The Company is also ISO 9001 : 2015 certified.



GEOGRAPHICAL PRESENCE

Cement companies in general have a natural sales catchment area within its immediate geographic location and the reach is mostly dependent on the size and output of the cement plant. Thatta Cement Company Ltd has a clinker production capacity of 1700 tpd, and therefore it is economically viable to distribute its products within a radius of 125 kilometers. However, due to the nature and quality of some of its specialized products, the logistic cost barrier is broken by the discerning customers and our products manage to reach markets as far as Azad Kashmir.



MANAGEMENT'S STRATEGIC OBJECTIVES

- We intend to increase the value in long term through sustainable and result-oriented growth by providing high-performance, innovative and cost effective solutions aimed at customers evolving needs.
- We aim to recruit the right talent to mentor future leaders, cascading knowledge to create a culture of values and competitiveness.
- We incorporate ecological and social targets in our business strategy to protect the climate and biodiversity, as well as our social responsibility

Objectives and Strategies:

Management's objectives, strategies for meeting those objectives and relationship between entity's results and management objective's:

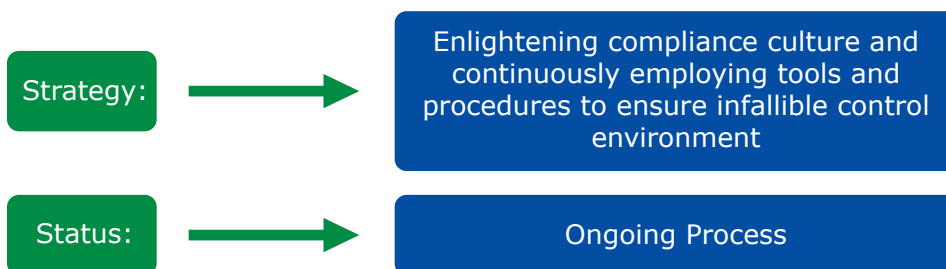
OBJECTIVE 1: TO ENSURE SUSTAINABLE SALES REVENUE



Relationship between Company's result and management objectives:

The Company has witnessed a drip in sales volume while pursuing the annual growth in the Southern Region. This was mainly due to reduction in sale of clinker coupled with nominal reduction in cement sales as an outcome of stiff price competition, especially after installation of additional production capacity in the Region.

OBJECTIVE 2: MAINTAIN AND IMPROVE HIGHEST REPORTING AND COMPLIANCE STANDARDS



Relationship between Company's result and management objectives:

It is Company's paramount priority to ensure compliance with all the applicable statutes without any fail. Thus, TCCL has complied with all the applicable statutes relating to its business operations, including but not limited to labor laws, environmental protection laws, corporate laws, taxation laws, etc. The Company was able to secure Best Corporate Report Award (BCR) for the consecutive second year.

OBJECTIVE 3 : MANAGE COST



Relationship between Company's result and management objective

The Company has initiated certain projects to enhance production efficiency in order to attain apposite outcome.

OBJECTIVE 4 : CONCENTRATION ON ECONOMIC PROGRESS, SOCIAL RESPONSIBILITY AND HUMAN CAPITAL ADVANCEMENT



Relationship between Company's result and management objectives:

The Company considers its core responsibility to preserve environment as evident from installation of equipment to capture Waste Heat from cement and power plant and generate electricity to be used by the cement plant and supply to national grid. The Company has developed Silicosis Diagnostic Centre equipped with adequate equipments and qualified staff. The Company has focused on developing human capital's skills, adequate compensation and overall work environment, as evident from minimal employee turnover.

SIGNIFICANT CHANGES IN OBJECTIVES & STRATEGIES

The strategies and objectives of the Company were well planned and no significant changes have occurred during the year except for reduction in sales as a consequence of availability of additional production capacity in the Southern Region.



BOARD OF DIRECTORS

Spreading Ambition

Forests play a significant role in climate change. The destruction and degradation of forests contributes to the problem through the release of CO₂. Planting new trees can help mitigate against climate change by removing CO₂ from the atmosphere.

Dreams and ambitions are sowed within the hearts and minds of people at Thatta Cement which fuels them to reach their goals and go beyond all possibilities.



Plantation

DIRECTORS PROFILE

Mr. Khawaja Muhammad Salman Younis

Chairman

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

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

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

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

Mr. Shahid Aziz Siddiqui

Director

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

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

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

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

Mr. Agha Sher Shah

Director

Mr. Agha Sher Shah is currently the Chairman and Chief Executive of Bandhi Sugar Mills, a Greenfield 7000 tons sugar mill which he successfully set up in 2012. He is also a Director of Attock Cement Pakistan Limited, Habib Bank Limited, Thatta Cement Company Limited, Newport Container Terminal (Private) Limited, Sui Southern Gas Company Limited and Triton LPG (Private) Limited.

Mr. Agha Sher Shah started his career as an investment analyst covering consumer, energy and finance sectors of the S&P 500 in US equity market. In his career of over 27 years he has held senior portfolio management positions in US and Global equities. Prior to his current role, he was Senior Portfolio Manager of a multi-billion dollar portfolio in Abu Dhabi Investment Authority, one of the largest sovereign wealth funds in the world.

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

Mr. Saleem Zamindar

Director

Mr. Saleem Zamindar has a Bachelor of Arts (BA) degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 22 years of experience across several countries in investment management, board level general management & international banking. He is a Certified company Director by the Pakistan Institute of Corporate Governance and additionally also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. Presently, he serves on the Board of Directors of several publicly listed & private limited companies. He is also the past President of the Rotary Club of Karachi, the largest and oldest Rotary Club in District 3271, and is a former member of the Managing Committee of the Karachi Boat Club and a current member of the Board of Governors of the Karachi Council on Foreign Relations.

Mr. Attaullah A. Rasheed

Director

Mr. Attaullah A. Rasheed is working as General Manager in State Life Corporation of Pakistan, the largest national organization engaged in Life Insurance Business having a work experience of over 25 years in the field of Investment, Finance, Taxation and corporate affairs with various reputable organizations. He is a Fellow member of Institute of Cost & Management Accountants of Pakistan and Institute of Corporate Secretaries of Pakistan and also holds master's degrees in Economics and Commerce from University of Sindh.

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

Ms. Naheed Memon

Director

Ms. Naheed Memon is the Chairperson of the Sindh Board of Investment. She is also an adjunct faculty of Economics and Strategy at the Institute of Business Administration in Karachi. She is also a Director in her family owned group of companies based in Karachi; that includes Kings Apparel which is one of the country's largest knitwear manufacturers. She was the CEO of a Public Policy Think Tank in Pakistan, and headed its research and advocacy. In London, Naheed has worked for Bank of America Merrill Lynch for a number of years. She was the Founder CEO of a management consultancy firm in London which serviced clients including PwC and foreign missions.

She holds a MSc. in Economics from Birkbeck College, London and an MBA from Imperial College, London.

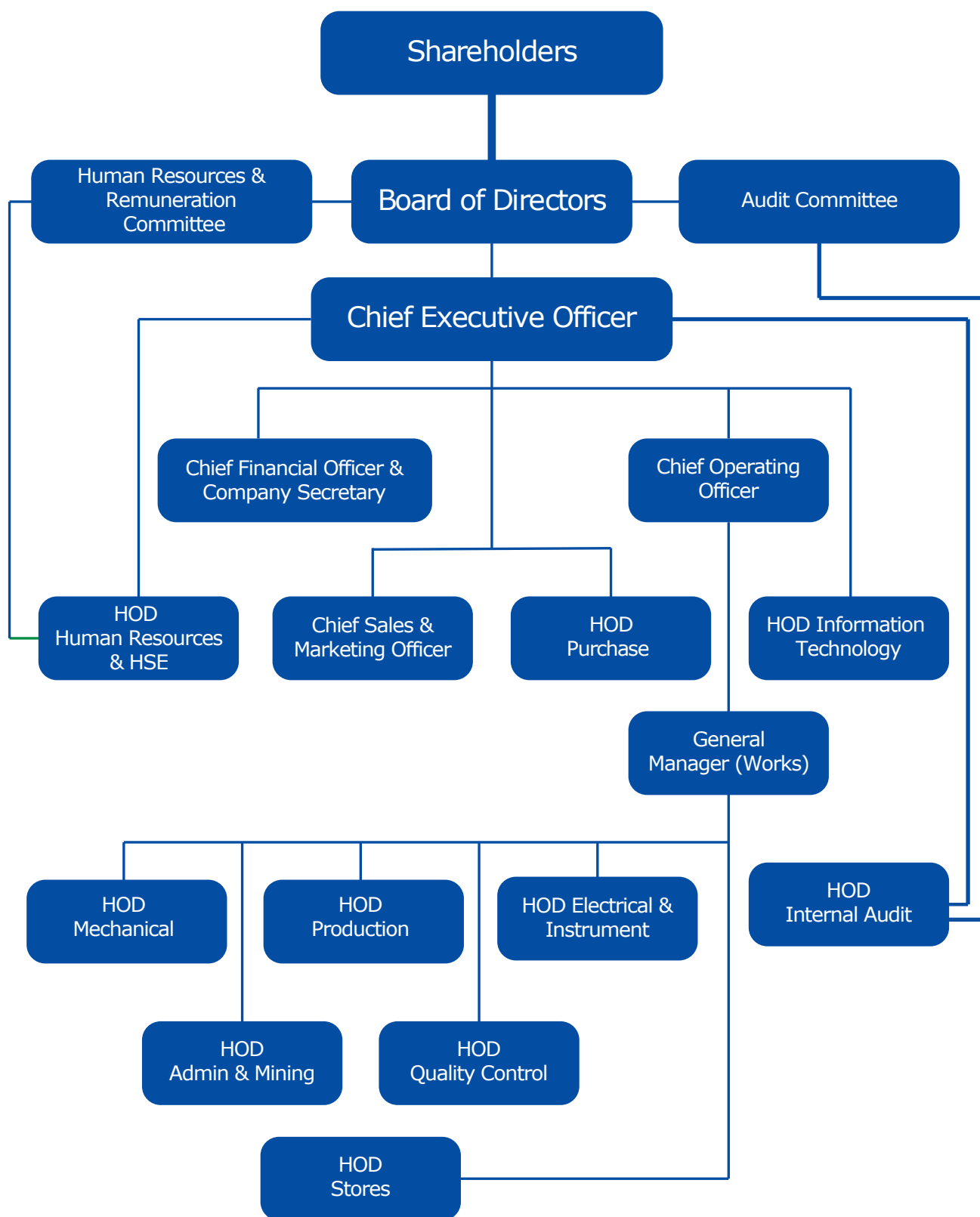
Mr. Muhammad Taha Hamdani

Chief Executive Officer

Mr. Muhammad Taha Hamdani has qualified his Chartered Accountancy in July 2001 and was associated with Ford Rhodes Sidat Hyder, Chartered Accountants. He has also completed Director's Training Program conducted by the Institute of Chartered Accountants of Pakistan. He has over eighteen years working experience with vast exposure in diversified sectors which range from telecommunication, asset management, hospitality, power, oil & gas and cement. Prior to joining Thatta Cement Company Limited in 2011 as Chief Financial Officer & Company Secretary, he was associated with Hascol Petroleum Limited as Chief Financial Officer. He carries immense exposure in asset management sector while working as Head of Internal Audit & Compliance with JS Investments Limited and Head of Finance & Operations with Faysal Asset Management Limited.

He also carries the experience of working as Deputy Director – Internal Audit of Pakistan Telecommunication Company Limited, the largest telecommunication network in the country, as a Group Internal Auditor for one of the leading Five Star International Hotels in Pakistan and as a Group Finance Manager for an International Trading & Manufacturing Group based in Saudi Arabia.

ORGANISATIONAL STRUCTURE



CODE OF CONDUCT

The Code of Conduct of the Company is based on the principles of discipline, integrity, mutual respect, adherence to applicable laws by its employees among themselves and dealings with other stakeholders of the Company and to conduct its business in a manner that reflects high ethical standards.

BRIEF OVERVIEW OF THE CODE

Business Principles

- Conduct its operations with highest environmental and business ethical consideration.
- Employees should demonstrate Company's core values of merit, integrity, safety, teamwork and dedication in dealings with business partners.

Business integrity

- Directors, senior management and employees shall ensure that their actions in conduct of business are totally transparent and must avoid situations in which their personal interest could conflict with the interest of the Company.
- Directors, senior management and employees shall not disclose or use any confidential information and also comply with applicable laws.

COMPANY RESPONSIBILITIES

The Code encourages to:

- Upholds the values of integrity, teamwork, meritocracy and equity.
- Safeguard Company's interest in dealings with business partners.
- Comply fully with applicable laws and regulations by ensuring legal and regulatory compliance.
- Provide good physical working conditions and encourage high standards of hygiene and housekeeping.
- Follow best practices in environmental matters arising out of its business activities.

EMPLOYEE RESPONSIBILITIES

The Code provides employees guidance on their responsibilities vis-a-vis:

- Media relations and disclosures
- Confidentiality of information
- Avoid conflict of interest
- Legitimate use of Company's assets and services
- Demonstrates and promotes professional behavior.

REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF THE BOARD

I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objective. Powers for management and control of affairs of the Company rest with the Board of Directors. The Board of Directors delegate day-to-day operations of the Company to the Management, but such delegation remains subject to the control and direction of the Board.

The Directors are required to carry out their fiduciary duties and exercise their independent judgment in the best interests of the Company's Business.

The Board has approved a formal process for its performance evaluation and adopted self-evaluation mechanism based on comprehensive questionnaire. The obligation to undertake annual evaluation process is assigned to the Human Resource Committee of the Board. Accordingly, performance evaluation of the Board, its members and Committees of the Board was conducted as per mechanism approved by the Board.

Overall objective of performance evaluation of the Board is to bring improvement in the overall governance of the Company, efficiencies in business processes, enhancement of role of individual directors and sound support of Board Committees facilitating in discharging its responsibilities. The key areas that are assessed includes : (1) Composition of the Board and meeting procedures (2) Vision and strategic direction (3) Monitoring of Company's Performance (4) Overall roles and responsibilities (5) relationship amongst the Board and Management (6) Composition & performance of Board committees.

Keeping in view the evaluation of aforementioned key areas, overall performance of the Board, Members and Committees of the Board for the year under review was satisfactory.



Khawaja Muhammad Salman Younis
Chairman

September 13, 2018



DIRECTORS' REPORT

Apprising Invaluable

Wasting water is one of the most common causes of pollution in the environment. The more water that is used by people, the less there is for our environment. Reducing its waste helps protect wildlife and saves energy needed for treating and pumping water for the use.

The decisions taken by the Board of Directors are valuable for the organization. They cater to all standards of Thatta Cement in reaching par excellence in the future.



Water Conservation

DIRECTORS' REPORT

The Directors of your Company are pleased to present herewith their review and the audited financial statements together with auditors' report for the year ended June 30, 2018.

INDUSTRY OVERVIEW

Overall growth in the Cement industry reflected a sound increase of 13.84% during the year ended June 30, 2018 compared with the previous year. Capacity utilization of the industry stood at 92.82% of the installed capacity as against 90.17% compared to the year 2017. This is the highest ever capacity utilization since the year 1992-93. Domestic cement consumption in the south region posted an increase of 10.26% whereas the northern region posted an increase of 16.57% during the year ended on June 30, 2018 compared with the year 2017.

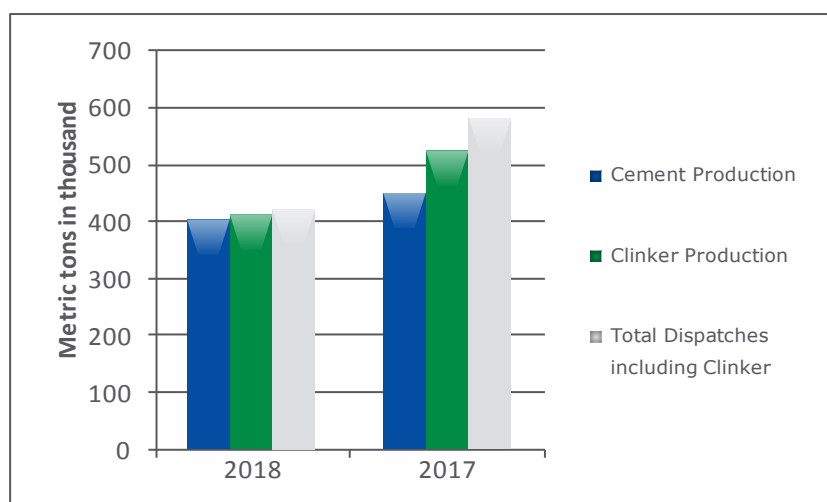
Increase in coal prices in the International market in addition to devaluation of Pakistan rupee were the main factors for increase in cost of production of cement and hence negatively affected the industry's bottom line. Moreover, as a result of addition in production capacity by major cement players, retention prices remained under pressure particularly during the second half of the financial year ended June 30, 2018.

BUSINESS PERFORMANCE

(a) Production and Sales

Capacity utilization of the plant during the year stood at 79.59% as compared to 100.5% in the previous year. Overall clinker production was lower by 20.84% as compared to the last year whereas cement production declined by a nominal 4.39% than that of the previous year.

Description	2018	2017	Variance	
	Metric Tons			%
Plant capacity – Clinker	510,000	510,000	-	-
Production				
- Clinker	405,885	512,789	(106,904)	(20.84)
- Cement	393,749	411,856	(18,107)	(4.39)
- GGBFS	7,952	22,260	(14,308)	(64.28)
Dispatches				
Cement				
- Local	393,458	410,726	(17,268)	(4.20)
- Exports	-	875	(875)	(100.00)
	393,458	411,601	(18,143)	(4.41)
Clinker	15,046	138,597	(123,551)	(89.14)
GBFS & GGBFS – Local	7,952	28,005	(20,053)	(71.60)
	416,456	578,203	(161,747)	(27.97)



Overall cement dispatches showed a decrease of 4.20% compared with the previous year due to price competition amongst the cement companies especially after the installation of additional capacity. Moreover, decline in sale of clinker also contributed towards reduction of 27.97% in quantity sold as compared with the corresponding period last year.

(b) Financial Performance:

A comparison of key financial results of the Company for the year ended June 30, 2018 with last year is as under:

Particulars	2018	2017
----- Rupees in thousands -----		
Sales – net	2,842,538	3,656,723
Gross profit	756,004	1,163,029
Selling & Distribution cost	70,256	101,031
Finance cost	64,727	87,723
Profit before taxation	497,371	855,306
Profit for the year	356,860	581,993
Earnings per share (Rupees)	3.58	5.84

During the year gross profit margin decreased to 26.60% from 31.80% as compared with last year. The Company earned a profit before tax of Rs. 497.371 million after providing for depreciation of Rs. 124.146 million.

i) Sales Performance

Sales revenue of the Company during the year in value terms declined by 22.26%, mainly due to significant decrease in sale of clinker & GGBFS, whereas sales in terms of volume also reduced by 27.97% as compared with the previous year.

ii) Cost of Sales

Cost of sales to sales ratio has increased to 73.40% during the year as compared to 68.20 % last year due to increase in coal prices.

iii) Selling and Distribution Cost

Selling and Distribution cost has decreased by 30.46% as compared with last year on account of lower commission expense due to decline in sales.

iv) Finance Cost

Finance cost has reduced by 26.21% during the year as compared with that of last year mainly on account of payment of long term loan obtained for BMR project.

v) Taxation

Current tax expense declined by Rs 136.309 million due to decrease in profit before tax by Rs 357.935 million as compared with last year and also due to reduction in tax rate from 31% to 30%.

Subsequent appropriations

Based on the profit earned during the year, the Board of Directors has recommended a final cash dividend for the year ended June 30, 2018 at Rs 1.44/- per share i.e. 14.40%. The entitlement shall be available to those shareholders whose name(s) appear on the shareholders' register at the close of business on October 5, 2018. The appropriation will be reflected in the subsequent financial statements, in compliance with Fourth Schedule to the Companies Act, 2017.

Principal risks and uncertainties facing the Company

Leading players of the industry have completed their expansion projects which have resulted in additional cement production capacity available in the southern region whereas capacity will further enhance in coming years as few expansion projects are still in construction phase.

These expansion projects may put those cement companies including your company in an unfavorable position, which have not been able to achieve economies of scale and competitive advantage by enhancing their production capacity in line with the industry. Keeping in view this risk, your company is continuously evolving strategies and adopting appropriate measures to manage such risks to meet challenges ahead to maintain business growth.

Moreover, details of the Company's financial risk management policies and objectives in respect of its use of financial instruments are included in note 41 to the unconsolidated financial statements together with a description of its exposure, including its exposure to market risk, credit risk and liquidity risk.

Impact of Company's business on the environment

The major impact of cement manufacturing business on environment is related to particulate matter and fugitive dust emissions of both inhalable and respirable micron sizes emitted from processes adopted for clinker production that cause a chronic fatal disease i.e. Silicosis.

The Company has a dedicated and qualified staff to meet the statutory and regulatory compliances of SEPA and SEQs standards. Being proactive on the impact of company's business on the environment, the Company has installed de-dusting equipment such as dust cyclones, bag houses, dust suppression by damping down method, electrostatic precipitators, personal protective equipment and speed limit controls in Company's premises to overcome RSPM (respirable suspended particulate matter) and FRD (fugitive road dust).

Moreover, Environmental Quality Standards for ambient Air, Drinking Water, Noise and all other parameters are complied as required by SEPA Act 2014. Monitoring and Analysis procedures are also implemented through SEPA Certified Environmental Laboratory.

In recognition of our efforts, the Company has been awarded an Environment Excellence Award conducted by NFEH (A society registered with United Nations Environment Program - UNEP) for the year 2017.

Corporate Social Responsibility

Being a responsible corporate citizen, the Company always strives to discharge its social responsibilities towards the society. The Company promotes and facilitates welfare of the local communities in the town where the Company operates. During the year, the Company has incurred a reasonable amount on various education and health initiatives. In this connection, a well equipped Silicosis Diagnostic & health screening center with a suitably qualified staff has been established.

Adequacy of internal financial controls

All the necessary steps are being taken by the Directors to ensure the effectiveness of the Company's internal financial control systems up to and including the date of approval of the financial statements. This had regard to all material controls, including financial, operational and compliance controls that could affect the Company's business.

Related Party Transactions

All related party transactions entered into are at arm's length basis which were reviewed and approved by the Audit Committee as well as the Board of Directors of the Company in compliance with the PSX Regulations of the Pakistan Stock Exchange Limited. Moreover, in terms of the requirement of section 208 of Companies Act, 2017[Act], following matters are included herein.

a. **Renewal of Loan / Advance facility aggregating to Rs 300 million for Thatta Power (Private) Limited, Subsidiary Company[SC]**

Thatta Cement Company Limited (TCCL) had sought approval from its shareholders in Annual General Meeting [AGM] held on October 16, 2015, to provide advance/loan facility to SC to honor its financial obligations and to meet its working capital requirements. Thereafter, approval for annual renewal of aforesaid facility was sought for a period of one year in AGM(s) held on September 27, 2016 and September 18, 2017 respectively taking into account the requirements for funds by SC. The approval of said advance/loan facility is valid upto the holding of AGM of the Company to be held on October 15, 2018.

However, increasing trade debts of the Subsidiary Company as of June 30, 2018 which mainly represents receivable from HESCO indicates that there is delay in payment of electricity bills by HESCO, hence SC may require financial support to honor its financial obligations and to meet its working capital requirements. This in turn enables SC to provide uninterrupted supply of electricity to TCCL for sustainable cement production. Therefore, it is proposed to seek renewal for advance/loan facility to SC to ensure availability of sufficient working capital to meet its financial obligations. Accordingly, a statement of fact under section 134(3) of the Act is annexed to the annual report setting out all material facts along with justification concerning the aforesaid matter.

- b. **Waste Heat Utilization Agreement[WHUA] with Thatta Power (Private) Limited, Subsidiary Company[SC]**

SC is undertaking a Waste Heat Recovery Project [WHRP] for generating 5 MW electricity. TCCL will provide waste heat released from Air Quenching Chamber & Suspension Pre-heater to the Subsidiary Company to produce super heated steam. For that purpose, TCCL executed a WHUA to provide waste heat to the SC. The said agreement was approved by the respective Board of Directors of TCCL and SC. Accordingly, a statement of fact under section 134(3) of the Act is annexed to the annual report setting out all material facts concerning the aforesaid matter.

- c. **Service Level Agreement with Thatta Power (Private) Limited, Subsidiary Company[SC]**

TCCL is providing business support services to its SC to facilitate their day to day operations. For that purpose, a service level agreement is in place which specifies scope of services and related terms and conditions. The said agreement was approved by the respective Board of Directors of TCCL and SC.

- d. **Power Purchase Agreement with Thatta Power (Private) Limited, Subsidiary Company[SC] for supply of electricity to TCCL.**

TCCL has entered into a Power Purchase Agreement [PPA] on December 12, 2011 with SC for supplying of electricity. SC started its commercial operation effective from December 12, 2012. The pricing mechanism for invoicing/billing against supply of electricity along with terms and conditions are mentioned in the said PPA. The PPA was executed in accordance with the New Captive Power Policy, 2009.

Corporate and Financial Reporting

- a. The financial statements, prepared by the management of Thatta Cement Company Limited present fairly its state of affairs, the results of its operations, cash flows and changes in equity. All necessary steps are being taken to ensure good Corporate Governance.
- b. Proper books of account have been maintained by the Company.
- c. The financial statements together with notes thereto have been drawn in conformity with the Companies Act, 2017. International Financial Reporting Standards and International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and there has been no material departure therefrom.
- d. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- e. The system of internal control has been effectively implemented and is continuously reviewed and monitored.
- f. The Company is a going concern and there is no doubt at all about the Company's ability to continue as a going concern.
- g. There is nothing outstanding against the Company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business and disclosed in the financial statements.

- h. The Company maintains Provident and Gratuity Fund for its permanent employees. Stated below are the amount charged by the Company in profit and loss account:
- | | | | |
|----|----------------|-----|----------------|
| a. | Provident Fund | Rs. | 9.511 million |
| b. | Gratuity Fund | Rs. | 13.631 million |
- i. The value of investments as per audited accounts of retirement plans of Thatta Cement Company Limited as at June 30, 2018 are as follows:
- | | | | |
|----|----------------|-----|---------------|
| a. | Provident Fund | Rs. | 79.95 million |
| b. | Gratuity Fund | Rs. | 59.25 million |
- j. Key operating and financial statistics for the last six years have been given separately.
- k. Detail statement of number of Board, Audit Committee and Human Resources & Remuneration Committee meetings held during the year and attendance by each director/member is annexed to this report separately as Annexure I as required under 227(2)(a) of the Companies Act, 2017.
- l. Pattern of Shareholding of the Company in accordance with section 227(2)(f) of the Companies Act, 2017 is annexed to this report.

Code of Corporate Governance

- a. The 'Statement of Compliance with the Code of Corporate Governance' is annexed to this report.
- b. Mentioned below is the Composition of Board of Directors to be included in Annual Report under section 227 of the Companies Act, 2017:

Description	Number of directors
-------------	---------------------

a) Male	6
b) Female	1

Composition

I. Independent Directors	5
II. Non-Executive	1
III. Executive Director	1

Remuneration of Directors

The remuneration of Directors is governed by the Articles of Association of the Company which requires that the remuneration of a Director to be paid to every Director for attending the Meeting of the Directors or a committee of directors shall from time to time be determined by the Board of Directors taking into account the competencies and efforts in the light of scope of their responsibilities.

Board Evaluation

As required under the Listed Companies Code of Corporate Governance Regulations 2017, an annual evaluation of performance of the Board, members of the Board and its Committees was carried out to ensure that Board's overall performance and effectiveness is measured against the objectives set for the company. For that purpose, Board has developed a mechanism for evaluation of Board's own performance, members of the Board and its Committees. Based on the evaluation, overall performance of the Board, members and Committees of the Board for the year under review is satisfactory.

External Auditors

The present auditors M/s Grant Thornton Anjum Rahman & Co, Chartered Accountants being eligible have offered themselves for re-appointment. As per recommendation of the Audit Committee, the Board recommends to the shareholders the appointment of M/s Grant Thornton Anjum Rahman & Co, Chartered Accountants as auditors of the Company for the year ending on June 30, 2019.

Future Outlook

Elections in the country have been successfully conducted and a smooth transition of new government has also been completed. This reflects a positive sign for the country despite the untoward economic conditions as the biggest challenge for the new government. However, opportunity for the cement sector lies in the fact that government has announced to provide housing facility by building five million low cost houses for the masses which will eventually result in increased construction activity in the housing sector.

Democratically elected Government has now been in place and in order to implement its announced manifesto it will focus on Public Sector Development Projects (PSDP) by allocating substantial fund to PSDP which may provide robust business opportunities for the construction and cement sector. Moreover, renewed focus on CPEC projects still provide an excellent opportunity to the Government for achieving GDP growth. Consequently, increased cement demand is expected in the years to come. Stability in prices of fuel and dollar rupee parity is crucial to curtail increase in cost. Stiff competition is expected due to availability of excess production capacity.

The management is alive to the challenges ahead and is continuously evolving strategies and adopting appropriate measures to mitigate market risks, meet future challenges and maintain business growth.

Performance of the Group

In compliance with section 226(4) of the Companies Act, 2017 attached with this report are the consolidated financial statements of Thatta Cement Company Limited (the Holding Company) and Thatta Power (Private) Limited (the Subsidiary Company) for the / as at year ended June 30, 2018.

Operating Results

	2018	2017
----- Rupees in thousands -----		
Balance Sheet		
Property, plant and equipment	3,395,307	3,265,979
Stock-in-Trade	504,039	353,970
Trade Debts	512,967	404,434
Paid-up Share Capital	997,181	997,181
Total Equity - Holding Company	3,361,736	3,005,185
Trade and Other payables	694,972	483,635
Short Term Borrowings	364,489	191,047
Profit and Loss		
Sales - net	3,793,875	3,824,522
Gross Profit	1,186,128	1,358,297
Selling, Distribution cost & Administrative Expense	198,501	253,953
Profit before taxation	885,089	993,210
Profit for the year	741,901	718,781
Earnings per share (in Rupees)	5.99	6.69

Thatta Power (Private) Limited – Captive Power Plant

Thatta Power (Private) Limited (TPPL), subsidiary of Thatta Cement Company Limited (TCCL) has earned a profit after tax of Rs 401.026 million; however, distribution of dividend to the shareholders cannot be made this year, due to restricting covenants of financing agreements executed by the Subsidiary Company. Thus, distribution of profit to shareholders of the Subsidiary Company would be made in future subject to compliance of covenants of financing agreements.

The Subsidiary Company entered into a Power Purchase Agreement (PPA) with HESCO on May 14, 2011 to sell electricity at rates agreed in the said agreement. The agreement was executed in accordance with the New Captive Power Policy (N-CPP) 2009. Subsequently, National Electric Power Regulatory Authority (NEPRA) issued an order revising the tariff formula resulting in reduced tariff. This act of downward revising the tariff for N-CPPs was unwarranted especially in current scenario where there is severe electricity shortage in the province of Sindh. In view of the said order, HESCO intimated to pay its dues for electricity purchased as per the revised tariff formula. In response, the Subsidiary Company filed a petition before the Honorable High Court of Sindh, against HESCO, on the grounds that HESCO failed to pay its dues to the Subsidiary Company as per PPA. The Honorable High Court of Sindh disposed off the petition filed by TPPL with the direction to HESCO to pay TPPL against purchase of electricity as per the rates stipulated in PPA until 01-02-2012 and thereafter on the rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel the Company had filed an appeal before the Supreme Court of Pakistan on October 28, 2015 against the order passed by the High Court of Sindh. Consequently, HESCO & NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication.

Moreover, the Subsidiary Company has resumed power supply to HESCO from January, 2017 and generating monthly invoice for supply of electricity as per tariff stipulated in PPA, whereas HESCO is paying the monthly invoice on the basis of tariff determined by NEPRA. During the year, the Provincial Assembly of Sindh has promulgated the Sindh New Captive Power Plants Subsidy Bill 2017, thereby providing tariff differential subsidy i.e. difference between tariff as per PPA and tariff determined by NEPRA, to the captive power plants. The tariff differential subsidy has been received till March 2018.

WASTE HEAT RECOVERY [WHR] PROJECT OF THATTA POWER (PRIVATE) LIMITED

The project formation has commenced and advance stage preparation for the project is in progress. The project is estimated to be completed by March 2019.

Acknowledgement

The Directors are grateful to the Company's shareholders, financial institutions and customers for their continued cooperation, support and patronage. The Directors acknowledge the relentless efforts and dedicated services, team work, loyalty and hard work of all the employees of the Company and hope their continued dedication shall further consolidate the Company and keep it abreast to face future developments and demands.



Muhammad Taha Hamdani
Chief Executive Officer



Khawaja Muhammad Salman Younis
Chairman

Karachi: September 13, 2018

ANNEXURE I

Attendance of Directors in Board Meetings held during the year ended June 30, 2018:

Name of Director	No. of Meetings	Meeting attended
Mr. Khawaja Muhammad Salman Younis - Chairman	6	6
Mr. Muhammad Fazlullah Shariff - Chief Executive Officer *	4	3
Mr. Muhammad Taha Hamdani - Chief Executive Officer **	6	6
Mr. Shahid Aziz Siddiqui - Director	6	6
Mr. Agha Sher Shah - Director	6	6
Mr. Saleem Zamindar - Director	6	6
Ms. Naheed Memon - Director	1	1
Mr. Attaullah A. Rasheed - Director	6	4

* Resigned as CEO w.e.f. March 16, 2018

** Appointed as CEO w.e.f. March 16, 2018

Attendance of Members in Audit Committee Meetings held during the year ended June 30, 2018:

Name of Member	No. of Meetings	Meeting attended
Mr. Saleem Zamindar - Chairman Committee	4	4
Mr. Attaullah A. Rasheed - Member	4	2
Mr. Khawaja Muhammad Salman Younis - Member	4	4
Mr. Shahid Aziz Siddiqui - Member	4	4

Attendance of Members in Human Resource & Remuneration Committee Meetings held during the year ended June 30, 2018:

Name Member	No. of Meetings	Meeting attended
Mr. Saleem Zamindar - Chairman Committee	3	3
Mr. Agha Sher Shah - Member	3	3
Mr. Shahid Aziz Siddiqui - Member	3	3
Mr. Muhammad Fazlullah Shariff - Member	3	2

ویسٹ ہیٹ ریکوری (ڈبلیو ایچ آر) پروجیکٹ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ

پروجیکٹ پر کام کا آغاز کیا جا چکا ہے اور اس پروجیکٹ پر اعلیٰ سطحی ترقیاتی کام بھی جاری ہیں۔ امید کی جاتی ہے کہ یہ پروجیکٹ مارچ 2019 تک پایہ تکمیل تک پہنچ جائے گا۔

اظہار تشکر

ڈائریکٹرز تمام حصص داران، مالیاتی اداروں اور صارفین کے تہہ دل سے مشکور ہیں کہ ان کا تعاون، انکی حمایت اور انکی رہنمائی ہمیشہ ہمارے شامل حال رہی۔ ڈائریکٹرز کمپنی کے تمام ملازمین کی جانب سے انتہک محنت، اجتماعی کوششوں اور اخلاص کیلئے ان کے بے حد مشکور ہیں اور امید کرتے ہیں کہ آئندہ بھی ان کی جانب سے کمپنی کی ترقی اور مستقبل کے چیلنجز اور تقاضوں سے نمٹنے کیلئے اسی عزم و ہمت کا مظاہرہ کیا جائے گا۔



خواجہ محمد سلمان یونس
چیرمین



محمد لطیف ہمدانی
چیف ایگزیکٹو آفیسر

کراچی: 13 ستمبر 2018

Operating Results

Balance Sheet

	2018	2017
	----- Rupees in thousands -----	
Property, plant and equipment	3,395,307	3,265,979
Stock-in-Trade	504,039	353,970
Trade Debts	512,967	404,434
Paid-up Share Capital	997,181	997,181
Total Equity - Holding Company	3,361,736	3,005,185
Trade and Other payables	694,972	483,635
Short Term Borrowings	364,489	191,047

Profit and Loss

Sales - net	3,793,875	3,824,522
Gross Profit	1,186,128	1,358,297
Selling, Distribution cost & Administrative Expense	198,501	253,953
Profit before taxation	885,089	993,210
Profit for the year	741,901	718,781
Earnings per share (in Rupees)	5.99	6.69

ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ - کیٹیو پاور پلانٹ

ٹھٹھہ سیمنٹ کمپنی لمیٹڈ (ٹی سی سی ایل) کی ذیلی کمپنی ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ (ٹی پی پی ایل) نے 401.026 ملین روپے کا منافع بعد از ٹیکس کمایا ہے، تاہم اس سال حصص داران کو ڈیویڈنڈ نہیں دیئے جائیں گے جس کی وجہ ذیلی کمپنی کی جانب سے طے کئے جانے والے محدود تمویلی معاہدے ہیں جن کی وجہ سے یہ پابندی عائد ہے۔ لہذا حصص داران کو مستقبل میں منافع کی تقسیم کی جائے گی جس کا انحصار تمویلی معاہدات کی شرائط پر ہوگا۔

ذیلی کمپنی نے، میکو کے ساتھ 14 مئی 2011 کو پاور پراجیکٹ ایگریمنٹ (پی پی اے) طے کیا، اس معاہدے کی رو سے کمپنی نے، میکو کو معاہدے میں طے شدہ نرخوں پر بجلی فروخت کرنا تھی۔ یہ معاہدہ نیو کیٹیو پاور پالیسی 2009 کی شقوں کی پاسداری کرتے ہوئے طے پایا۔ تاہم بعد ازاں نیشنل الیکٹرک پاور ریگولیٹری اتھارٹی (نیرا) کی جانب سے بجلی کے نرخ مقرر کرنے کیلئے ایک نیا فارمولہ پیش کیا گیا جس کے تحت بجلی فروخت کرنے کے نرخوں میں کمی کر دی گئی۔ نیرا کی جانب سے این-سی پی پی پی کو کم نرخ دیئے جانے کا یہ فارمولہ بالخصوص ان حالات میں جبکہ صوبہ سندھ میں بجلی کا سخت بحران پایا جاتا ہے انتہائی نامناسب تھا۔ نیرا کے اس آرڈر کو مد نظر رکھتے ہوئے، میکو نے نوٹس دیا کہ وہ کمپنی کو خریدی گئی بجلی کے نرخ نئے فارمولے کے تحت ادا کریں گے۔

اس کے جواب میں ذیلی کمپنی کی جانب سے سندھ ہائی کورٹ کے روبرو ایک درخواست دائر کی گئی جس میں یہ موقف اپنایا گیا تھا کہ، میکو ذیلی کمپنی کو پی پی اے کے مطابق ادائیگی کرنے میں ناکام رہی ہے۔ معزز عدالت کی جانب سے ٹی پی پی ایل کی درخواست کو خارج کرتے ہوئے، میکو کو یہ ہدایت کی گئی کہ وہ ٹی پی پی ایل کو 02-2012-01 تک پی پی اے میں متعین نرخوں کے مطابق ادائیگیاں کرے اور اس تاریخ کے بعد سے ادائیگیاں نیرا کی جانب سے پیش کئے گئے نئے فارمولے کے مطابق کی جائیں۔ امید کے برخلاف فیصلہ آنے اور قانونی ٹیم سے مشاورت کے بعد ذیلی کمپنی نے ہائی کورٹ کی جانب سے دیئے گئے فیصلے کے خلاف سپریم کورٹ آف پاکستان میں مورخہ 10-28-2015 کو ایک اپیل دائر کر دی گئی ہے۔ نتیجتاً، میکو اور نیرا کی جانب سے بھی سندھ ہائی کورٹ کی جانب سے دیئے گئے فیصلے کے خلاف سپریم کورٹ کے روبرو اپیلیں دائر کر دی گئی ہیں جو کہ عدالت عظمیٰ کے سامنے زیر التواء ہیں۔

مزید برآں، ذیلی کمپنی کی جانب سے جنوری 2017 سے میکو کو بجلی کی فراہمی جاری ہے اور ہر ماہ بجلی کی ترسیل کیلئے پی پی اے کے معاہدے کے تحت ہی ادائیگیوں کی انوائس بنائی جاتی ہے جبکہ میکو کی جانب سے کی جانے والی ادائیگیاں نیرا کی جانب سے مقرر کئے گئے نرخوں کے مطابق ہیں۔ دوران سال سندھ اسمبلی کی جانب سے سندھ نیو کیٹیو پاور پلانٹس سبڈی بل 2017 نافذ کر دیا گیا ہے جس کے تحت پی پی اے کے معاہدے اور نیرا کی جانب سے طے کئے جانے والے نرخوں میں پائے جانے والے فرق کی ادائیگیاں کیٹیو پاور پلانٹس کو کی جائیں گی۔ ان نرخوں میں پائے جانے والے فرق کی مارچ 2018 تک کی ادائیگیاں وصول کر لی گئی ہیں۔

بورڈ کی کارکردگی کی جانچ

لسٹڈ کمپنیز کوڈ آف کارپوریٹ گورننس، ریگولیشنز 2017 کے تحت کمپنی کے طے شدہ اہداف کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز اور اس کے ممبران اور بورڈ کی کمیٹیوں کی کارکردگی کا جائزہ لیا گیا ہے۔ اس مقصد کیلئے بورڈ نے اپنی، اپنے ممبران اور کمیٹیوں کی کارکردگی کو پرکھنے کیلئے ایک نظام وضع کر رکھا ہے۔ سال رواں میں گئی اس جانچ کے مطابق بورڈ، اس کے ممبران اور کمیٹیوں کے ممبران کی کارکردگی اطمینان بخش ہے۔

بیرونی آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹنٹس نے اپنی اہلیت کی بنیاد پر ایک مرتبہ پھر تعیناتی کیلئے اپنی خدمات پیش کی ہیں۔ آڈٹ کمیٹی کی سفارشات کی بنیاد پر بورڈ آف ڈائریکٹرز حصص داران کے سامنے یہ سفارش پیش کرتے ہیں کہ میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹنٹس کو آنے والے مالی سال 30 جون 2019 کیلئے کمپنی میں بطور آڈیٹرز تعینات کر لیا جائے۔

مستقبل پر نظر

ملک میں کامیابی کے ساتھ عام انتخابات کا انعقاد کروایا جا چکا ہے اور پر امن طریقے سے نئی حکومت کو اقتدار منتقل کیا جا چکا ہے۔ گو کہ موجودہ حکومت کو ابتر معاشی صورتحال کا سامنا ہے لیکن پر امن انتقال اقتدار وطن عزیز کیلئے ایک مثبت پیش رفت ہے۔ تاہم سیمنٹ کی صنعت کے حوالے سے یہ بات انتہائی مثبت ہے کہ نو منتخب شدہ حکومت کی جانب سے عوام الناس کو پچاس لاکھ سستے گھر فراہم کرنے کی نوید سنائی گئی ہے جس کی وجہ سے ہاؤسنگ سیکٹر میں لامحالہ تعمیراتی عمل میں تیزی پیدا ہوگی۔

جمہوری عمل کے ذریعے منتخب شدہ نئی حکومت اب کام کا آغاز کر چکی ہے اپنے اعلان کردہ منشور کے تحت حکومت نے پبلک سیکٹر میں ترقیاتی کام شروع کرنے کیلئے خطیر رقم مختص کرنے کا عندیہ دیا ہے جس کی وجہ سے کاروباری سرگرمیوں کے ساتھ ساتھ تعمیرات اور سیمنٹ کی صنعت کی سرگرمیوں میں اضافہ متوقع ہے۔ مزید برآں، سی پیک سے منسلک پروجیکٹ پر ایک مرتبہ پھر توجہ دینے کی وجہ سے حکومت کو جی ڈی پی میں اضافہ کرنے کے بے پناہ مواقع میسر ہوں گے اور ان تمام اقدامات کے پیش نظر آئندہ سال سیمنٹ کی مانگ میں زبردست اضافے کا رجحان نظر آسکتا ہے۔ ایندھن کی قیمتوں اور ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں توازن، پیداواری لاگت کی کمی میں اہم کردار ادا کر سکتے ہیں۔ البتہ سیمنٹ کمپنیوں کی پیداواری صلاحیت میں اضافے کے بعد ایک سخت مقابلے کی توقع ہے۔

انتظامیہ کمپنی کو درپیش مشکلات سے مکمل طور پر آگاہ ہے اور ان مشکلات اور خطرات کے اثرات کو کم از کم کرنے کی غرض سے مستقل بنیادوں پر ناصرف حکمت عملی وضع کر رہی ہے بلکہ اس ضمن میں خاطر خواہ اقدامات بھی اٹھائے جا رہے ہیں تاکہ مستقبل کے خطرات سے نمٹنے کے علاوہ کمپنی کے کاروبار میں ترقی کو بھی برقرار رکھا جاسکے۔

گروپ کی کارکردگی

کمپنیز ایکٹ 2017 کے سیکشن (4) 226 کے تحت رپورٹ ہذا یعنی مالیاتی دستاویزات برائے سال 30 جون 2018 کے ساتھ ٹھٹھہ سیمنٹ کمپنی لمیٹڈ (ہولڈنگ کمپنی) اور ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ (ذیلی کمپنی) کی مجموعی مالیاتی دستاویزات کو بھی منسلک کیا گیا ہے۔

6- کمپنی بھٹکی کی بنیاد پر اپنی کاروباری سرگرمیاں جاری رکھے ہوئے ہے اور اس سلسلے میں ٹنک کی کوئی گنجائش موجود نہیں ہے کہ کمپنی اپنی کاروباری سرگرمیوں کو بھٹکی کی بنیاد پر آئندہ بھی جاری رکھے گی۔

7- کمپنی کے ذمے ٹیکسوں، ڈیوٹیز، لیویز اور دیگر واجبات کے ضمن میں معمول کی کاروباری سرگرمیوں اور ان واجبات کے علاوہ اور کوئی واجبات نہیں ہیں جنہیں مالیاتی دستاویزات میں بیان کیا جا چکا ہے۔

8- کمپنی کی جانب سے اپنے مستقل ملازمین کیلئے ایک پراویڈنٹ فنڈ اور گریجویٹ فنڈ کا انتظام کیا گیا ہے۔ ذیل میں ان رقوم کو بیان کیا جا رہا ہے جنہیں کمپنی کی جانب سے دستاویز برائے نفع و نقصان میں ظاہر کیا گیا ہے۔

• پراویڈنٹ فنڈ	9.511 ملین روپے
• گریجویٹ فنڈ	13.631 ملین روپے

9- آڈٹ شدہ اکاؤنٹس کے مطابق ٹھہرے سینٹ کمپنی لمیٹڈ کے انویسٹمنٹ پلان برائے ریٹائرمنٹ مینٹنس کی قدر بتاریخ 30 جون 2018 درج ذیل ہے:

• پراویڈنٹ فنڈ	79.95 ملین روپے
• گریجویٹ فنڈ	59.25 ملین روپے

10- گزشتہ چھ سال سے متعلق تمام اہم کاروباری اور مالیاتی شماریات الگ سے فراہم کی گئی ہیں۔

11- دوران سال بورڈ، آڈٹ کمیٹی اور انسانی وسائل و ادائیگیوں کی کمیٹی کی جانب سے منعقد کی جانے والی میٹنگز کی تعداد اور ان میٹنگز میں شرکت کرنے والے ڈائریکٹروں کی حاضری سے متعلق ہر ڈائریکٹر کی فرداً تفصیل (ضمیمہ 1) جو کہ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت سالانہ رپورٹ کا حصہ بنایا گیا ہے

12- کمپنی کی ترتیب حصص داری کو کمپنیز ایکٹ 2017 کے سیکشن (f) (2) 227 کے تحت رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔

کوڈ آف کارپوریٹ گورننس کی پاسداری

دستاویز برائے کوڈ آف کارپوریٹ گورننس کی پاسداری (سی سی جی) کو بھی اس رپورٹ سے منسلک کیا گیا ہے۔

ب۔ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت بورڈ آف ڈائریکٹرز کی درج ذیل ساخت کو سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے:

ڈائریکٹروں کی تعداد

6

الف۔ مرد

1

ب۔ خاتون

ساخت

5

i۔ آزاد ڈائریکٹرز

1

ii۔ غیر انتظامی ڈائریکٹرز

1

iii۔ انتظامی ڈائریکٹرز

ڈائریکٹروں کا مشاہرہ

ڈائریکٹروں کے مشاہرے کا تعین کمپنی کے آرٹیکلز آف ایسوسی ایشن کے ذریعے کیا جاتا ہے جس کے تحت کسی بھی ڈائریکٹر کو ڈائریکٹروں کے اجلاس میں شرکت کیلئے یا ڈائریکٹروں کی کسی کمیٹی کے اجلاس میں شرکت کیلئے مشاہرہ ادا کیا جائے گا جس کا تعین بورڈ آف ڈائریکٹرز کی جانب سے ان کے دائرہ کار اور ذمہ داریوں کی روشنی میں ان کی قابلیت اور کاوشوں کی بنیاد پر کیا جائے گا۔

تاہم 30 جون 2018 تک ذیلی کمپنی کے تجارت کی مد میں قابل وصول رقم میں اضافہ ہوا ہے جس کا بڑا حصہ ریسیکو سے قابل وصول رقم ہے اور جو اس بات کی نشاندہی کر رہا ہے کہ بیسکو کی جانب سے بجلی کے بلوں کی ادائیگی میں تاخیر کی جارہی ہے اس لئے ذیلی کمپنی کو اپنی مالیاتی ذمہ داریوں اور اس المال کی ضروریات پورا کرنے کیلئے مالیاتی امداد کی ضرورت پیش آسکتی ہے۔ اس مالیاتی امداد کے نتیجے میں ذیلی کمپنی ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کو بلا تعطل بجلی کی فراہمی جاری رکھ سکے گی اور ٹھٹھہ سیمنٹ کمپنی لمیٹڈ سیمنٹ کی پیداوار کے عمل کو بلا تعطل جاری رکھ سکے گی۔ اسی لئے ذیلی کمپنی کی مالیاتی ذمہ داریوں اور اس المال کی ضروریات کو پورا کرنے کیلئے مجوزہ قرض کی سہولت کی تجدید کی تجویز دی جارہی ہے۔ اسی مناسبت سے، سالانہ رپورٹ کے ساتھ کمپنیز ایکٹ 2017 کی زیر دفعہ (3) 134 کے تحت ایک ضمیمہ بھی منسلک کیا گیا ہے جس میں مزکورہ بالاہ معاملے سے متعلق تمام اہم حقائق اور اس کے جواز کے حق میں دلائل پیش کئے گئے ہیں۔

ب۔ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی، کے ساتھ ویسٹ ہیٹ یوٹیلٹیز انٹرپرائز انگریمنٹ

ذیلی کمپنی کی جانب سے ویسٹ ہیٹ ریکوری پروجیکٹ کے تحت 5 میگاواٹ بجلی پیدا کرنے کا ایک منصوبہ شروع ہو چکا ہے۔ ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کو انٹر کوئینٹنگ چیمبر اور سپنشن پری ہیٹر کے ذریعے ویسٹ ہیٹ فراہم کی جائے گی تاکہ سپر ہیٹ اسٹیم کے ذریعے ذیلی کمپنی مزکورہ بجلی پیدا کر سکے۔ اس مقصد کیلئے ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کے ساتھ ویسٹ ہیٹ یوٹیلٹیز انٹرپرائز انگریمنٹ (ڈبلیو ایچ یو اے) کیا گیا ہے تاکہ اسے ویسٹ ہیٹ مہیا کی جاسکے۔ مزکورہ معاہدے کے سلسلے میں ٹھٹھہ سیمنٹ کمپنی لمیٹڈ اور ذیلی کمپنی کے بورڈ آف ڈائریکٹرز سے منظوری حاصل کی جا چکی ہے۔ اسی مناسبت سے، سالانہ رپورٹ کے ساتھ کمپنیز ایکٹ کی زیر دفعہ (3) 134 کے تحت ایک ضمیمہ بھی منسلک کیا گیا ہے جس میں مزکورہ بالاہ معاملے سے متعلق تمام اہم حقائق پیش کئے گئے ہیں۔

ج۔ ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی (ایس سی)، کے ساتھ سروس لیول انگریمنٹ

ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کی جانب سے ذیلی کمپنی کو اپنے روزمرہ کے کاروباری معاملات چلانے کیلئے خدمات فراہم کی جاتی ہیں۔ ان خدمات کی فراہمی ایک سروس لیول انگریمنٹ کے تحت ہوتی ہے جس میں ان خدمات کے دائرہ کار اور شرائط و ضوابط کو طے کیا گیا ہے۔ مزکورہ معاہدے کی منظوری ٹھٹھہ سیمنٹ کمپنی لمیٹڈ اور ذیلی کمپنی کے بورڈ آف ڈائریکٹرز سے حاصل کی جا چکی ہے۔

د۔ ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کو بجلی کی فراہمی کیلئے ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی (ایس سی)، کے ساتھ پاور پرچیز انگریمنٹ

ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کی جانب سے بجلی کی فراہمی کیلئے ذیلی کمپنی کے ساتھ 12 دسمبر 2011 کو پاور پرچیز انگریمنٹ کیا گیا تھا۔ ذیلی کمپنی کی جانب سے 12 دسمبر 2012 کو کمرشل بنیادوں پر بجلی کی پیداوار کا آغاز ہو چکا ہے۔ پاور پرچیز انگریمنٹ کے اندر بجلی کی فراہمی کے سلسلے میں انوائسنگ / بلنگ اور دیگر شرائط و ضوابط کو طے کیا گیا ہے۔ پاور پرچیز انگریمنٹ کو نیو کیسیٹیو پاور پالیسی 2009 کے تحت عمل میں لایا گیا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ

- 1۔ ٹھٹھہ سیمنٹ کمپنی لمیٹڈ کی جانب سے تیار کی جانے والی مالیاتی دستاویزات صحیح انداز سے کمپنی کے معاملات، کاروباری نتائج، نقد رقوم کی ترسیل اور سرمایہ برہنی حصص میں تبدیلی کی نمائندگی کرتی ہیں۔
- 2۔ کمپنی کی جانب سے تمام کھاتوں کو باقاعدہ محفوظ کیا جاتا ہے۔
- 3۔ مالیاتی دستاویزات اور اس کے ساتھ منسلک نوٹس کی تیاری کے سلسلے میں کمپنیز ایکٹ 2017 اور پاکستان میں مستعمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز اور انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز کی مکمل پاسداری کی گئی ہے۔ اور اس ضمن میں کسی قسم کی کوئی قابل ذکر روگردانی نہیں کی گئی۔
- 4۔ مالیاتی دستاویزات کی تیاری میں مستقل بنیادوں پر اکاؤنٹنگ کی مناسب پالیسیوں پر عمل کیا جا رہا ہے اور تمام محاسبی تخمینے قرین قیاس ہیں۔
- 5۔ کمپنی کے اندرونی کنٹرول سسٹم کو جامع اور موثر انداز سے نافذ کیا گیا ہے اور اسکی مستقل بنیادوں پر نگرانی اور اصلاح کی جاتی ہے۔

کمپنی کے کاروبار کے ماحول پر اثرات

سیمنٹ کی پیداوار سے ماحول کو سب سے بڑا خطرہ کلنکر کی پیداوار کے دوران خارج ہونے والے انتہائی چھوٹے چھوٹے ذرات سے ہے جنہیں باآسانی بذریعہ سانس اندر لے جایا جاسکتا ہے اور جو ایک مستقل اور مہلک بیماری سیلیکوسس باعث بن سکتے ہیں۔

کمپنی کے پاس اعلیٰ تربیت یافتہ اور دل جمعی کے ساتھ کام کرنے والا ایسا اسٹاف موجود ہے جو کہ ایس ای پی اے اور ایس ای کیو ایس کے معیارات کی پاسداری کیلئے ہمہ وقت کوشش میں لگا رہتا ہے۔ کمپنی کے کاروبار کی وجہ سے ماحولیات کو پہنچنے والے نقصانات سے نمٹنے کیلئے کمپنی اقدامی حکمت عملی پر یقین رکھتے ہوئے ایسے طریقے اپنائے ہوئے ہیں جس سے ان خطرات کو کم از کم کیا جاسکے جیسا کہ کمپنی کی جانب سے گرد کو قابو میں رکھنے کی غرض سے ڈسٹ سائیکلون، بیگ ہاؤسز، نمی کے ذریعے گرد کو کنٹرول کرنے کا سسٹم اور الیکٹرو اسٹیک نمی سسٹم اور پرسنل پروٹیکٹیو سسٹم وغیرہ کی تنصیب کی گئی ہے اور اس کے ساتھ ساتھ کمپنی کے احاطے میں سانس کے ذریعے اندر سرائیٹ کر جانے والی گرد آرائیں پی ایم اور آئی ف ڈی کو قابو میں کرنے کیلئے اسپیدلٹ کنٹرول کی تنصیب بھی کی گئی ہے۔

اس کے علاوہ قابل استعمال ہوا، پینے کے صاف پانی اور شور کی شدت سے متعلق ایس ای پی اے ایکٹ 2014 کے تحت ماحولیات کیلئے قائم کئے جانے والے معیارات کی بھی مکمل پاسداری کی جاتی ہے۔ ایس ای پی اے سے مصدقہ ماحولیات لیبارٹری کے ذریعے مانیٹرنگ اور تجزیات کا عمل بھی جاری رہتا ہے۔

ہماری ان کوششوں کے اعتراف میں این ایف ای ایچ (یو این ای پی سے رجسٹرڈ شدہ ایک ادارہ) کی جانب آپ کی کمپنی کو سال 2017 کیلئے انوار نمٹل ایکسیلنس ایوارڈ سے بھی نوازا گیا ہے۔

کارپوریٹ معاشرتی ذمہ داری

ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے آپ کی کمپنی نے اپنی معاشرتی ذمہ داریوں کو ہمیشہ بطریق احسن نبھایا ہے۔ جس شہر میں کمپنی اپنے کاروباری افعال سرانجام دے رہی ہے وہاں کی مقامی کمیونٹیوں کی فلاح و بہبود کیلئے کمپنی اقدامات اٹھاتی رہتی ہے۔ دوران سال رواں کمپنی کی جانب سے تعلیم اور صحت کے شعبوں میں خاطر قوم خرچ کی گئیں ہیں۔ اس سلسلے میں معیاری اسٹاف کے ساتھ تمام تر سہولیات سے آراستہ سیلیکوسس تشخیصی و صحتی مرکز بھی قائم کیا گیا ہے۔

اندرونی مالیاتی نظم و ضبط

مالیاتی دستاویزات کی منظوری کی تاریخ تک کمپنی کے ڈائریکٹروں کی جانب سے کمپنی کے اندرونی مالیاتی نظم و ضبط کو مضبوط کرنے کیلئے ہر ممکن اقدامات اٹھائے گئے ہیں۔ ان اقدامات کا تعلق ہر اس اہم معاملے سے ہے جو کہ کمپنی کے مالیاتی امور، کاروباری افعال اور ضوابط کی پاسداری سے ہے جو کہ کمپنی کے کاروبار پر اثر انداز ہو سکتے ہیں۔

متعلقہ پارٹیوں کے ساتھ معاملات

متعلقہ پارٹیوں سے کئے گئے لین دین کے تمام معاملات نوعیت معمول کے مطابق ہیں اور اس سلسلے میں پاکستان اسٹاک ایکسچینج لمیٹڈ کے ضوابط کے مطابق آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز سے منظوری حاصل کر لی گئی تھی۔ مزید برآں، کمپنیز ایکٹ 2017 کے سیکشن 208 کے تقاضوں کو پورا کرنے کے لئے مندرجہ ذیل معلومات بھی شامل کر دی گئی ہے۔

الف۔ قرض / ایڈوانس کی سہولت 300 ملین روپے برائے ٹھٹھہ پاور (پرائیویٹ) لمیٹڈ، ذیلی کمپنی کی تجدید

ٹھٹھہ سیمنٹ کمپنی لمیٹڈ (ٹی سی سی ایل) کی جانب سے اپنے سالانہ عام اجلاس منعقدہ 16 اکتوبر 2015 میں حصص داران سے ذیلی کمپنی کو اس کی مالیاتی ذمہ داریوں اور اس المال کی ضروریات سے نبرد آزما ہونے کیلئے قرض / ایڈوانس کی سہولت فراہم کرنے کی منظوری حاصل کی گئی تھی۔ ذیلی کمپنی کی مالیاتی ضروریات کو مد نظر رکھتے ہوئے قرض کی مزکورہ سہولت جاری رکھنے کے لئے بل ترتیب سالانہ عام اجلاس منعقدہ 27 ستمبر 2016 اور 18 ستمبر 2017 میں بھی اس منظوری کی تجدید کی گئی تھی۔ اس قرض کے سلسلے میں حاصل کی گئی منظوری کمپنی کے آئندہ سالانہ عام اجلاس مورخہ 15 اکتوبر 2018 تک کارآمد رہے گی۔

(iii) لاگت برائے فروخت و تقسیم

فروخت و تقسیم کی لاگت گزشتہ مالی سال کے مقابلے میں 30.46 فیصد کم رہی ہے جس کی وجہ فروخت میں آنے والی کمی کے بعد کمیشن کی مد میں اخراجات میں آنے والی کمی ہے۔

(iv) لاگت برائے تمویل

گزشتہ مالی سال کے مقابلے میں زیر نظر مالی سال میں تمویلی لاگت میں 26.21 فیصد تک کی کمی واقع ہوئی ہے جس کی بنیادی وجہ بی ایم آر کیلئے حاصل کئے گئے طویل المیعاد قرضوں کی واپسی ہے۔

(v) ٹیکس

رواں سال ٹیکس اخراجات میں 136.309 ملین روپے کی کمی واقع ہوئی ہے جس کی وجہ گزشتہ سال کے مقابلے میں منافع قبل از ٹیکس میں 375.935 ملین روپے کی کمی ہے اور ٹیکس کی شرح میں 31 سے 30 فیصد تک کمی ہوئی ہے۔

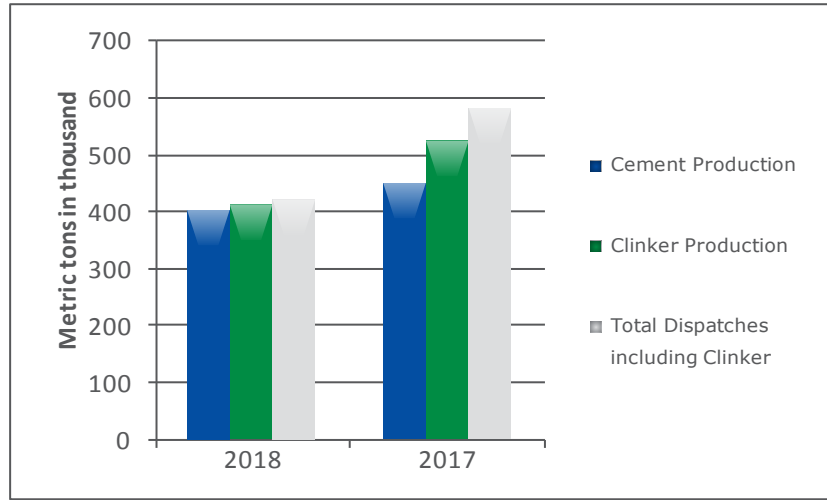
تقسیم منافع

سال رواں کے منافع کو مد نظر رکھتے ہوئے بورڈ آف ڈائریکٹرز کی جانب سے مالی سال 30 جون 2018 کیلئے 1.44 روپے کا نقد ڈیویڈنڈ فی حصص دینے کی تجویز پیش کی ہے جو کہ 14.40 فیصد بنتا ہے۔ اس ڈیویڈنڈ کو حاصل کرنے کے حقوق صرف ان حصص داران کے پاس ہونگے جن کا نام کاروباری دن کے اختتام 5 اکتوبر 2018 کو حصص داران کے رجسٹر میں درج ہوں گے۔ فور تھ شیڈول کمپنیز ایکٹ 2017 کی شرائط کے تحت منافع کی اس تقسیم کو ریکارڈ کر کے آئندہ شائع کئے جانے والے مالیاتی گوشواروں میں کر دیا جائے گا۔

کمپنی کو لاحق اہم خطرات و غیر یقینی صورتحال

سیمنٹ کی صنعت کے اہم شرائط داروں کی جانب سے پیداواری گنجائش میں اضافے کے منصوبے پایہ تکمیل کو پہنچ چکے ہیں جس کی وجہ سے جنوبی ریجن میں سیمنٹ کی اضافی پیداواری گنجائش موجود ہے جبکہ دوسری جانب پیداواری گنجائش میں آنے والے برسوں میں مزید اضافہ بھی ہو گا کیونکہ سیمنٹ کی پیداواری گنجائش میں اضافے کے چند پروجیکٹس اس وقت بھی تعمیراتی مراحل میں ہیں۔

ان پروجیکٹس کی وجہ سے آپ کی کمپنی سمیت ایسی کمپنیوں کیلئے مسائل پیدا ہو سکتے ہیں جو اب تک بڑے پیمانے پر پیداوار کے فوائد (economies of scale) اور مسابقتی پوزیشن (competitive advantage) حاصل کرنے میں کامیاب نہیں ہو سکی ہیں۔ ان خطرات کو پیش نظر رکھتے ہوئے آپ کی کمپنی کی جانب سے اس قسم کی حکمت عملی وضع کی جا رہی ہے اور ایسے اقدامات اٹھائے جا رہے ہیں کہ ناصرف مستقبل میں پیش آنے والے ان خطرات سے نمٹا جاسکے بلکہ کمپنی کے کاروبار کو بھی فروغ دیا جاسکے۔ مزید برآں کمپنی کے فنانشل رسک مینجمنٹ اور اس سے متعلق پالیسیاں اور اہداف کو مالیاتی دستاویزات کے نوٹ نمبر 41 میں شامل کیا گیا ہے جس میں اس رسک کی نوعیت بمعہ مارکیٹ رسک، کریڈٹ رسک اور لیکویڈیٹی رسک کو بھی واضح کیا گیا ہے۔



گزشتہ سال کے مقابلے میں سینٹ کی ترسیل میں 4.20 فیصد کی کمی واقع ہوئی ہے جس کی وجہ سے سینٹ کمپنیوں کی پیداواری گنجائش میں ہونے والے اضافہ کی وجہ سے سینٹ کی قیمتوں میں مقابلے کا رجحان ہے۔ مزید برآں، کلنکر کی فروخت میں آنے والی کمی کی وجہ سے بھی مجموعی فروخت میں گزشتہ سال کی نسبت فروخت کے حجم میں 27.97 فیصد کمی واقع ہوئی ہے۔

(ب) مالیاتی کارکردگی

کمپنی کی مالیاتی کارکردگی برائے مالی سال 30 جون 2018 کی اہم جھلکیاں گزشتہ سال اسی عرصے کے دوران مالیاتی کارکردگی کے مد مقابل ذیل میں پیش کی جا رہی ہے:

Particulars	2018	2017
	----- Rupees in thousands -----	
Sales – net	2,842,538	3,656,723
Gross profit	756,004	1,163,029
Selling & Distribution cost	70,256	101,031
Finance cost	64,727	87,723
Profit before taxation	497,371	855,306
Profit for the year	356,860	581,993
Earnings per share (Rupees)	3.58	5.84

دوران سال خام منافع کی شرح گزشتہ سال کی شرح 31.80 فیصد کے مقابلے میں کم ہو کر 26.60 فیصد تک رہی ہے۔ اس سال کمپنی نے 124.146 ملین روپے کی فرسودگی منہا کرنے کے بعد 497.371 ملین روپے کا منافع قبل از ٹیکس کمایا۔

(i) کارکردگی برائے فروخت

زیر نظر مالی سال کے دوران کمپنی کی آمدن از فروخت میں 22.26 فیصد کی کمی واقع ہوئی ہے جس کی بنیادی وجہ کلنکر اور جی جی بی ایف ایس کی فروخت میں آنے والی واضح کمی ہے۔ اس کے علاوہ گزشتہ سال کے مقابلے میں اس سال فروخت کی شرح 27.97 فیصد کی کمی ہوئی ہے۔

(ii) لاگت برائے فروخت

زیر نظر مالی سال کے دوران لاگت برائے فروخت کی شرح اضافے کے بعد 73.40 فیصد تک پہنچ چکی ہے جبکہ گزشتہ سال لاگت برائے فروخت کی شرح 68.20 فیصد تھی۔ لاگت برائے فروخت میں اضافے کی وجہ کوئی کمی قیمتوں میں اضافہ ہے۔

ڈائریکٹر رپورٹ

آپ کی کمپنی کے ڈائریکٹر انتہائی مسرت کے ساتھ کمپنی کی آڈٹ شدہ مالیاتی دستاویزات برائے 30 جون 2018 اپنے جائزے اور آڈیٹر کی رپورٹ کے ساتھ آپ کی خدمت میں پیش کر رہے ہیں۔

صنعتی جائزہ

30 جون 2018 کو ختم ہونے والے مالی سال کے دوران گزشتہ سال کے مقابلے میں مجموعی طور پر سیمنٹ کی صنعت میں شرح نمو 13.84 فیصد رہی ہے۔ اس سال صنعت کی پیداوار نصب شدہ پیداواری گنجائش کی 92.82 فیصد رہی جبکہ گزشتہ سال یعنی 2017 کے دوران صنعت کی پیداوار 90.17 فیصد تھی۔ مالی سال 1992-1993 کے بعد سے اب تک یہ صنعت میں نصب شدہ پیداواری گنجائش کو برائے کارلانے کی بلند ترین سطح ہے۔ مزید برآں جنوبی علاقوں میں دوران مالی سال 30 جون 2018 میں مقامی سطح پر سیمنٹ کی کھپت میں 10.26 فیصد اضافہ ریکارڈ کیا گیا جبکہ شمالی علاقوں میں اس سال مقامی سطح پر سیمنٹ کی کھپت میں 16.57 فیصد کا اضافہ ریکارڈ کیا گیا ہے۔

بین الاقوامی سطح پر کونسل کی قیمتوں میں اضافے اور پاکستانی روپے کی قدر میں کمی کی وجہ سے سیمنٹ کی پیداواری لاگت میں اضافہ ہوا ہے جس کی وجہ سے سیمنٹ کی صنعت کے منافع پر منفی اثرات مرتب ہوئے ہیں۔ مزید برآں، بڑی سیمنٹ کمپنیوں کی جانب سے سیمنٹ کی پیداواری گنجائش میں اضافے کی وجہ سے سیمنٹ کی قیمتیں بالخصوص مالی سال 30 جون 2018 کے دوسرے نصف میں دباؤ کا شکار رہیں۔

کاروباری کارکردگی

(الف) پیداوار اور فروخت

گزشتہ سال 100.5 فیصد کے مقابلے میں زیر نظر مالی سال کے دوران پیداواری گنجائش کا 79.59 فیصد استعمال میں لایا جا سکا۔ مجموعی طور پر کلنکر کی پیداوار میں گزشتہ سال کے مقابلے میں 20.84 فیصد کی کمی واقع ہوئی ہے جبکہ سیمنٹ کی پیداوار میں گزشتہ مالی سال کے مقابلے میں 4.39 فیصد کی معمولی کمی واقع ہوئی ہے۔

Description	2018	2017	Variance	
	Metric Tons			%
Plant capacity – Clinker	510,000	510,000	-	-
Production				
- Clinker	405,885	512,789	(106,904)	(20.84)
- Cement	393,749	411,856	(18,107)	(4.39)
- GGBFS	7,952	22,260	(14,308)	(64.28)
Dispatches				
Cement				
- Local	393,458	410,726	(17,268)	(4.20)
- Exports	-	875	(875)	(100.00)
	393,458	411,601	(18,143)	(4.41)
Clinker	15,046	138,597	(123,551)	(89.14)
GBFS & GGBFS – Local	7,952	28,005	(20,053)	(71.60)
	416,456	578,203	(161,747)	(27.97)

KEY OPERATING AND FINANCIAL STATISTICS OF SIX YEARS

	2018	2017	2016	2015	2014	2013
-----Rupees in thousands-----						
(Restated)						
Summary of Balance Sheet						
Assets Employed						
Property, plant and equipment	2,199,535	2,055,402	2,173,000	2,149,869	1,415,559	943,879
Intangible assets	2,800	5,793	6,485	6,418	318	448
Long term deposits	1,096	1,096	1,096	1,096	1,006	1,006
Long term investment in associate	-	-	-	-	-	127,847
Long term investment - Available for sale	-	-	164,768	279,341	140,106	-
Long term investment in subsidiary	299,158	299,158	299,158	299,158	299,158	299,158
Current assets	1,637,106	1,533,877	1,300,122	823,233	1,113,366	824,613
	<u>4,139,695</u>	<u>3,895,326</u>	<u>3,944,629</u>	<u>3,559,115</u>	<u>2,969,513</u>	<u>2,196,951</u>
Financed by						
Shareholders equity	2,556,790	2,440,620	2,074,969	1,673,500	1,349,257	1,103,935
Long term financing						
Current portion of long term financing	87,817	319,750	1,026,684	1,215,380	484,652	73,865
	231,933	231,933	231,933	69,398	24,586	57,919
	319,750	551,683	1,258,617	1,284,778	509,238	131,784
Long term deposits & deferred liabilities	305,347	289,105	204,469	152,392	151,195	121,259
Current liabilities	1,189,741	845,851	638,507	517,843	984,409	897,892
Current portion of long term financing	(231,933)	(231,933)	(231,933)	(69,398)	(24,586)	(57,919)
	957,808	613,918	406,574	448,445	959,823	839,973
Total funds invested	<u>4,139,695</u>	<u>3,895,326</u>	<u>3,944,629</u>	<u>3,559,115</u>	<u>2,969,513</u>	<u>2,196,951</u>
Summary Of Profit & Loss						
Turnover	2,842,538	3,656,723	2,846,147	2,304,404	2,182,327	2,361,192
EBITDA	689,237	1,089,909	903,011	517,344	593,147	391,667
EBIT	562,098	943,029	791,004	473,468	544,656	340,111
% Change in Sales	(22.26)	28.48	23.51	5.59	(7.58)	2.03
% Change in EBITDA	(36.76)	20.70	74.55	(12.78)	51.44	180.18
% Change in EBIT	(40.39)	19.22	67.07	(13.07)	60.14	281.82
Gross Profit	756,004	1,163,029	913,844	645,901	682,015	485,513
Operating profit	563,202	913,686	728,181	512,899	544,789	351,473
Profit before tax	497,371	855,306	666,009	417,007	473,159	257,044
Profit for the year	356,860	581,993	614,443	289,274	298,387	148,478
Accumulated Profit carried forward	1,459,891	1,343,721	913,548	431,766	252,358	7,036
Earnings per share (Rupees)	3.58	5.84	6.16	2.90	2.99	1.49

COMBINED PATTERN OF CDC AND PHYSICAL SHAREHOLDINGS AS AT JUNE 30, 2018

Category No.	Categories of Shareholders	No. of shares held	Category wise no. of shareholders	Category wise shares held	Percentage %
1	DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSE AND MINOR CHILDREN - KHAWAJA MUHAMMAD SALMAN YOUNIS - AGHA SHER SHAH - SHAHID AZIZ SIDDIQUI - MUHAMMAD TAHA HAMDANI - SALEEM ZAMINDAR	125 1,000 500 1,000 500	5	3,125	0.003
2	EXECUTIVES	-	-	-	-
3	MUTUAL FUNDS - CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST - CDC - TRUSTEE ALHAMBRA ISLAMIC STOCK FUND - CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,368,580 621,500 1,503,000	3	3,493,080	3.503
4	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES - AL-MIFTAH HOLDINGS (PVT) LIMITED - GOLDEN GLOBE HOLDING (PVT) LTD - RISING STAR HOLDING (PVT) LTD - SKY PAK HOLDING (PVT) LIMITED	14,895,118 8,479,090 6,531,291 21,152,787	4	51,058,286	51.203
5	PUBLIC SECTOR COMPANIES AND CORPORATIONS	-	-	-	-
6	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARBAS AND PENSION FUNDS	-	4	11,927,935	11.962
7	General Public - Local - Foreign	-	2,299 99	25,004,273 3,756,911	- 25.075 3.768
8	OTHERS	-	34	4,474,515	4.487
			2,448	99,718,125	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE COMPANY			
TOTAL PAID-UP CAPITAL OF THE COMPANY		99,718,125	SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY		4,985,906	SHARES
NAME OF SHAREHOLDER	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE
SUMMIT BANK LIMITED	FALLS IN CATEGORY # 6	8,462,835	8.49%
SKY PAK HOLDING (PVT) LTD	FALLS IN CATEGORY # 4	21,152,787	21.21%
AL-MIFTAH HOLDING (PVT) LTD	FALLS IN CATEGORY # 4	14,895,118	14.94%
GOLDEN GLOBE HOLDING (PVT) LTD	FALLS IN CATEGORY # 4	8,479,090	8.50%
RISING STAR HOLDING (PVT) LTD	FALLS IN CATEGORY # 4	6,531,291	6.55%

Note:

In compliance with the requirement of clause 5.6.1 (d) of PSX Regulations the threshold for employees who shall be consider as 'executive' for the purposes of disclosing trades in the shares of the listed companies are those employees whose basic salary exceeds rupees twelve hundred thousand in a financial year.

PATTERN OF SHAREHOLDINGS - CDC AND PHYSICAL AS AT JUNE 30, 2018

No. of shareholders	Shareholdings		Total shares held
	From	To	
251	1	100	2,510
761	101	500	370,033
350	501	1,000	334,728
581	1,001	5,000	1,663,153
197	5,001	10,000	1,650,500
71	10,001	15,000	930,500
49	15,001	20,000	921,000
39	20,001	25,000	912,000
18	25,001	30,000	510,500
8	30,001	35,000	275,000
14	35,001	40,000	539,000
6	40,001	45,000	256,500
22	45,001	50,000	1,091,500
6	50,001	55,000	312,000
7	55,001	60,000	411,000
2	60,001	65,000	126,000
4	65,001	70,000	273,000
3	70,001	75,000	222,500
5	75,001	80,000	396,000
3	85,001	90,000	266,000
6	95,001	100,000	600,000
1	100,001	105,000	105,000
2	110,001	115,000	224,000
2	130,001	135,000	269,500
1	140,001	145,000	143,000
3	145,001	150,000	445,000
1	150,001	155,000	155,000
1	175,001	180,000	177,000
1	180,001	185,000	181,500
1	185,001	190,000	188,500

No. of shareholders	Shareholdings		Total shares held
	From	To	
1	195,001	200,000	200,000
1	200,001	205,000	201,500
1	210,001	205,000	213,500
1	245,001	250,000	250,000
1	250,001	255,000	250,500
1	270,001	275,000	275,000
1	285,001	290,000	286,500
1	310,001	315,000	310,500
1	385,001	390,000	390,000
1	395,001	400,000	400,000
1	400,001	405,000	405,000
1	405,001	410,000	408,500
1	490,001	495,000	491,500
2	495,001	500,000	1,000,000
1	530,001	535,000	531,000
1	600,001	605,000	605,000
1	620,001	625,000	621,500
1	755,001	760,000	756,000
1	795,001	800,000	800,000
1	990,001	995,000	995,000
1	1,365,001	1,370,000	1,368,580
1	1,500,001	1,505,000	1,503,000
1	2,385,001	2,390,000	2,388,000
1	3,370,001	3,375,000	3,375,000
1	3,500,001	3,505,000	3,505,000
1	4,710,001	4,715,000	4,714,500
1	6,530,001	6,535,000	6,531,291
1	8,460,001	8,465,000	8,462,835
1	8,475,001	8,480,000	8,479,090
1	14,895,001	14,900,000	14,895,118
1	21,150,001	21,155,000	21,152,787
2,448			99,718,125

SHAREHOLDERS ENGAGEMENT

Creating Friendliness

Keeping a pollutant-free environment is a challenge we face every day. This can be managed by protecting our surroundings from waste materials and extra usage of fuels that stay in the environment and spoil it. For an eco-friendly sphere, our each step should support cleanliness and safety.

The fluent communication between our shareholders creates a well-organized and valuable environment which maintains confidentiality and support, within all matters.



Friendly Environment



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Thatta Cement Company Limited will be held at Beach Luxury Hotel, M. T. Khan Road, Karachi on October 15, 2018 at 10:30 a.m. to transact the following business:

A. Ordinary Business

1. To confirm the minutes of Annual General Meeting of the shareholders held on September 18, 2017.
2. To receive, consider and adopt Annual Audited Unconsolidated Financial Statements of the Company together with the Directors' and the Auditors' reports thereon for the year ended June 30, 2018, together with the Annual Audited Consolidated Financial Statements of the Company and the Auditors' report thereon for the year ended June 30, 2018.
3. To consider, declare and approve final cash dividend for the year ended June 30, 2018 at the rate of Rs 1.44/- per share i.e. 14.40% as recommended by the Board of Directors.
4. To appoint external auditors of the Company for the year ending on June 30, 2019 and fix their remuneration. The Board of Directors on the recommendation of the Audit Committee has proposed the appointment of M/s Grant Thornton Anjum Rahman Chartered Accountants, as external auditors for the year ending on June 30, 2019.
5. To elect seven (7) directors of the Company as fixed by the Board for a term of three years commencing from October 16, 2018 in accordance with the provisions of section 159(1) of the Companies Act, 2017. Retiring directors are 1. Mr. Khawaja Muhammad Salman Younis, 2. Mr. Muhammad Taha Hamdani, 3. Mr. Agha Sher Shah, 4. Mr. Shahid Aziz Siddiqui, 5. Ms. Naheed Memon, 6. Mr. Saleem Zamindar and 7. Mr. Attaullah.A. Rasheed. The retiring directors are eligible for re-election. The statement of facts under section 166(3) of the Companies Act, 2017 is annexed to the notice.

B. Special Business

6. Investment (Loan/advance) under section 199 of the Companies Act, 2017

To consider and, if deem fit, to pass with or without any amendment/ modification following resolutions as special resolutions:

RESOLVED that the time period for providing advance/loan facility to Thatta Power (Private) Limited, the Subsidiary Company, to the extent of total amount of Rs 300 million as approved/renewed by the shareholders in the Annual General Meeting held on September 18, 2017, be and is hereby extended further for a period of one year till the holding of next Annual General Meeting to be held on or before October 27, 2019, to meet the requirements of Regulation 5(7) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017.

FURTHER RESOLVED that the Chief Executive Officer and the Company Secretary be and are hereby jointly authorized to take and do and / or cause to be taken or done any / all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolution and to do all acts, matters, deeds and things which are necessary, incidental and / or consequential to the investment (loans and advances) of the Company's funds as above as and when required at the time of investment.

The statement as required under section 134(3) of the Companies Act, 2017 is being sent to the members with the notice.

7. Waste Heat Utilization Agreement (WHUA) between Thatta Cement Company Limited (TCCL) and Thatta Power (Pvt) Limited (TPPL)

To consider and, if deem fit, to pass with or without any amendment/modification following resolution as special resolution:

RESOLVED that Waste Heat Utilization Agreement (WHUA) with Thatta Power (Private) Limited (TPPL), in relation to Waste Heat Recovery project undertaken by TPPL, be and is hereby ratified, approved and confirmed together with all actions and deeds undertaken by Thatta Cement Company Limited (TCCL) in connection with WHUA.

The statement as required under section 134(3) of the Companies Act, 2017 is being sent to the members with the notice.

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

By Order of the Board

Karachi : September 24, 2018

Shahid Yaqoob
CFO & Company Secretary

Notes:

1. The Share Transfer Books of the Company for Ordinary Shares will remain closed from October 8, 2018 to October 15, 2018 (both days inclusive) for determination of entitlement of shareholders to cash dividend and to attend and vote at the Annual General Meeting.
 - a. Physical transfers and deposit requests under Central Depository System received at the close of business on October 5, 2018 by the Company's Share Registrar i.e. M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400, will be treated as being in time for above mentioned entitlement and to attend the meeting.
 - b. A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. The instrument of proxy i.e. proxy form must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
 - c. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, alongwith attested copies of CNIC or Passport of the beneficial owner and the proxy.
 - d. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature(s) shall be submitted with the proxy form.

- e. Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.
- f. Any member who seeks to contest for election as a Director, whether he is a retiring Director or otherwise shall file with the Company not later than fourteen (14) clear days before the date of Annual General Meeting:
 - Notice of his intention to offer himself as a Director along with the consent to serve as a Director under section 159(3) of the Companies Act, 2017.
 - Consent to act as director in the prescribed Form 28, duly signed and completed by the candidate as required under section 167(1) of the Companies Act, 2017.
 - Candidates participating in the election of directors are required to file a detailed profile alongwith his/her office address as required under SECP SRO # 634(I)/2014 dated July 10, 2014
 - Signed declaration to the effect that he/she is aware of the duties & powers of directors under the Companies Act, 2017, Memorandum & Articles of Association of the Company, Rule Book of Pakistan Stock Exchange Limited and the Listed Companies Code of Corporate Governance Regulations, 2017 and other relevant laws and regulations.
 - Signed declaration to the effect that he/she is compliant to the requirements & eligibility criteria as set out in the Companies Act, 2017 and Listed Companies Code of Corporate Governance Regulations, 2017 to be appointed as a director/ independent director of the listed company.
 - Copy of valid CNIC/passport/NTN.

STATEMENT OF MATERIAL FACTS UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017

In compliance of section 166(3) of the Companies Act, 2017 for an independent director, consent paper will be accepted from those persons who are in compliance with section 166(2) the Companies Act, 2017.

- 2. Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on Tax/Zakat certificate. Shareholders are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400
- 3. Under section 242 of the Companies Act, 2017, every listed company is required to pay dividend, if any, to their shareholders only through electronic mode, i.e. by transferring the same directly into the bank account provided by the shareholders.

Shareholders are requested to provide to the Company's Share Registrar, particulars relating to name, folio number, IBAN which is mandatory for their credit of dividend, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC latest by September 30, 2018. In case of non-receipt of proper details of IBAN, Company will not be able to credit the dividend to your bank account and shall withheld the same as directed by SECP till the provision of such information.

For your convenience, an E-Dividend Mandate form has been made available at our website www.thattacement.com. The scanned copy of the duly filled & signed form shall be submitted to the broker (participant)/CDC in case shares are held in book entry form or in case of physical shares the same shall be sent through post/courier to Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400.

4. The Company shall provide video conference facility to its members for attending the general meeting at places other than the town in which the general meeting is scheduled after considering the geographical dispersal of its members provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 7 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of the video-link facility at least five days before the date of the general meeting along with complete information necessary to enable them to access the facility.

In this regard, please fill the following form and submit to the Registered Office of the Company 7 days before holding of the general meeting.

I/We _____ of _____ being a member of Thatta Cement Company Limited, holder of _____ Ordinary shares as per Registrar Folio No _____ hereby opt for video conference facility at _____.

Signature of Member

5. SECP has issued an SRO No 634(I)/2014 dated July 10, 2014 whereby every listed company shall maintain a functional website of the company. In compliance of the said SRO, we would like to inform our shareholders that annual report of the Company for the year ended June 30, 2018 has been placed on Company's website for information and access of the shareholders.
6. SECP has notified through SRO No 470(I)/2016 dated May 31, 2016, in continuation of an earlier SRO No 787(I)/2014 dated September 8, 2014, whereby subject to the approval of shareholders' in the general meeting the listed companies have been allowed to disseminate Annual Audited Accounts to the shareholders in soft form i.e. through CD/DVD/USB instead of transmitting the said accounts in hard copies. Accordingly, approval was obtained from shareholders in the Annual General Meeting held on September 27, 2016 to disseminate Annual Audited Accounts to the shareholders in soft form i.e. through CD/DVD/USB instead of transmitting the said accounts in hard copies.

In addition to above, in terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can also opt to obtain annual balance sheet and profit and loss account, auditor's report and directors report etc. alongwith the notice of Annual General Meeting through email. For this purpose, we hereby provide you an opportunity to send us your written consent alongwith your valid email ID to provide you the same at your valid email ID.

For your convenience, a Standard Request Form has been made available at our website -www.thattacement.com - either to opt to receive future annual reports through email or in hard copies or otherwise request for hard copy of the accounts as and when needed. The scanned copy

of the duly filled & signed form may be emailed to the Company Secretary at CSTCCL@thattacement.com or the same can be submitted through post/courier to Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400.

7. (i) Shareholders are hereby informed that the rates for deduction of income tax under section 150 of the Income Tax Ordinance, 2001 from payment of dividend have been revised as follows:

a.	Rate of tax deduction for Filer of income tax return	15%
b.	Rate of tax deduction for Non-Filer of income tax return	20%

All the shareholders whose names are not entered into Active Tax Payer List (ATL) available at FBR website www.fbr.gov.pk despite the fact that they are Filers are advised to make sure that their names are entered into ATL.

ii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of principal shareholder as well as joint-holder (s) based on their shareholding proportions in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to Company's Share Registrar, in writing as follows:

Individual/ Company Name	Folio / CDC A/c No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC #	Shareholding proportion (No of shares)	Name & CNIC #	Shareholding proportion (No of shares)

The required information must reach Company's Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holder(s).

8. For any query/information, shareholders may contact the Company Secretary and/or Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400.
9. Shareholders are requested to notify immediately to Company's Shares Registrar of any change in their address or their particulars.

STATEMENTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

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

1. Investment (Loan/Advance) under section 199 of the Companies Act, 2017

In terms of Regulation 4(2) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017, every listed company which has obtained approval of shareholders, under section 199 of the Companies Act, 2017 in Annual General Meeting of the Company, has to provide status of decision taken by shareholders including any change in terms and conditions of that investment /loan/advance.

The Company in its preceding Annual General Meeting held on September 18, 2017 had sought extension in time for providing loan/advance facility to its associated company/undertaking under section 199 of the Companies Act, 2017 for a period of one year till the holding of next Annual General Meeting. Therefore, approval for extension in time for a further period of one year is required to be obtained from shareholders in Annual General Meeting to be held on October 15, 2018.

Accordingly, approval is hereby sought from shareholders, in terms of Regulation No. 5(7) of aforesaid Regulations. Moreover, in compliance with Regulation No. 4(2) following information is given below:

Loans and Advances

Description	Information required
I. Name of Subsidiary Company	Thatta Power (Private) Limited
II. Total Investment approved	Rs 300 million
III. Amount of Investment made to date	Rs 'Nil' million as at June 30, 2018 (Rs 125 million as on June 30, 2017)
IV. Reasons for not having made complete investment so far where resolution required it to be implemented in specified time.	<p>Approval for loan/advance facility to the Subsidiary Company for an aggregate amount of Rs 300 million was initially obtained from the shareholders in the Annual General Meeting held on October 16, 2015 based on estimated requirements of funds by the Subsidiary Company. The said facility was renewed for a further period of one year in the last Annual General Meeting held on September 18, 2017.</p> <p>Subsequent to resumption of power supply to HESCO since January 2017, HESCO is paying monthly invoice on the basis of tariff determined by NEPRA. Hence, the requirements for utilization of funds from holding company reduced to 'Nil' as at June 30, 2018.</p>

Description	Information required
	<p>However, increasing trade debts the Subsidiary Company as of June 30, 2018 which mainly represents receivable from HESCO indicates that there is a delay in recovery of electricity bills issued to HESCO which may require financial support to the Subsidiary Company to honor its financial obligations and to meet its working capital requirements and in turn enable it to provide uninterrupted supply of electricity to its Holding Company for sustainable cement production.</p> <p>Therefore, renewal of loan / advance facility for the Subsidiary Company is essential for its continued business operations on the terms and conditions renewed by the shareholders in their preceding Annual General Meeting and on the same terms and conditions as per the agreement between Thatta Cement Company Limited and Thatta Power (Private) Limited.</p> <p>Unless specifically authorized by members in general meeting, the special resolution authorizing investment in associated undertaking shall be valid for a period of twelve months and shall stand lapse after such period as provided in regulation no. 6 of the aforesaid Regulations.</p> <p>In view of aforesaid reasons, it is therefore proposed to extend the loan/advance facility for a further period of one year till the holding of next Annual General Meeting to be held on or before October 27, 2019.</p>
<p>V. Material change in financial statements of associated company or undertaking since the resolution passed for making investment in said company or undertaking.</p>	<p>Receivable from HESCO increased to Rs 423.4 million as of June 30, 2018(Rs 267.8 million as of June 30, 2017)</p>

This statement is annexed to the Notice of Annual General Meeting of the Company to be held on October 15, 2018 at which a special business is to be transacted and the purpose of this statement is to set out all the material facts concerning such special business in terms of sections 134(3) and 199 of the Companies Act, 2017 read with Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 dated December 6, 2017. The Directors have no additional interest except to the extent of their shareholding in the Company.

2. Waste Heat Utilization Agreement (WHUA) between Thatta Cement Company Limited (TCCL) and Thatta Power (Pvt) Limited (TPPL)

BACKGROUND

Thatta Cement Company Limited was established in 1980 as a public limited company with its shares listed at Karachi Stock Exchange in 2008. To cope up with the business challenges and to reduce production cost alongwith improving efficiency in power consumption, Thatta Power (Private) Limited (TPPL) was formed in November 2010.

However, since inception in 1982 till to date, waste heat from TCCL's cement plant is being released to the atmosphere which is detrimental to the environment. It is envisaged to utilize the combined waste heat from power plant of TPPL and cement plant of TCCL to produce super heated steam which in turn would be used for power generation of 5 MW by installing WHR system by TPPL.

BENEFITS TO TCCL FROM WHR PROJECT

- TCCL will be able to earn revenue by disposing waste heat to TPPL. The waste heat is currently being released in the atmosphere.
- By conserving the waste heat, TCCL's strategic stand for being a corporate social responsible entity will be cultivated thereby creating a better image and reputation of TCCL together with contribution towards sustainable development of local environment.
- TCCL will be able to earn better dividend income from TPPL resulting from appreciation in TPPL's profit that may increase due to efficient power generation with the addition of WHR project.

REASONS FOR TPPL TO UNDERTAKE THE WHR PROJECT

- TPPL was established for the sole purpose of power generation and transmission. The entity has obtained a generation license from NEPRA to generate power by using natural gas and alternate energy.
- Waste Heat Recovery (Alternate Energy) Power Plant will not only enhance TPPL's current installed capacity of 23.1 MW but would also increase the overall efficiency of the power plant and will also fulfill NEPRA's licensing requirement.
- TPPL has already executed PPA with HESCO & TCCL in May 2011 & December 2011 respectively for the sale of electricity. Therefore, it does not require new Power Purchase Agreement for the sale of electricity generated via Waste heat Recovery project.

Keeping in consideration the above, the Board of Directors of the company accorded its approval to enter into Waste Heat Utilization Agreement (WHUA) with Thatta Power (Pvt) Limited (TPPL)[subsidiary of TCCL]. The said agreement was executed on September 21, 2015. As per the terms and conditions agreed between TCCL & TPPL, TCCL will provide waste heat released from Air Quenching Chamber & Suspension Pre-heater to TPPL to produce super heated steam which in turn would be used for 5 MW power generation by installing WHR system.

Current Status of Waste Heat Project being undertaken by TPPL

The project formation has commenced and advance stage preparation for the project is in progress. The project is estimated to be completed by March 2019.

Legal requirement under the Companies Act, 2017[Act].

Under section 208 of the Act, where any contract is entered into between a company and related party [TPPL] which is not in the ordinary course of business, the same shall be placed before the shareholders in general meeting for approval as special resolution.

After the enactment of Act and as a matter of abundant precaution in terms of aforesaid section, it is proposed to obtain ratification of WHUA executed between TCCL & TPPL from the shareholders of TCCL in the upcoming general meeting to be held on October 15, 2018.

The copy of Waste Heat Utilization Agreement (WHUA) executed between Thatta Cement Company Limited (TCCL) and Thatta Power (Pvt) Limited (TPPL), subsidiary of TCCL is available for inspection for shareholders at Annual General meeting to be held on October, 15 2018.

This statement is annexed to the Notice of the Annual General Meeting of the Company to be held on October 15, 2018 at which a special business is to be transacted and the purpose of this statement is to set out all the material facts concerning such special business in terms of section 134(3). The directors have no additional interest except to the extent of their shareholding in the Company.

INTERACTION WITH SHAREHOLDER'S

Protecting the shareholders' interest is our primary responsibility. We seek to meet our shareholders interest through maintaining profitability and growth in business operations and effective governance and corporate reporting framework. Annual General Meeting and statutory reporting are effective means of communication with our shareholders.

Investor's Grievances

Any complaint or observation received during general meetings or directly from shareholder are addressed by the Company Secretary. Furthermore, information to shareholders is provided within the statutory timeframe.

Investor's section

To provide updated information about the financial health of the Company, the website of Thatta Cement (<http://thattacement.com/Financial%20Statement.html>) provides all the financial reports that may be used by existing or prospective investors to facilitate their investment decisions.

AGM proceedings

The preceding AGM was held at Beach Luxury Hotel, MT Khan Road, Karachi on September 18, 2017 at 10:00 a.m. The proceedings in the meeting were conducted in an organized manner and well attended by the shareholders.

Chairman briefed the shareholders about the financial performance of the Company during the year highlighting increase in sales due to substantial growth in clinker & cement dispatches, gross profit, profit after tax and earnings per share. Shareholders raised various questions relating to the information in the financial statements particularly on future expectations of the Company and on the company's approach for retaining same growth in future and also on the Company's cost saving strategy.

Shareholders approved the Financial Statements and cash dividend and M/s Grant Thornton Anjum Rahman & Chartered Accountants was appointed as external auditor. Moreover loan/advance to the Subsidiary Company under section 199 of the Companies Act, 2017 was also approved by the Shareholders.



CORPORATE GOVERNANCE

Refraining Uncertainty

Hazardous emissions from industrial usage, vehicles and home energy pollutes the air with CO₂ contributing in global warming. Controlling the use of these daily necessities can help reduce toxic pollutants from the environment.

Our years of experience allows us to encounter the most challenging situations and surpass any uncertainty that comes on our road towards success.

Reduction of Emissions







**Independent Auditor's Review Report to the
Members of Thatta Cement Company Limited
on the Statement of Compliance Contained in
Listed Companies (Code of Corporate Governance) Regulations, 2017**

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Karachi 75530

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www.gt-pak.com

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Thatta Cement Company Limited** (the Company) for the year ended **June 30, 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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


The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore



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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Date: September 14, 2018
Karachi


Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES [CODE OF CORPORATE GOVERNANCE] REGULATIONS, 2017

For the year ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following details:
 - a. Male: six
 - b. Female: one
2. The composition of board is as follows:

Independent Directors:	five
Other Non-Executive Director:	one
Executive Director:	one
3. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company. Moreover, in terms of Listed Companies [Code of Corporate Governance] Regulation, 2017[CCG, 2017], the limit of directorship has been reduced to five which will be considered at the time of next election of Directors due in October 2018.
4. The Company has prepared a 'Code of Conduct' and has ensured to disseminate it throughout the Company alongwith supporting policies and procedures and which has also been placed on Company's website.
5. 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 ['Act'] and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. As per the requirement of Regulation no. 20 of the CCG, 2017, six directors on Board of the Company have completed Director's Training to meet the requirement of aforesaid Regulation.
10. The appointment, remuneration and terms and conditions of employment of Chief Financial Officer (CFO) and Company Secretary have been duly approved by the Board.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The board has formed following Committees as required under CCG, 2017 which comprises of members given below:

Audit Committee		
1.	Mr. Saleem Zamindar	Chairman of Committee
2.	Mr. Shahid Aziz Siddiqui	Member
3.	Mr. Khawaja Muhammad Salman Younis	Member
4.	Mr. Attaullah A Rasheed	Member

Human Resource & Remuneration Committee		
1.	Mr. Saleem Zamindar	Chairman of Committee
2.	Mr. Shahid Aziz Siddiqui	Member
3.	Mr. Agha Sher Shah	Member
4.	Muhammad Taha Hamdani	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

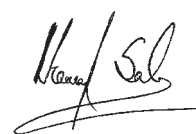
14. The frequency of meetings of the Board's Committees are as follows:

Name of Committee	Number of Meetings held during year from July 1, 2017 to June 30, 2018
Audit Committee	Four
Human Resources & Remuneration Committee	Three

15. The Board has developed a Board Evaluation Framework for annual evaluation of Board, Committees and its members to meet the requirement of CCG, 2017 and has also carried its evaluation on the basis of such framework. The overall result of evaluation has been termed as "Effective Board" based on scoring criteria provided in the said framework.
16. The Board has outsourced the internal audit function to M/s Deloitte Yousuf Adil & Co., Chartered Accountants and also appointed a Head of Internal Audit who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other requirements of the Regulations have been complied with.



Muhammad Taha Hamdani
Chief Executive Officer



Khawaja Muhammad Salman Younis
Chairman

Karachi: September 13, 2018

ROLE & RESPONSIBILITIES OF CHAIRMAN

Preamble:

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the Company. The Chairman's key role is to promote and oversee the highest standards of corporate governance within the Board and the Company.

The concept of separation of the role of the Chairman from that of the CEO implies that the Chairman should be independent from management and free from any interest and any business or other relationship which could interfere with the Chairman's independent judgment

Role / Responsibilities of the Chairman

- To set an agenda for the Board in coordination with CEO which is:
 - Focused on strategic matters;
 - Forward looking;
 - Evaluates and oversees current business.
- To maintain a proper process to ensure compliance with Board's policy on matters reserved to the Board for consideration.
- To ensure that Board members receive accurate, timely and clear information to enable them to monitor performance, make sound decisions and give appropriate advice to promote the success of the Company.
- To manage Board meetings so that sufficient time is allowed for the discussion of complex or contentious issues and that all members' contributions are encouraged and valued.
- To chair, serve on or attend Committees of the Board except for the restrictions if any imposed by laws applicable to listed companies.
- To encourage active engagement by all members of the Board.
- To create the opportunity for maintenance of the relevant skills and knowledge required to fulfill the director role on the Board and its committees.
- To identify and meet the development needs of the Board as a whole with a view to enhancing its overall effectiveness as a team.
- To provide independent advice and counsel to the CEO.
- To keep abreast Board of the activities of the Company and its management.
- To review and sign minutes of Board meetings.

ROLE & RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER (CEO)

Preamble:

The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of the management. CEO is responsible for leading the development and execution of the Company's long term strategy with a view to create shareholders' value. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

Role / Responsibilities of CEO

- To lead, in conjunction with the Board, and responsible for all day-to-day management decisions to implement the Company's long and short term plans in accordance with its strategy.
- To ensure that the Company is appropriately organized and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy.
- To ensure that expenditures of the Company are within the authorized annual budget of the Company approved by the Board.
- To assess the principal risks of the Company and to ensure that these risks are being monitored and managed and take corrective actions where appropriate.
- To ensure that effective internal controls and management information systems are in place.
- To ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically in line with best practices adopted by Industry.
- To ensure that the Company maintains high standards of corporate citizenship and social responsibility while doing business.
- To keep abreast Chairman/Board of all activities of the Company and all material external factors affecting the Company
- To ensure that the Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments.
- To ensure the integrity of all public disclosures by the Company.
- Maintain a positive a corporate culture and ethical work climate that promotes ethical practices, encourages individual integrity which are conducive to attract, retain and motivate top quality employees.
- Foster a corporate culture that fulfills social and environmental responsibility.
- To request special meetings of the Board when appropriate.
- To be member of committees of the Board where appropriate as determined by the Board.
- To abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees to conduct their activities in accordance with all applicable laws and the Company's standards and policies, including its environmental.

CORPORATE GOVERNANCE - ADDITIONAL INFORMATION

BOARD COMMITTEES

The Board is assisted by three Committees, namely the Audit Committee, the Human Resources & Remuneration Committee and IT Steering Committee to support its decision-making in their respective domains. The terms of reference of the aforesaid committees have been formed and approved by the Board.

AUDIT COMMITTEE - COMPOSITION

Mr. Saleem Zamindar – Chairman
Mr. Khawaja Muhammad Salman Younis - Member
Mr. Shahid Aziz Siddiqui - Member
Mr. Attaullah A. Rasheed - Member

All the members of Audit Committee are Non-Executive directors.

All the members of Audit Committee are Independent directors except for Mr. Attaullah A. Rasheed.

Meetings of the Audit Committee are held at least once every quarter. The audit committee meets the external auditors without the chief financial officer and the head of internal audit being present at least once a year and also meets the head of internal audit and other members of the internal audit function without the chief financial officer and the external auditors being present.

The Committee reviews the annual financial statements in the presence of external auditors. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2017-18, the Audit Committee held four [4] meetings. The secretary of audit committee circulates minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to chief financial officer prior to the next meeting of the board. Where this is not practicable, the chairman of the Audit Committee communicates a synopsis of the proceedings to the board and the minutes are circulated after the meeting of the board.

Terms of reference of Audit Committee

The Board shall provide adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Audit Committee shall, inter alia, recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the listed company in addition to audit of its financial statements. The Board of Directors shall give due consideration to the recommendations of the Audit Committee in all these matters and where it acts otherwise; it shall record the reasons thereof.

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

- a- determination of appropriate measures to safeguard the Company's assets;
- b- review of annual and interim 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
 - All related party transactions.
- c- review of preliminary announcement of results prior to external communication and 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 the internal and external auditors of the Company;
 - g- review of the scope and extent of internal audit, audit plan, reporting framework and procedures 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 system 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;
 - 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 chief executive 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 regulations and identification of significant violations thereof;
 - n- review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
 - o- recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof; and
 - p- Consideration of any other issue or matter as may be assigned by the Board of Directors.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee has concluded its annual review of the control environment of the Company for the year ended June 30, 2018 and reports that:

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed.
- Understanding and compliance with Company's codes and policies has been affirmed by the members of the Board, the Management and employees of the Company individually.
- Appropriate accounting policies have been consistently applied throughout the period. All core & other applicable International Accounting Standards were followed in preparation of unconsolidated and consolidated financial statements of the Company on a going concern basis, for the financial year ended June 30, 2018, which presents fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company and its subsidiary for the year under review.
- The Chief Executive and the CFO have endorsed the unconsolidated financial statements and consolidated 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 and applicable accounting standards and establishment and maintenance of internal controls and systems 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 Act, 2017. The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and the external reporting is consistent with management processes and adequate for shareholder needs.
- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & Executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificate for the year 2016-2017 has been filed within the stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and Executives of the Company from dealing in Company's shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision or information, which could materially affect the share market price of the Company.

INTERNAL AUDIT

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- The Internal Audit function has carried out its duties under The Internal Audit Charter defined by the Committee and approved by the Board of Directors.
- The Committee has reviewed material Internal Audit findings, taking appropriate actions or bringing the matters to the Board's attention where required.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel through outsourcing the internal audit function to a firm of Chartered Accountants having sufficient internal audit acumen. The Internal Audit function has all necessary access to Management and the right to seek information and explanations.
- 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 AUDITORS

- The Statutory external auditors of the Company, Grant Thornton Anjum Rahman (GTAR) Chartered Accountants, have completed their audit of the "Company's Unconsolidated Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended on June 30 2018.
- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured.
- The Auditors attended the preceding Annual General Meeting of the Company held on September 18, 2017.
- The Auditors have given their consent to act as external auditors of the Company for the year ending on June 30, 2019 i.e. 2018-2019. The Audit Committee has also recommended to Board of Directors the re-appointment of external auditors, subject to approval of shareholders in Annual General Meeting to be held on October 15, 2018.

Date: September 13, 2018



Saleem Zamindar
Chairman-Audit Committee

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Thatta Cement Company Limited (TCCL) acknowledges that the success of its organization is closely linked to the success of its people. Towards this the Company has cultivated the right climate for employees to thrive and contribute to achieve organization's objectives. The Company continuously aligns its people processes to reinforce the right foundation upon which to build and grow.

The Company has an effective and dynamic Human Resources (HR) function to address all employee related matters including training, performance evaluation, career development and succession planning in a transparent and non-discriminatory manner. For the purpose of governing HR, the Board has constituted a Human Resources and Remuneration Committee and also approved the following terms of reference.

In the below mentioned Terms of Reference (TOR) the Human Resources and Remuneration Committee is referred to as the Committee and Thatta Cement Company Limited is referred to as the Company.

I. PURPOSE

The purpose of the Human Resources and Remuneration Committee is to assist the Board in fulfilling its obligations relating to Human Resources Policies and related matters and to establish a plan of continuity and development of human resources for TCCL.

II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of at least three members comprising a majority of non-executive directors, including preferably an independent director. The CEO may be included as a member of the committee but not as the chairman of committee.
- B. The Committee shall meet at least twice in each financial year.
- C. From time to time, as deemed required by the Committee, the Committee may obtain independent advice regarding human resource, health and safety, disputes of labour unions and compensation issues.
- D. The Head of Human Resources shall serve as the Secretary of the Committee.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties delegated by the Board of Directors of the Company, the Committee will review the following and recommend to the Board for their approval where required:

- A. The objectives, strategies and overall plans of Human Resources and ensure that they are within the framework of existing laws and regulations.
- B. The Company's compensation and benefits philosophy, strategy, and guidelines are in compliance with laws and any applicable guidelines established by the Labor Laws of Pakistan, competitiveness with the market, annual country inflation rate and changes in trends adopted by the Cement manufacturing sector in the country.

- C. The Company's strategy, plans and proposals related to salary adjustments are based on market surveys, fixed and performance bonuses of the Company's staff.
- D. Approve Annual Increments of Company's staff excluding Key Management Personnel (i.e. COO, CFO, GM Works, Company Secretary and Head of Internal Audit) on the recommendation of CEO.
- E. Review and recommend the Annual Increments and adjustments of Key Management Personnel based on performance i.e. CEO, COO, CFO, Company Secretary, GM Works and Head of Internal Audit.
- F. Review and recommend the selection, evaluation, compensation package (including retirement benefits) and succession planning of the CEO, COO, CFO, Company Secretary, GM Works and Head of Internal Audit;
- G. The Company's strategy related to Human Capital Management and Planning, including:
 - i. Recruitment and Selection strategy is aligned to Business objectives and philosophy;
 - ii. Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives;
 - iii. Performance Evaluation and Management System is objective, transparent and unbiased;
- H. Review the Human Resources Policies of the Company and ensure that they are updated from time to time to keep abreast with market practices;
- I. Review and recommend Core Values to be adopted by the Company;
- J. Review and recommend the Corporate Social Responsibility (CSR) philosophy, initiatives and other philanthropic activities including donations, charities, contributions and other payments of a similar nature;
- K. Review and recommend health, safety and environment policies and ensure that they are in line with best practices;
- L. Review and recommend the whistle blower policy and ensure that it provides a mechanism of protection for the whistle blower;
- M. Annually review and recommend changes to the Committee's Terms of Reference;
- N. Ensure that Executive Directors do not participate in any discussions on the subject of their own remuneration; and
- O. Disclose the members of the Committee in each Annual Report.

IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by oral or written report at every Board meeting.

WHISTLEBLOWER POLICY

Thatta Cement requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The employees must perform their functions as representatives of the Company and fulfill their responsibilities with honesty and integrity in compliance with all applicable laws and HR Policy rules.

It is the responsibility of all employees to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

Whistleblowing means a disclosure of information by an employee where he/she reasonably believes that one of the following or some other illegalities/irregularities are happening or likely to happen as a result of deviations, lapses or violations on the part of a co-employee:

- A criminal offence
- A failure to comply with legal obligation
- A danger to the health and safety of an employee
- A serious breach of the Company's internal policies, rules, regulations or business principles exposing the Company to any financial, operational, market or reputational risk
- Any unethical conduct
- Questionable/ unusual accounting of business practices
- A deliberate concealment of information tending to show any of the above

No employee who in good faith reports a violation or a potential violation not directly related to code shall suffer harassment, prejudicial to his/her employment as a consequence of retaliation. An employee who retaliates against someone who has reported a violation in good faith shall be liable to disciplinary action including termination of employment.

Reporting Violations

The policy suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly which in general is employee's immediate supervisor or Head of HRD.

IT GOVERNANCE POLICY

For any organization, in order to deliver full value, has to invest in Information Technology which is to be fully aligned to business strategies and direction, key risks have to be identified and controlled, standards are followed and legislative and regulatory compliance demonstrated. In Thatta Cement, we emphasize on implementation and adoption of right tools and latest technologies to support the management in imparting their role of decision making. TCCL IT Governance Policy provides a framework to ensure:

- Priorities are set and communicated for conflicting resource requirements and aligned with business objectives.
- Effectiveness of TCCL's IT investments is monitored.
- Confidentiality, Integrity and Availability of data is ensured.
- Effective lines of accountability, responsibility and authority are created for compliance.
- Key risks are identified and remedial actions are taken on timely basis.
- IT Policies are implemented and noncompliance is highlighted.
- Implementation of planned initiatives and projects are monitored and reported to management.

DISASTER RECOVERY & BUSINESS CONTINUITY PLANNING

While focusing on avoidance of disaster at first hand, a comprehensive Disaster Recovery Plan covering all essential and critical infrastructure elements is implemented and a DR site is established after approval from Board of Directors. Plan is designed to cater disasters from small incidents/events to large scale disasters having onsite as well as off-site arrangements. The overall objective of Disaster/Business Recovery Plan (DRP) is to protect Thatta Cement Company Limited's resources and employees, to safeguard the organization's vital records and to ensure the ability of the Company to function effectively in the event of a severe disruption to normal operating procedures.

BC/DR plans are substantiated through testing, which identifies deficiencies and provide opportunities to fix problems before a disaster occurs. To substantiate TCCL BCP/DRP and check its effectiveness, drill had been performed at Head Office on August 30, 2018.

ENTERPRISE RESOURCE PLANNING

Thatta Cement Company Limited is a highly dynamic and competitive in nature which makes it imperative to have an integrated solution that can enhance efficiency, diminish costs, increase sales and profitability but most importantly, enable the organization to make accurate, informed and strategic decisions. TCCL has invested considerable time and money and successfully implemented an ERP solution in year 2016 to integrate all aspects of business (resources, operations, monitoring, reporting, sales, accounting and finance, etc.) and empowered all business units to function smoothly by maintaining a single database.

CORPORATE SOCIAL RESPONSIBILITY HEALTH, SAFETY & ENVIRONMENT, EMPLOYEES WELFARE, EDUCATION, WELL BEING & EMPOWERMENT OF SOCIETY

Thatta Cement Company Limited (TCCL) is one of the compliant organizations in Pakistan. The Company strive to establish benchmarks pertaining to business ethics including Corporate Social Responsibility, Health Safety & Environment, Employees Welfare, Education, Well Being and Empowerment of Society. Our market share of moral values is undeniably provides a road map to other organizations to meet socio-economic needs of society.

Being a responsible corporate citizen, TCCL recently established Silicosis Diagnostic Center equipped with X-Ray Machine, Spirometers, Peak Flow Meters, Finger Pulse Oximeters and Nebulizers to diagnose Oxygen Saturation, Lungs Functional/Breathing Capacity, symptoms of plural masses, etc. TCCL has 24 hours working Pharmacy with a wide range of Medicines which includes Syrups of Chest Disease, ARI, Bronchial Asthma, Cough, Chest Congestion, Cystic Fibrosis, and other Respiratory illnesses. The setup is established with appointment of a Qualified X-Ray Technician, male and female MBBS Qualified Registered Medical Practitioners (RMPs) and four (04) qualified dispensers. The Company's Chief Medical Officer is MBBS, RMP and Qualified in Chest Disease from T.B. Sanatorium (Govt of Sindh - Hospital) – Kotri.



It is pertinent to mention here that in compliance with Chapter (III) – Section (25) – Clause (I) of Sindh Factories Act 2015, TCCL carries out the Bi-annual health screening of all workers through certifying surgeon of Labor Department (Govt. of Sind), and not a single case of silicosis has been diagnosed in our employees so far. We left our remarkable footprints in this area as a bench mark for others. Our aim is to implement practicable controls on all foreseeable risks to health and safety of employees and general public. For this purpose the Company had invested a huge capital and incurring substantial amount in maintaining environmental impact control equipment and practices like dust cyclones, bag houses, damping down dust suppression, electrostatic precipitators, personal protective equipment and speed limit controls in Company's premises to overcome RSPM (respirable suspended particulate matter) and FRD (fugitive road dust). Customer satisfaction is a part of business process. A step ahead, TCCL ensures consumer protection by means of providing Material Safety Data Sheets (MSDS) to avoid any health impacts generally occurs on unsafe exposure with cement. Our vision is to flourish safety culture in Pakistan.

Moreover, as required in SEPA Act 2014 - Part (V): Prohibitions & Enforcement - Section 11 (2) & (3), TCCL is ensuring the compliance with Environmental Quality Standards for ambient Air, Drinking Water, Noise and all other parameters. Monitoring and Analysis is also implemented through SEPA Certified Environmental Laboratory as prescribed in the Rules 2014. We are complying SEQs Rules 2014 - Category (C) - Schedule (V) and Category (A) - Schedule (II). Recently we signed a Work Order for forthcoming Financial Year with an Environmental Laboratory to carryout independent analysis of our Emissions and Effluents after obtaining evidence of effective SEPA Certificate, subject to the conditions laid down in Regulation 09 of the Sindh Environmental Quality Standards (Certification of Environmental Laboratories) Regulations, 2014. In recognition of our environment friendly initiatives, TCCL has been awarded from a UNEP affiliated organization NFEH for 14th Annual Environment Excellence Award during FY 2017-18.



The vision and contribution of TCCL for education is not limited to a particular establishment. TCCL is not only sponsoring Educational Institutions, also we are running Model Terbiat School under CSR Program to

spread education in neighboring villages. TCCL evaluate training needs of employees on annual basis under organization development program, allocate a sufficient amount to fulfill the identified development needs of employees and spend adequately on both in-house and outdoor/external learning opportunities of employees. In this respect, TCCL has contributed towards the industry of Pakistan by means of nurturing highly qualified and competent resources as a contribution towards Human Capital Development.



The Company is also investing in areas of community and rural development. For this purpose we have a registered Thatta Cement Education Board (TCEB) and a quality schooling system named "Model Terbiat School". In recent board exams, MTS secured distinctive position in district education board. TCCL allocates reasonable amount to provide quality education to neighboring villages. In this respect the contribution of Thatta Cement in nurturing good moral values at corporate level is undeniably incredible. Moreover, our circle of health and education support programs is not limited to Thatta district, we financially support many other organizations on humanitarian grounds like SIUT and KVTC to promote the cause. In recent financial year 2017-18, TCCL provided direct monetary support of millions of rupees to Thatta Cement Education Board besides other facilities of free of cost utilities and maintenance of Model Terbiat School.



The Company believes in public-spirited values. Our employment opportunities are generic regardless of any racial, gender or religious discriminations. Matching the mental and physical compatibilities with core competencies and workload requirements can be adjusted flexibly once you have a soft corner for humanity. Even talent acquisition does not restrict us to hire people with physical or sensory impairments. We focus on individual's potentials rather than his/her birth disability that is why individuals with permanent disabilities perform extraordinarily in TCCL. We warmly welcome all talented individuals for employment opportunities as well as all business organizations to obtain and extend bilateral socioeconomic benefits. We also invite all industrial sectors to join hands with us for a safe, healthy and prosperous Pakistan.

The Company is a compliant tax payer and highly responsible corporate citizen which encourage direct and indirect business partners regarding income tax and other statutory compliances. We are very conscious about good business practices for which we promote financial and compliance audits of all business processes. Our HR policy empowers all employees for whistle blowing against any observed financial irregularity in any capacity and context. This transparency is the base of TCCL's strong relationships with other business groups from SMEs to MNCs.

QUALITY MANAGEMENT

Thatta Cement Co. Ltd. offers diversified products namely OPC, SRC, Slag & GGBFS. The low alkali content of products makes it an obvious choice for construction industry using alkali reactive aggregates.

Thatta OPC is a cost effective, high quality building material. The level of consistency and versatility of Thatta OPC makes it an ideal choice in virtually all construction applications.

Thatta SRC is a cement designed to improve the performance of concrete where the risk of sulphate attack may be present. Thatta SRC also provides maximum resistance to chloride ions minimizing the risk of corrosion of reinforced steel.

Thatta Slag cement suits structures in hostile soil environments with high salinity, harmful chemical agents. Thatta Slag cement / Low Heat cement is specifically blended to provide a lower heat of hydration in concrete.

Thatta GGBFS is used to make durable concrete structures in combination with Ordinary Portland Cement. This results in lower heat of hydration and lower temp. rises. The use of GGBFS significantly reduces the risk of damages caused by alkali – silica reaction (ASR).

Thatta Cement manufacturing facilities are accredited to Quality Management System ISO 9001 : 2015.

Assurance of Quality and Performance:

While producing different types of Cement, stringent quality control facilitates to achieve set quality bench marks. Continual improvement in quality management system is ensured at all processing stages so that customer satisfaction is assured for consistency in Cement quality. The functions of a modernized and well equipped TCCL Laboratory are numerous and assorted through necessary assurance of the conformity of the products under the scope of testing required by the applicable standards is executed.

Quality Management System Includes:

- Selection of most preferable Raw Materials on standard chemical analysis and Raw mix design basis.
- Sufficient grinding and blending to produce mixture known as "Raw Meal".
- High temperature $\geq 1450^{\circ}\text{C}$ to burn Raw Meal to convert into Clinker phase formation with the help of pyro processing.
- Controlled and balanced grinding of Clinker in association with Gypsum to produce finish product known as "Cement".
- Continuous sampling and testing under the supervision of well trained and highly qualified staff.
- Independent testing of products by regulatory authorities

TCCL Quality Control Laboratory System includes:

- **Chemical Laboratory**
 - X-Ray Spectrometer (Netherland)
 - Blend XPERT QCX 1824 (FLS Denmark)
 - Bomb Calorimeter Leco AC 600 (USA)
 - VECSTAR Furnace (USA)
- **Physical Laboratory**
 - Alpine Jet Sieve 200LS-N (Japan)
 - Humidity Chamber Matest 139 (Italy)
 - Jolting Table Geotechnical (UK)
 - Compressive Strength Machines
Geotechnical (UK)
 - Blaine Apparatus, ELE (UK)
 - Vicatronic Geotechnical (UK)



ADDITIONAL INFORMATION

A. Analysis of Capital Structure, liquidity, cash flows and financing arrangements

Capital Structure:

Accumulated profit of the Company increased by 8.65% in 2018 on account of profit retention thereby increasing equity by 4.76% to Rs 2.56 billion. Total equity comprising of share capital amounting to Rs. 997.18 million representing 99.72 million ordinary shares of Rs. 10 each, Share Premium of Rs. 99.72 million and retained profit of Rs. 1.46 billion.

Debt to equity ratio of the Company continues to improve due to fact the Company has paid the installment of long term loan on due dates aggregating to Rs. 231.93 million during the year ended June 30, 2018. Debt/equity ratio has improved from 18.44% in the year 2017 to 11.12% in 2018. The Company's future projections indicate adequacy of capital structure for the foreseeable future.

Liquidity Position:

The Company has the capacity to generate adequate cash flows which may be required to make payments when they fall due, which is also evident from the current ratio of the Company. The current ratio has improved from 0.92:1 in the year 2013 to 1.38:1 in the year 2018.

TCCL follows a proactive approach towards cash management to ensure adequate funds are available for any unforeseen situation. Committed credit lines from banks are also available to bridge any liquidity gap.

Cash Flows:

Operating cash flows during the year reduced due to decrease in sales; however such reduction was partly mitigated through repayment of loan borrowed by the subsidiary, decline in trade debts and receipts under the head other receivables. However, utilization of cash flows in investing activities during the year was higher on account of capital expenditure.

Financing Arrangements:

The Company relied principally on internally generated funds to fulfill its working capital needs and external financing is secondary to internally generated funds. Long Term Borrowing of the Company has substantially reduced from Rs. 551.6 million in the year 2017 to Rs. 319.75 million as on June 30, 2018. The Company holds a sizeable unutilized capacity available to meet any future funding requirements.

B. Strategy to overcome liquidity problem and the Company's plan to manage its repayment of debt

The Company closely monitors its liquidity position to ensure availability of sufficient funds to meet its operational requirement and to safeguard the Company against cash flow risk. The Company follows effective cash flow forecasting along with management of maturity profile of assets and liabilities which apprise the company well in advance for any funding requirement or surplus funds that need to be invested.

Working capital requirements of the Company are primarily managed through internal cash generation with external financing acting as secondary means of funding. The Company has sufficient credit lines available to fulfill its funding requirement.

C. Significant changes in financial position, liquidity and performance compared with those of the previous Period;

Net worth of the Company as at June 30, 2018 stood at Rs. 2.56 billion translating into a breakup value of Rs. 25.64 per share, with a growth of 4.76% due to increase in un-appropriated profit from Rs. 1,343.7 million for 2017 to Rs. 1,459.89 million in 2018.

Long term debt & its current portion witnessed a decrease from Rs. 551.6 million to Rs. 319.75 million, which is mainly due to the repayment of loan installments aggregating to Rs 231.93 million during the year.

Trade payables have enhanced mainly due to import bills for procurement of coal in the last quarter of the year.

Short Term Borrowings: Cash flows from operating activities for the year stood at Rs. 520.541 million whereas the payment for Investing and Financing activities amounts to Rs 725.840 million resulting in higher utilization of Short Term Running Finance Facility during the year ended June 30, 2018.

Stores & Spares have substantially increased on account of increase in stock of coal. In view of increasing trend in international coal prices, two months inventory of coal is being maintained to minimize the impact of rising prices.

Profit before tax has decreased considerably due to decrease in sales by 22.26% as compared to the corresponding year and reduction in capital gains which was earned in the comparative period.

D. Analysis of the prospects of the entity including targets for financial and non-financial measures

Thorough evaluation and effective implementation has been carried out during the year in order to achieve Company's set goals and targets. The company has witnessed a drip in sales volume during the year mainly due to reduction in sales of clinker and nominal decline in cement sales as on outcome of stiff price competition, especially after installation of additional production capacity in the southern region.

Taking into account the general economic and industry-specific outlook for the cement industry and the dynamics of the market in which Thatta Cement operates, hard hitting competition is expected and prices will remain under pressure in the ensuing financial year.

The Company sets its financial indicators for revenue, costs, profitability, gearing and liquidity etc. The Company on an annual basis sets marketing, production and other targets in the form of a budget which is duly approved by the Board of Directors.

Operational health and safety generally plays a major role in the production processes and, in addition, emissions in cement production especially. Therefore, TCCL give due consideration to Health, Safety & Environment while developing key performance measure. The followings are identified by the Company as key non-financial performance measure:

- Health & Safety
- Environmental protection
- Energy conservation
- Responsibility towards the society
- Compliance with the regulatory framework

- Improve corporate image
- Relationship with business partners
- Employee satisfaction and wellbeing
- Maintenance of product quality for fulfillment of customer needs
- Transparency, accountability and good governance

E. Efforts made to mitigate the adverse impact of industrial effluents by adapting techniques, creating awareness and providing training etc to the surrounding communities.

TCCL is an environmental compliant company. TCCL is complying international standards of Environmental hazards in all areas including Solid Waste, Liquid Effluents & Fugitive and Gaseous Emissions which is evident from the fact that TCCL once again qualified the Annual Environment Excellence Award (AEEA).

Thatta Cement Company Limited (TCCL) is distinctive in corporate sector, particularly in Cement Industry owing to the core values of TCCL purely based on humanitarian as well as socio economic grounds. TCCL invests in multiple areas pertaining to community development, education, health, welfare, environment, social causes and safety being highly compliant with the corporate social responsibility.

RISK & OPPORTUNITIES

Risk is a consequence of happenings that negatively impact the performance of a Company. Risks arises from events that occur inside and outside the organization. The consequence of an event can impact the quality, cost or operation of the Company, or combination of these events. Risk can arise from unplanned changes to the internal environment or changes in the external environment, such as the economy, costs of materials, labor market, customer preferences, actions by competitor, regulating body or government agency, etc.

Risk management refers to the practice of identifying potential risks in advance, analysing them and taking precautionary steps to reduce the risk. Risk Management forms an integral part of your Company's operations. Following are type of risks that are required to be timely identified and mitigated to the best possible extent.

a. Strategic risks

Strategic risks include risks created by the Company's strategic objectives and business decisions that could affect its long term positioning and performance. They are monitored at the highest level with active oversight by the Board of Directors.

b. Commercial Risks

These risks emanate from the commercial substance of an organization. Cut down in an entity's market share, product price, regulation or a constitutional amendment posing threat to the organization's profitability and commercial viability are a few examples of this risk that might affect your Company.

c. Operational Risk

The risk of loss arising from causes associated with the process, technology and infrastructure supporting the company's activities. These are risks that can affect the Company's ability to execute its plans and objectives including operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns or control failures.

d. Credit Risk

Credit risk is a risk that one party to a financial instrument may fail to discharge its obligation and cause the other party to incur a financial loss.

To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payment from its customers. Except for customers relating to the Government and certain credit worthy customers, the management strictly adheres to this policy. Cash is held only with banks with high quality credit worthiness.

e. Liquidity Risk

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

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

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

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

f. Interest Rate Risk

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

g. Foreign Exchange Risk

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

Opportunities

The management always remains vigilant about the identification and capitalization of opportunities coming across in different areas including operational, commercial and financial aspects while dealing with suppliers, customers, bankers etc to keep the direction and pace of the Company in line with its stated mission and vision.

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FINANCIAL HIGHLIGHTS

Reiterating Achievements

We are actively surrounded by smoke fumes and carbon particles emerging from industries and vehicles that are poisoning our environment. Several measures to clear up this air pollution are taken, amongst which cogeneration power is the most effective. Various organizations have cogeneration power plants that captures and processes industry smoke to generate electricity and heat.

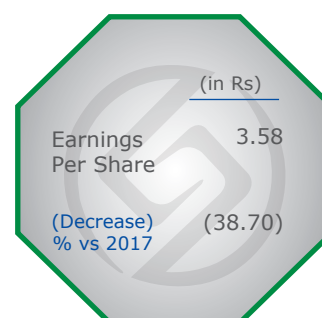
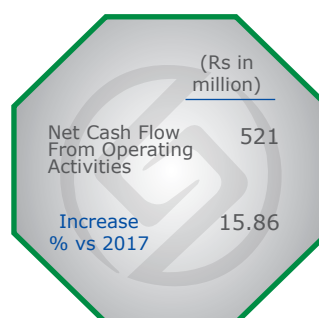
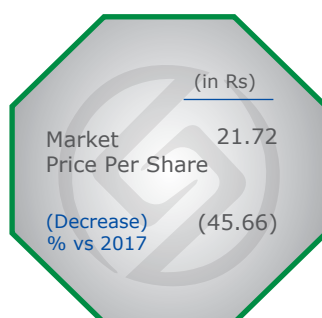
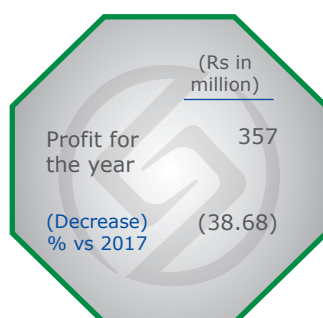
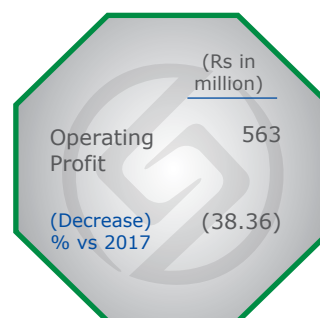
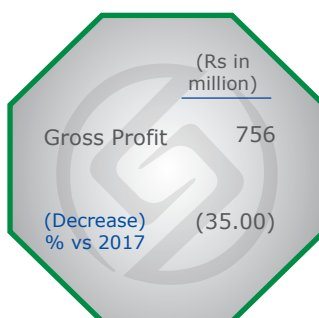
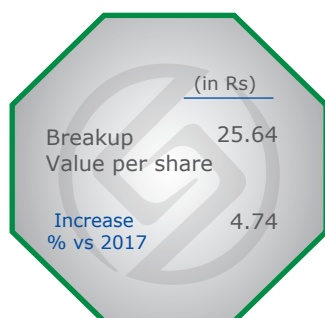
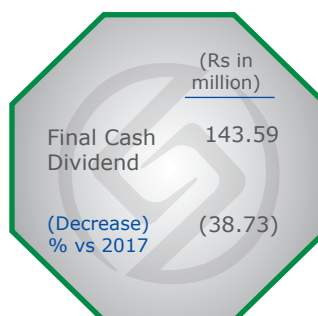
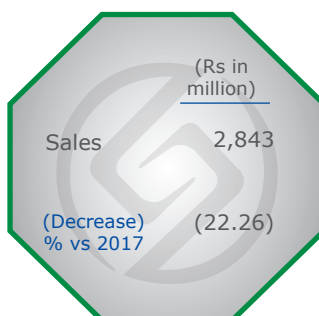
At Thatta Cement, we work with the same mechanism to make positive changes in the environment to create a cleaner tomorrow.

Recycling & Cogeneration



KEY FINANCIAL PERFORMANCE INDICATORS

For the year ended June 30, 2018



STATEMENT OF VALUE ADDITION AND DISTRIBUTION OF WEALTH

Wealth Generated

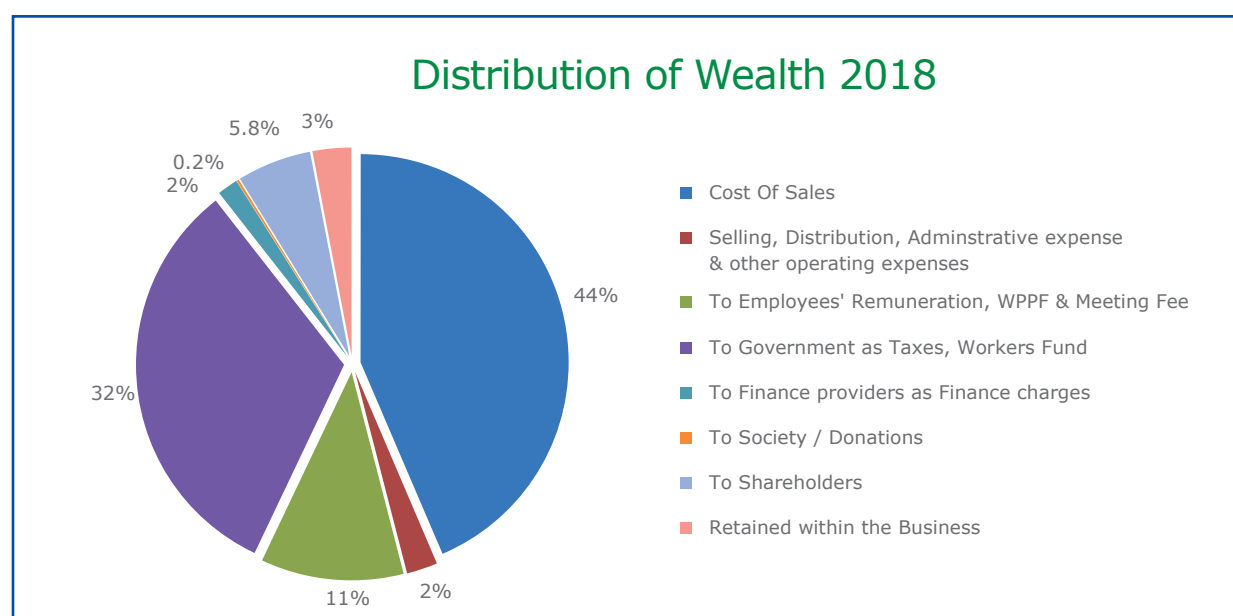
Gross Turnover
Other Operating Income

2018		2017	
Rupees in '000'	%	Rupees in '000'	%
4,005,754	99	4,995,766	98
51,231	1	84,129	2
4,056,985	100	5,079,895	100

Distribution Of Wealth

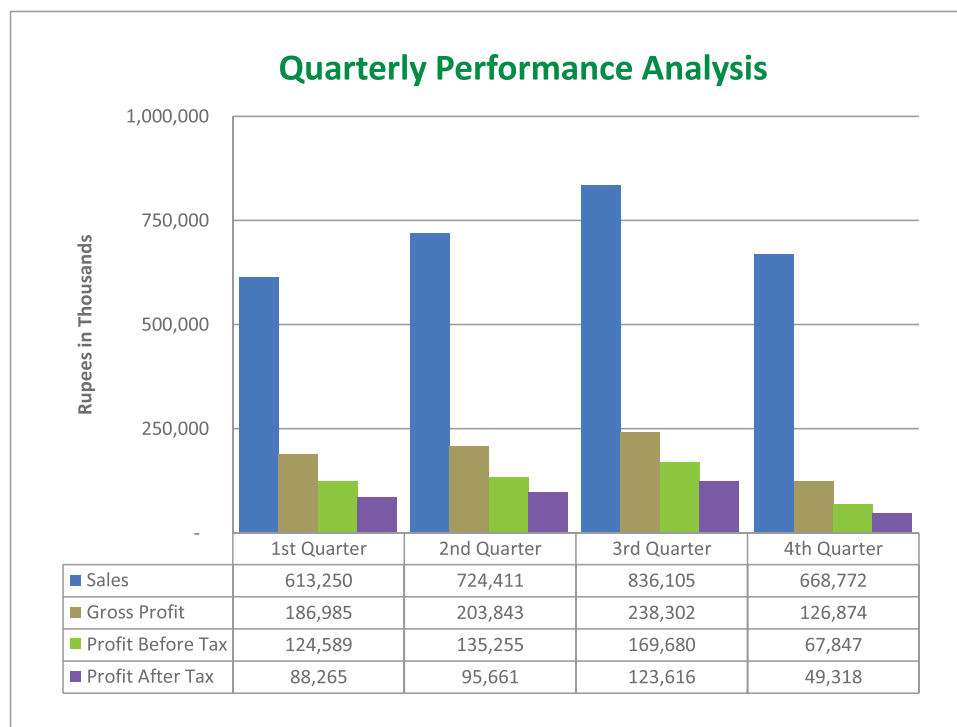
Cost Of Sales
Selling, Distribution, Administrative
& other operating expenses
To Employees' Remuneration, WPPF & Meeting Fee
To Government as Taxes, Workers Fund
To Finance providers as Finance charges
To Society / Donations
To Shareholders
Retained within the Business

1,767,624	44	2,137,476	42
97,667	2	114,771	2
450,301	11	532,031	10
1,312,697	32	1,618,642	31.86
64,727	2	87,723	2
7,109	0.2	7,259	0.14
234,337	5.8	149,577	3
122,523	3	432,416	9
4,056,985	100	5,079,895	100



QUARTERLY PERFORMANCE ANALYSIS

Particulars	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
----- Rupees in thousands -----					
Sales - net	613,250	724,411	836,105	668,772	2,842,538
Cost of sales	(426,265)	(520,568)	(597,803)	(541,898)	(2,086,534)
Gross profit	186,985	203,843	238,302	126,874	756,004
Selling & distribution cost	(15,324)	(20,113)	(21,890)	(12,929)	(70,256)
Administrative expenses	(32,048)	(32,828)	(30,620)	(27,050)	(122,546)
	(47,372)	(52,941)	(52,510)	(39,979)	(192,802)
Operating profit	139,613	150,902	185,792	86,895	563,202
Other operating expenses	(9,095)	(9,770)	(12,369)	(21,101)	(52,335)
Finance cost	(16,818)	(18,348)	(15,226)	(14,335)	(64,727)
	(25,913)	(28,118)	(27,595)	(35,436)	(117,062)
Other income	10,889	12,471	11,483	16,388	51,231
Profit before taxation	124,589	135,255	169,680	67,847	497,371
Taxation	(36,324)	(39,594)	(46,064)	(18,529)	(140,511)
Profit for the period	88,265	95,661	123,616	49,318	356,860



COMMENTS ON QUARTERLY PERFORMANCE

Quarter 1 [ended on September 30, 2017]

- Sales of the Company were lower as compared with the last quarter, on account of Eid-ul-Azha and monsoon rains falling in this quarter.
- Cost of sales ratio has increased to 69.51% as compared to 64.59% in the corresponding period due to rise in fuel prices.
- Operating Profit and net profit were also lower as a result of reduction in Sales volume.

Quarter 2 [ended on December 31, 2017]

- Sales of the Company increased by 18.13 % in terms of value as compared to first quarter. The market has regained its momentum from the slowdown in first quarter on account of Eid and monsoon rains.
- Cost of sales ratio has increased to 71.86% during the quarter as compared to 69.51% in the first quarter. The increase is mainly due to rise in price of fuel in the current quarter as compared to the previous quarter.
- Operating Profit and the net profit were appreciated due to increase in sales volume as compared to first quarter.

Quarter 3 [ended on March 31, 2018]

- Sales of the Company increased by 15.42% in terms of value as compared to second quarter. This has been made possible by diligent planning and careful executions of sales & marketing activities which enabled the company to fetch higher revenues during the quarter.

- Cost of sales ratio slightly decreased to 71.50% during the quarter as compared to 71.86% with the second quarter.
- Operating Profit increased by 23.12% and net profit also increased by 29.22% due to incremental impact of GP.

Quarter 4 [ended on June 30, 2018]

- Sales of the Company decreased by 20.01% as compared to third quarter on account of availability of surplus quantity in the market adversely affecting the Company's volume and prices.
- Cost of sales ratio has increased to 81.03% during the quarter as compared to 71.50% in the third quarter. The increase is attributable to fixed cost incurred in the month of April and May 2018 that was charged to profit & loss account due to lower clinker production in this quarter.
- Operating Profit decreased by 53.23% and net profit also decreased by 60.10% due to declining impact of GP.

HORIZONTAL ANALYSIS - LAST SIX YEARS

2018 Rs in Million	17 Vs. 18 %	2017 Rs in Million	16 Vs. 17 %	2016 Rs in Million	16 Vs. 15 %	2015 Rs in Million	14 Vs. 15 %	2014 Rs in Million	14 Vs. 13 %	2013 Rs in Million
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Balance Sheet

Assets

Non-Current Assets	2,503	6	2,361	(11)	2,645	(3)	2,736	47	1,856	35	1,372
Current Assets	1,637	7	1,534	18	1,300	58	823	(26)	1,113	35	825
Total Assets	4,140	6	3,895	(1)	3,945	11	3,559	20	2,969	35	2,197

Equity & Liabilities

Shareholders' Equity	2,557	5	2,440	18	2,075	24	1,673	24	1,349	22	1,104
Non-Current Liabilities	393	(35)	609	(51)	1,231	(10)	1,368	115	636	226	195
Current Liabilities	1,190	41	846	32	639	23	518	(47)	984	10	898
Total Equity & Liabilities	4,140	6	3,895	(1)	3,945	11	3,559	20	2,969	35	2,197

Profit and Loss Account

Sales	2,843	(22)	3,657	28	2,846	24	2,304	6	2,182	(8)	2,361
Gross Profit	756	(35)	1,163	27	914	41	646	(5)	682	40	486
Operating Profit	563	(37)	914	26	728	42	513	(6)	545	55	351
Profit before Taxation	497	(42)	855	28	666	60	417	(12)	473	84	257
Profit for the year	357	(39)	582	(5)	614	112	289	(3)	298	101	148

COMMENTS ON HORIZONTAL ANALYSIS

Balance Sheet

- Increase in non-current assets is mainly due to capital expenditure on infrastructure improvement in plant and machinery used for cement manufacturing.
- Increase in current assets compared with last year is due to increase in stock of coal procured in the last quarter to minimize the adverse impact of increasing coal prices.
- Decrease in non-current liabilities is mainly due to repayment of long term loan of Rs 232 million.
- Increase in current liabilities is due to higher utilization of short term running financing facility to meet the gap of working capital due to decline in sales revenue by 22.26%.

Profit and Loss Account

- Overall profitability of the company has declined due to stiff competition resulted from availability of surplus quantity and rise in fuel prices.

VERTICAL ANALYSIS - LAST SIX YEARS

	2018 Rs in Million	%	2017 Rs in Million	%	2016 Rs in Million	%	2015 Rs in Million	%	2014 Rs in Million	%	2013 Rs in Million	%
Balance Sheet												
Assets												
Non-Current Assets	2,503	60	2,361	61	2,645	67	2,736	77	1,856	63	1,372	62
Current Assets	1,637	40	1,534	39	1,300	33	823	23	1,113	37	825	38
Total Assets	4,140	100	3,895	100	3,945	100	3,559	100	2,969	100	2,197	100
Equity and Liabilities												
Shareholder's Equity	2,557	62	2,440	63	2,075	53	1,673	47	1,349	45	1,104	50
Non-Current Liabilities	393	9	609	16	1,231	31	1,368	38	636	21	195	9
Current Liabilities	1,190	29	846	21	639	16	518	15	984	34	898	41
Total Equity & Liabilities	4,140	100	3,895	100	3,945	100	3,559	100	2,969	100	2,197	100
Profit and Loss Account												
Sales	2,843	100	3,657	100	2,846	100	2,304	100	2,182	100	2,361	100
Gross Profit	756	27	1,163	32	914	32	646	28	682	31	486	21
Operating Profit	563	20	914	25	728	26	513	22	545	25	351	15
Profit before Taxation	497	17	855	23	666	23	417	18	473	22	257	11
Profit for the year	357	13	582	16	614	22	289	13	298	14	148	6

COMMENTS ON VERTICAL ANALYSIS

Balance Sheet

- Non-current and current assets indicates a stable trend over the years.
- Decrease in proportion of non-current liabilities due to the repayment of long term loan amounting to Rs 232 million.
- Increase in current liabilities is due to higher utilization of short term running financing facility and increase in bills payable in the last quarter of the year under review.

Profit and Loss Account

- Gross profit has decreased by 5% compared with last year due to increase in cost of sales as a consequential effect of increase in coal prices.

RATIO ANALYSIS - LAST SIX YEARS

	UOM	2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit	Percent	26.60	31.81	32.11	28.03	31.25	20.56
Operating Profit to sales	Percent	19.81	24.99	25.58	22.26	24.96	14.89
Profit before tax	Percent	17.50	23.39	23.40	18.10	21.68	10.89
Profit for the year	Percent	12.55	15.92	21.59	12.55	13.67	6.29
EBITDA to Sales	Percent	24.25	29.81	31.73	22.45	27.18	16.59
Return on equity after tax	Percent	13.96	23.85	29.61	17.29	22.11	13.45
Return on Capital employed	Percent	12.41	19.45	18.43	9.78	16.06	12.02
Return on assets	Percent	8.62	14.94	15.58	8.13	10.05	6.76
Liquidity Ratios							
Current ratio	Times	1.38	1.81	2.04	1.59	1.13	0.92
Cash to Current Liabilities	Times	0.06	0.12	0.37	0.22	0.03	0.01
Cash Flows from Operations to Sales	Times	0.28	0.21	0.25	0.30	0.26	0.08
Activity / Turnover Ratios							
Inventory turnover ratio	Times	4.68	8.26	8.03	4.94	3.81	6.40
No. of Days in Inventory	Days	78	44	45	74	96	57
Debtor turnover ratio	Times	24.98	24.34	16.18	15.10	17.43	17.37
No. of Days in Receivables	Days	15	15	23	24	21	21
Creditor turnover ratio	Times	5.15	8.16	7.00	3.94	4.50	7.02
No. of Days in Payables	Days	71	45	52	93	81	52
Total Assets turnover ratio	Times	0.69	0.94	0.72	0.65	0.73	1.07
Fixed Assets turnover ratio	Times	1.29	1.78	1.31	1.07	1.54	2.50
Operating cycle	Days	22	14	16	6	36	26
Investment /Market Ratios							
Earnings per Share	Rupees	3.58	5.84	6.16	2.90	2.99	1.49
Price Earnings ratio	Times	6.07	6.84	4.79	10.43	8.54	17.79
Dividend Yield	Percent	6.63	5.88	5.08	4.30	4.31	1.89
Dividend Payout	Percent	40.22	40.24	24.35	44.83	36.79	33.56
Dividend Cover ratio	Times	2.49	2.49	4.11	2.23	2.72	2.98
Cash Dividend per share	Rupees	* 1.44	2.35	1.50	1.30	1.10	0.50
Market value per share	Rupees	21.72	39.97	29.50	30.25	25.54	26.50
Breakup value per share	Rupees	25.64	24.48	20.81	16.78	13.53	11.07
* subject to shareholder's approval in AGM on October 15, 2018							
Capital Structure Ratios							
Financial leverage	Percent	26.76	30.43	61.58	83.33	68.82	62.31
Cost of debt	Percent	9.46	11.81	10.06	12.94	10.81	12.08
Debt to Equity	Percent	11	18	38	43	27	11
Interest Cover	Times	8.68	10.75	6.33	8.39	7.62	4.09

COMMENTS ON RATIOS

PROFITABILITY RATIOS:

Gross profit margins over the years reflect stability whereas it has declined by 5.21% as compared with last year mainly on account of increase in prices of coal and impact of devaluation of Pakistani rupee. This decline had a trickledown effect resulting in decrease in return on equity after tax.

LIQUIDITY RATIOS:

Current ratio over the last five years remained on average at 1.50 times except this year where it stood at 1.38 times. The main reason for such decrease is higher utilization of short term borrowings as a consequence of decline in sales revenue of the company.

ACTIVITY / TURNOVER RATIOS:

Overall operating cycle in number of days has increased to 22 days compared with 14 days last year due to decrease in inventory turnover ratio. This increase is due to availability of surplus quantity of cement in the market on account of increase in production capacities by leading cement companies and as a consequence of stiff competition prevailed during the second half of the financial year under review.

INVESTMENT/MARKET RATIOS:

Investment/Market ratios are the direct reflection of overall financial performance of the company. Earnings per share was Rs 3.58/- as against Rs 5.84/- compared with last year. The main reason for such decline is reduction in turnover, increase in prices of fuel cost i.e. coal and significant exchange rate fluctuations.

CAPITAL STRUCTURE RATIOS:

Capital structure ratios indicate the utilization of finances by the Company from its own sources and reliance on external sources. The financial leverage during the year improved due to timely repayment of long term financing whereas interest cover ratio has decreased due to reduction in earnings before interest and tax of the company.

SUMMARY OF CASH FLOW STATEMENTS - LAST SIX YEARS

	2018	2017	2016	2015	2014	2013
	-----Rupees in thousands-----					
Net cash generated from operating activities	520,541	449,277	415,597	416,635	350,058	106,861
Net cash generated from / (used in) investing activities	(260,932)	100,365	(44,494)	(686,509)	(519,194)	(187,605)
Net cash generated from / (used in) financing activities	(464,908)	(857,259)	(155,647)	663,832	327,708	(55,530)
Increase/(Decrease)in cash and cash equivalents	(205,299)	(307,617)	215,456	393,958	158,572	(136,274)
Cash & Cash equivalents at the beginning of the year	(89,016)	218,601	3,145	(390,813)	(549,385)	(413,111)
Cash & Cash equivalents at the end of the year	(294,315)	(89,016)	218,601	3,145	(390,813)	(549,385)

Comments on Cash flows Statement

Cash flow from operating activities reflects increasing trend from 2013 onwards due to improvement in operating profits of the Company.

Cash used in investing activities substantially increased in the current year due to capital investment in property, plant & equipment.

Cash flows generated from financing activities increased in the year 2014 & 2015 on account of borrowing for BMR whereas repayment started in 2016 and substantial outflow in the year 2017 & 2018 represents prepayment and repayment of long term loan.

Moreover, cash & cash equivalents in the year 2018 compared with 2017 decreased due to capital investment in property, plant & equipment.

CASH FLOW (DIRECT METHOD)

CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
	----- Rupees in thousands -----	
Cash receipts from customers	4,130,848	5,066,245
Cash paid to supplier / service providers	(1,629,638)	(2,501,722)
Cash paid to employees	(495,028)	(466,114)
Payment of indirect taxes and other statutory duties	(1,198,725)	(1,342,589)
Payment of Retirement funds	(18,422)	(15,365)
Financial charges paid	(59,653)	(89,500)
Income tax and other statutory levies paid	(208,841)	(201,678)
Net cash from operating activities	520,541	449,277

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(267,641)	(34,055)
Addition in intangible assets	-	(2,519)
Acquisition of shares	-	(521,065)
Disposal of long term investment - Available-for-sale	-	656,185
Proceeds from disposal of property, plant and equipment	6,709	1,819
	(260,932)	100,365

CASH FLOWS FROM FINANCING ACTIVITIES

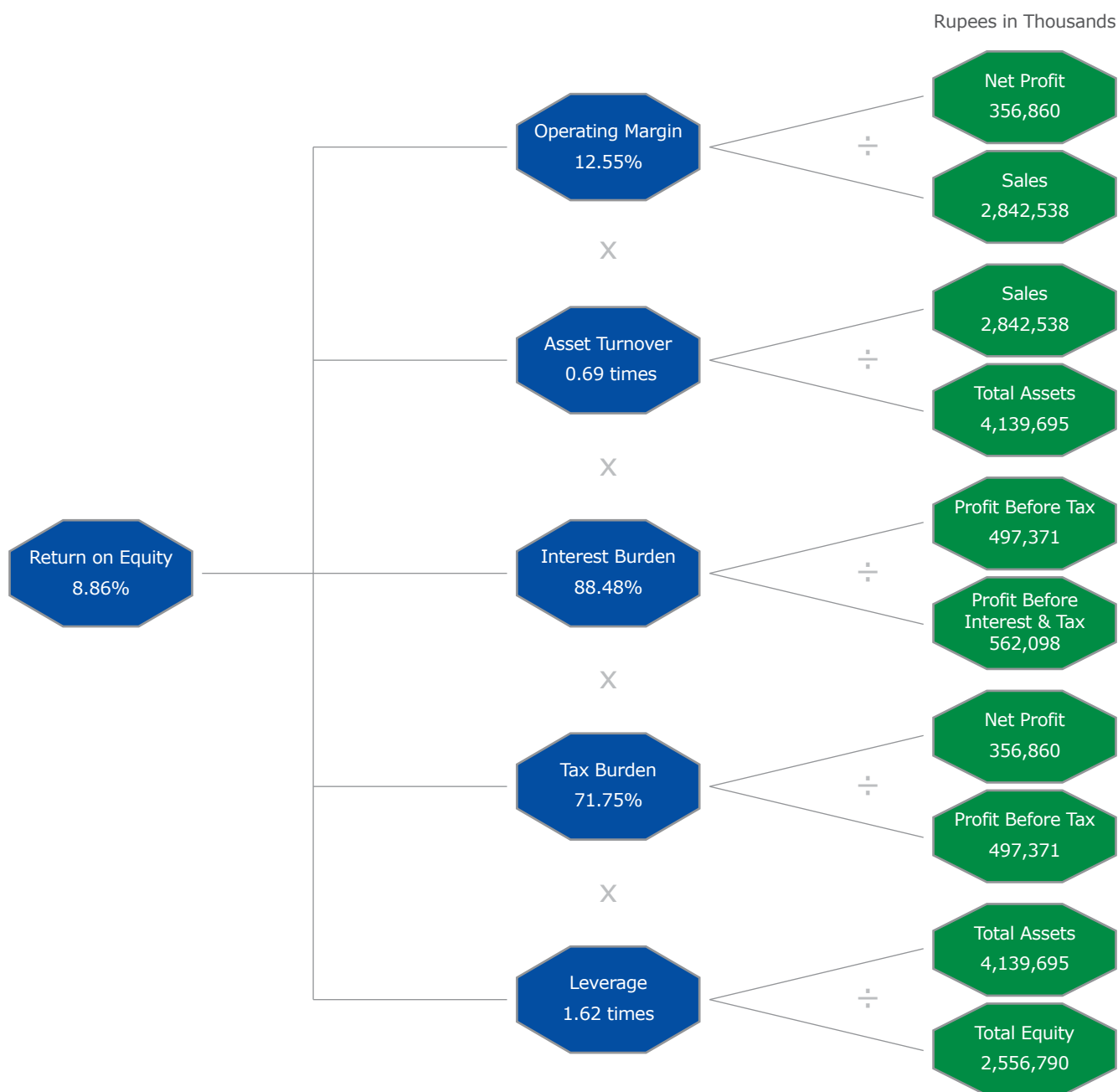
Repayment of long term financing	(231,933)	(706,934)
Dividend paid	(233,618)	(149,325)
Long term deposits - liabilities	643	(1,000)
	(464,908)	(857,259)

Net decrease in cash and cash equivalents	(205,299)	(307,617)
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Cash and cash equivalents at beginning of the year	(89,016)	218,601
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Cash and cash equivalents at end of the year	(294,315)	(89,016)
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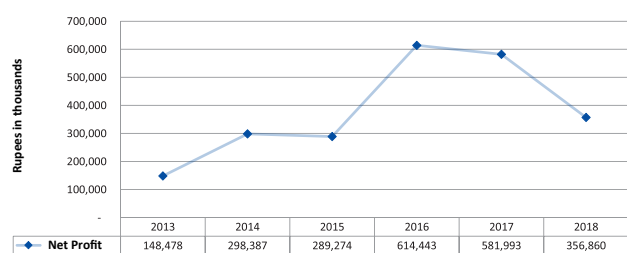
DUPONT ANALYSIS



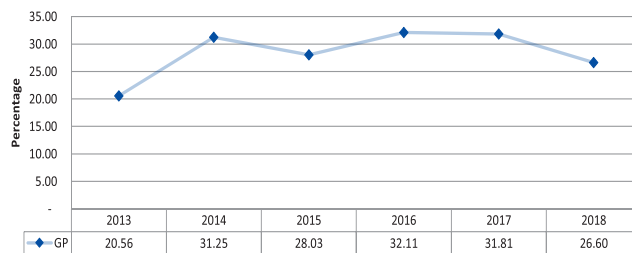
	2018	2017
Operating Margin	12.55%	15.92%
Asset Turnover	0.69	0.94
Interest Burden efficiency	88.48%	90.70%
Tax Burden Efficiency	71.75%	68.05%
Leverage	1.62	1.60
Return on Equity	8.86%	14.72%

GRAPHICAL PRESENTATION OF KEY FINANCIAL DATA

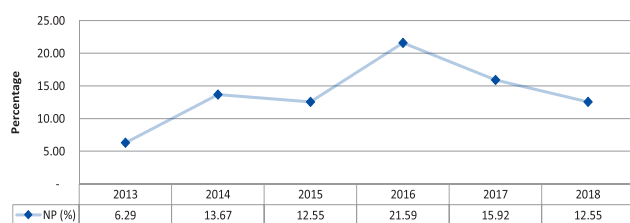
Net Profit



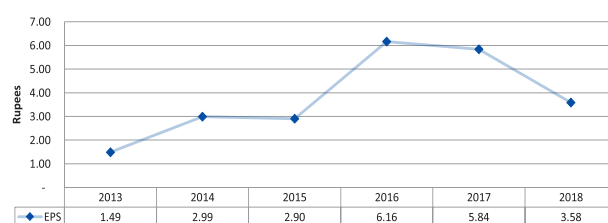
Gross Profit %



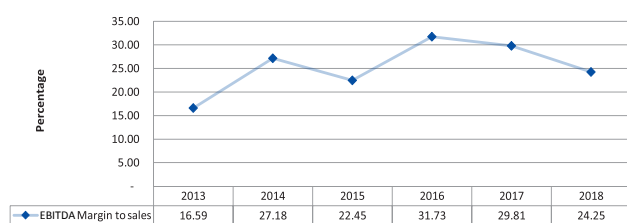
Net Profit %



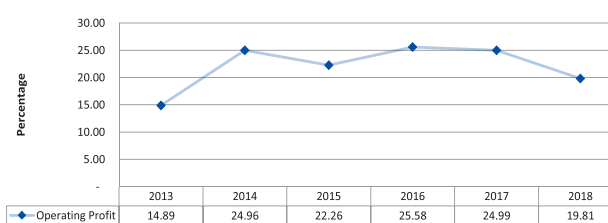
Earnings Per Share



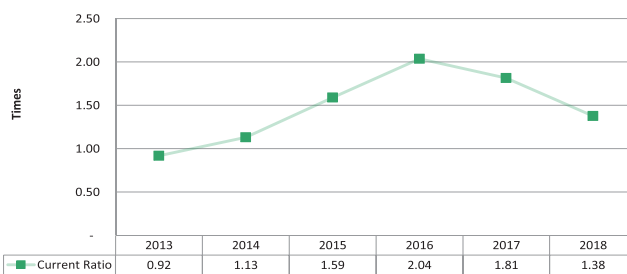
EBITDA Margin to Sales



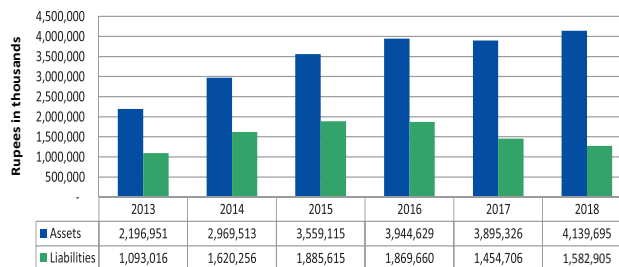
Operating Profit %



Liquidity Ratio

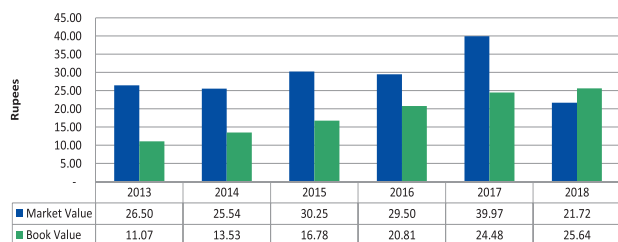


Assets & Liabilities

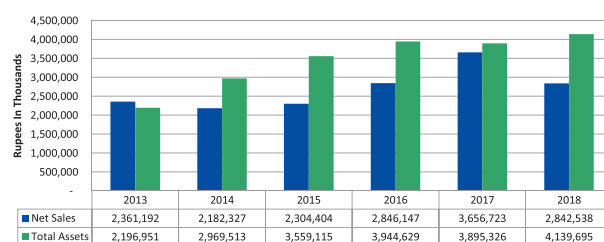


GRAPHICAL PRESENTATION OF KEY FINANCIAL DATA

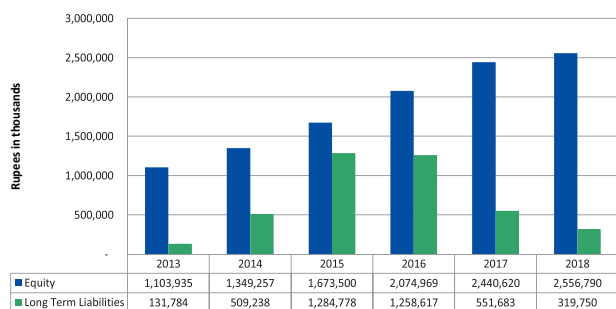
Value Per Share



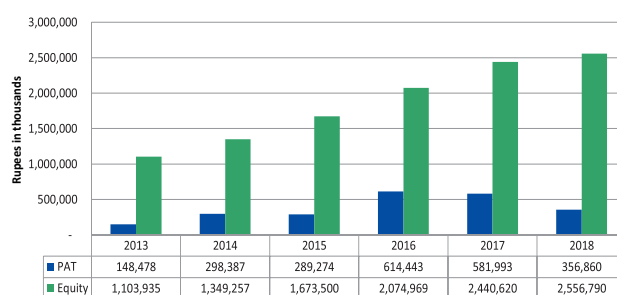
Net Sales to Total Assets



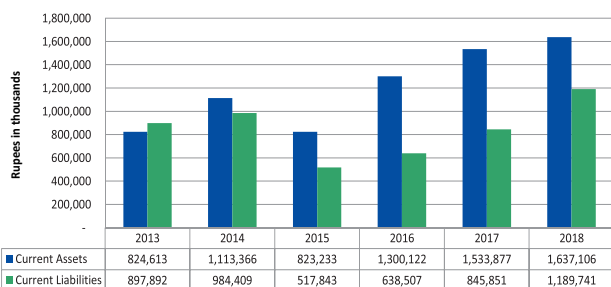
Equity & Long Term Liabilities



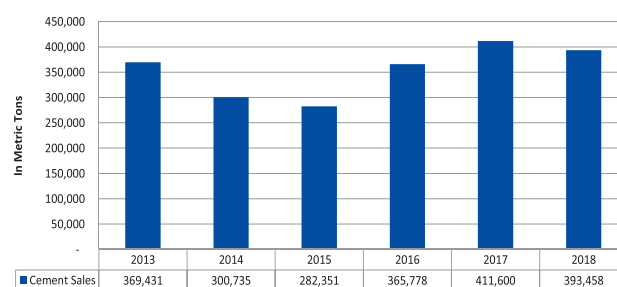
Profit After Tax vs Shareholder's Equity



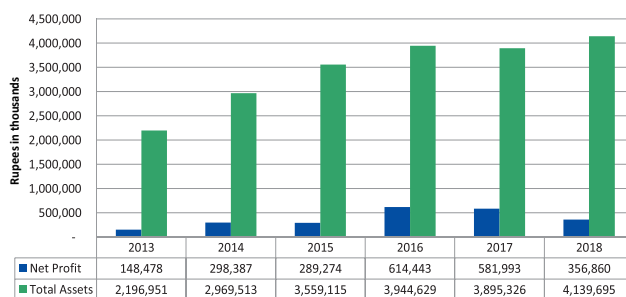
Current Assets vs Current Liabilities



Cement Sales

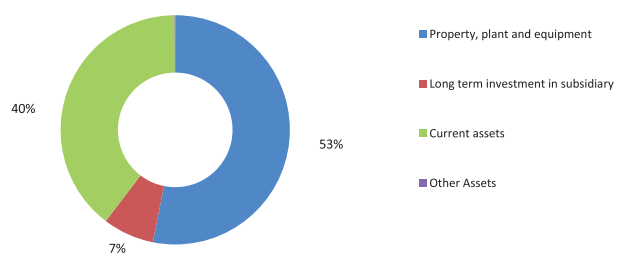


Net Profit to Total Assets

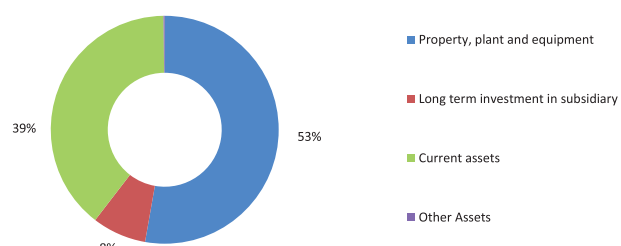


GRAPHICAL PRESENTATION OF KEY FINANCIAL DATA

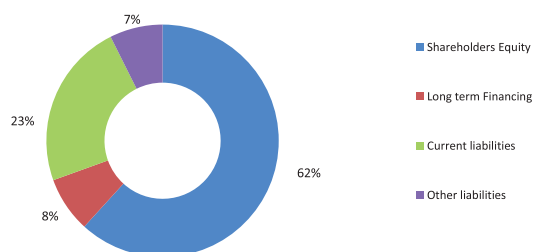
Assets 2018



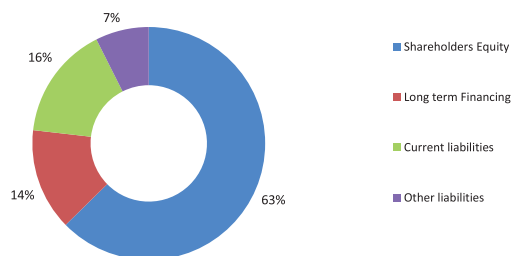
Assets 2017



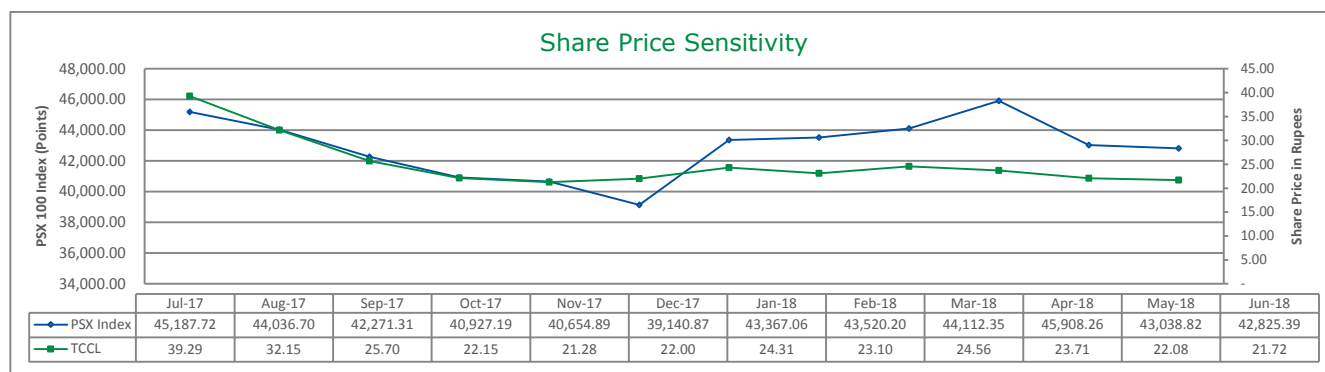
Equity & Liabilities 2018



Equity & Liabilities 2017



SHARE PRICE SENSITIVITY ANALYSIS



Sensitivity analysis is a technique used to define how different values of an independent variable will impact a specific dependent variable under a given set of assumptions. Various critical and non-critical variables have a tendency to impact the profitability margin of the Company. However, most of these variables are external and beyond the control of the management.

Thatta Cement Company Limited profit margins are sensitive to various factors, most of which are external and beyond Company's management control and ultimately effect the share price. Following are the major factors which might affect the share price of the Company:

Plant Operations

Stable plant operations lead to efficient production and productivity gains. Interruptions at production facility negatively impact the Company's financial performance and may have potential impact on share price adversely. Share price is also affected by the addition of new plant.

Variable cost

Any increase in variable cost (mainly includes raw material, coal, power cost etc) may critically affect the gross margins and will resultantly decrease the profitability and growth in the EPS. This may also affect the market price of the share downward and vice versa.

Interest Rate

Finance cost has a significant impact on the Company's profitability. Loans are obtained after negotiations with banks on applicable rates. However, interest rate / KIBOR rate fluctuations, being subject to market and economic conditions are beyond the Company's control and may affect market price of the share of the company.

Regulations and Government Policies

Any amendments made by government and regulatory authorities in its policies, laws and regulations relating to cement sector and overall business activities may affect the share price of the company depending upon the nature of those amendments. If the change in policy is positive than share price may increase, otherwise vice versa.

Law and Order Situation

Unstable law and order situation often results in disruption of business activities and create hindrance in supply chain that may negatively impact on the Company's performance.

Demand Supply Gap

Availability of surplus quantity in relation with demand generates competition and impacts the product prices negatively. These conditions reduce the margins and ultimately affect the share price.

GLOSSARY OF TERMS

Assets: The total resources with monetary value owned or controlled by an individual or a business.

AGM: Annual general meeting of shareholders held each year as per the requirements of Companies Act 2017.

Borrowing Cost: It refers to finance costs that are directly attributable to the construction/acquisition of qualifying assets and included in the cost of such asset.

Syndicate/Consortium Financing: A solution that entails several banks or financial institutions joining hands to finance large projects through a common appraisal, common documentation and joint supervision.

Current Ratio: The current ratio indicates a company's ability to meet short-term debt obligations.

Dividend Payout Ratio: The ratio is computed by dividing the annual dividends per share with the annual earnings per share.

Dividend Yield: The ratio is calculated by dividing the dividend per share with the market price per share.

Earnings Per Share: It is computed by dividing the net income of the company with the number of shares of common outstanding stock.

EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

Joint Venture: It is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity.

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standard.

IFRIC: International Financial Reporting Issues Committee.

KIBOR: Karachi Inter Bank Offer Rate.

Liquidity Ratios: The ratio used to determine the Company's ability to meet its short term financial obligations.

Long Term Debt-to-Equity Ratio: The ratio is computed by dividing long-term debt including current maturity by the equity plus long term debt.

Non-Operating Revenue: Revenue generated by an entity which is not directly related to production. Non-operating revenue includes things such as interest income, gains and losses on disposals of non-current assets, rental incomes etc.

Operating Cycle: The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale.

OPC: Ordinary Portland Cement.

PBFSC: Portland Blast Furnace Slag Cement.

Profitability Ratios: Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Price-Earnings Ratio (P/E): The ratio is calculated by dividing market price per share with earnings per share (This ratio indicates what investors think of the firm's earnings' growth and risk prospects).

Qualifying Asset: An asset that takes substantial period of time to get ready for its intended use/sale.

Return on Assets: The return on assets ratio is calculated by dividing net income with total assets. This ratio can also be represented as a product of the profit margin and the total asset turnover.

Return on Equity (ROE): The value is calculated by dividing the company's net income with equity (ROE measures the amount a company earns on investments).

Spread: Rate charged by the bank over KIBOR.

SRC: Sulphate Resistant Cement.

Term: Refers to the maturity or length of time until final repayment of loan, bond, sale or other contractual obligation.

FINANCIAL STATEMENTS UNCONSOLIDATED

Gaining Power

Traditional methods of generating electricity are unsustainable and contributing in polluting our environment. We should find natural energy sources to generate clean electricity.

Our people are trained to understand and gain knowledge of the changing market trends and adapt themselves accordingly to reach bars of success.

Natural Resources





Grant Thornton

An instinct for growth™

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THATTA CEMENT COMPANY LIMITED

Report on the audit of the unconsolidated financial statements

GRANT THORNTON ANJUM RAHMAN

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Beaumont Road,
Karachi 75530

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Opinion

We have audited the annexed unconsolidated financial statements of Thatta Cement Company Limited (the Company), which comprise the unconsolidated balance sheet as at June 30, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated cash flow statement for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information (here-in-after referred to as "the unconsolidated financial statements"), 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan (the institute) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were

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Offices in Islamabad, Lahore



addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matters
<p>Existence and valuation of inventories</p> <p>Refer in Note 9 & 10 to the financial statements, stores, spare parts and loose tools and stock-in-trade comprise of limestone, coal, slag, gypsum, iron ore, bauxite and clinker which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volume by using an angle of repose and the bulk density. Due to the significance of the stock balances and related estimations involved, this is considered a key audit matter.</p>	<p>1-We obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the stock.</p> <p>2-We attended the physical inventory count performed by the Company.</p> <p>3-We assessed the reasonableness of management's measurement of stockpiles during the physical count at year end and reviewed the conversion to the unit of volume.</p>
<p>Gratuity obligation valuation</p> <p>As described in Note 4.10 (accounting policies) and Note 23.2.1 (payable to gratuity fund), the Company operates an approved defined benefit plan. The Company recorded a net retirement obligation amounting to Rs. 19.98 million (2017: Rs. 14.33 million). The gratuity valuation is dependent on market conditions and assumptions made. The risk specifically relates to the following key assumptions: discount rate, inflation expectations and other assumptions. The setting of these assumptions is complex and requires the exercise of significant actuarial assumptions.</p>	<p>1-We obtained a detailed understanding and evaluated the design and implementation of controls that the Company has established in relation to the book keeping process.</p> <p>2-We have reviewed the data provided to actuary and results derived to obtain sufficient and appropriate audit evidence over the assumptions and valuation.</p> <p>3-We have evaluated qualification of actuary.</p> <p>4-In testing the gratuity valuation, we reviewed the key actuarial assumptions used, both financial and demographic, and considered the methodology utilized to derive these assumptions.</p>



Information other than the unconsolidated financial statements and auditor's report thereon

The board of directors is responsible for the other information. The other information comprises the information included in the annual report i.e., a more specific description of the other information, such as "the directors' report and chairman's statement," may be used to identify the other information but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Board of Directors for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the unconsolidated financial statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the unconsolidated balance sheet, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.


Grant Thornton Anjum Rahman
Karachi

Date: September 14, 2018

UNCONSOLIDATED BALANCE SHEET

As at June 30, 2018

		2018	2017
Note		----- Rupees in thousands -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,199,535	2,055,402
Intangible assets	6	2,800	5,793
Long term investment in Subsidiary	7	299,158	299,158
Long term deposits	8	1,096	1,096
Total non-current assets		2,502,589	2,361,449
CURRENT ASSETS			
Stores, spare parts and loose tools	9	610,702	483,745
Stock-in-trade	10	528,727	362,673
Trade debts	11	90,984	136,623
Loan/advance to the Subsidiary	12	-	125,000
Advances	13	5,846	11,597
Trade deposits and short term prepayments	14	19,361	6,107
Other receivables and accrued interest	15	100,907	165,669
Taxation - net	16	210,405	140,432
Cash and bank balances	17	70,174	102,031
Total current assets		1,637,106	1,533,877
Total assets		4,139,695	3,895,326
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	18	997,181	997,181
Share premium		99,718	99,718
Accumulated profit		1,459,891	1,343,721
Total shareholders' equity		2,556,790	2,440,620
NON-CURRENT LIABILITIES			
Long term financing	19	87,817	319,750
Long term deposits	20	3,477	2,834
Long term employee benefit	21	15,884	17,699
Deferred taxation	22	285,986	268,572
Total non-current liabilities		393,164	608,855
CURRENT LIABILITIES			
Trade and other payables	23	584,084	419,429
Unclaimed dividend		1,351	632
Accrued mark-up	24	7,884	2,810
Current maturity of long term financing	19	231,933	231,933
Short term borrowings	25	364,489	191,047
Total current liabilities		1,189,741	845,851
Total equity and liabilities		4,139,695	3,895,326
CONTINGENCIES AND COMMITMENTS			
	26		

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

UNCONSOLIDATED PROFIT & LOSS ACCOUNT

For the year ended June 30, 2018

		2018	2017
Note		----- Rupees in thousands -----	
	Sales - net	27 2,842,538	3,656,723
	Cost of sales	28 (2,086,534)	(2,493,694)
	Gross profit	756,004	1,163,029
	Selling and distribution cost	29 (70,256)	(101,031)
	Administrative expenses	30 (122,546)	(148,312)
		(192,802)	(249,343)
	Operating profit	563,202	913,686
	Other operating expenses	31 (52,335)	(54,786)
	Finance cost	32 (64,727)	(87,723)
		(117,062)	(142,509)
	Other income	33 51,231	84,129
	Profit before taxation	497,371	855,306
	Taxation	34 (140,511)	(273,313)
	Profit for the year	356,860	581,993
	Earnings per share - basic and diluted (Rupees)	35 3.58	5.84

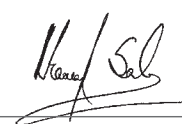
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

		2018	2017
Note		----- Rupees in thousands -----	
	Profit for the year	356,860	581,993
	Other comprehensive income		
	<i>Items to be reclassified to consolidated profit and loss account in subsequent years</i>		
	Revaluation gain on available-for-sale investments reclassified to consolidated profit and loss account	-	(64,522)
	<i>Items not to be reclassified to consolidated profit and loss account in subsequent years</i>		
23.2.6	Remeasurement of defined benefit liability	(6,353)	(2,243)
	Total comprehensive income for the year	350,507	515,228

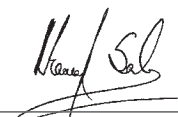
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2018

	2018	2017
Note	----- Rupees in thousands -----	
	497,371	855,306
5.2	124,146	143,669
6	2,993	3,211
28	(5,317)	(839)
32	64,727	87,723
3.2.5	13,631	12,083
	2,281	2,959
30	528	4,769
33	-	(34,874)
33	(4,405)	(746)
	198,584	217,955
	695,955	1,073,261
	(125,110)	(206,945)
	(166,054)	(121,650)
	45,639	27,194
	125,000	59,006
	5,751	(2,021)
	(13,254)	7,744
	64,762	(121,995)
	(63,266)	(358,667)
	158,997	37,129
	791,686	751,723
	(59,653)	(89,500)
3.2.4	(14,326)	(14,465)
	(4,096)	(900)
	(193,070)	(197,581)
	(271,145)	(302,446)
	520,541	449,277

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2018

	2018	2017
Note	----- Rupees in thousands -----	
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(267,641)	(34,055)
Addition in intangible assets	-	(2,519)
Acquisition of shares	-	(521,065)
Proceeds from disposal of long term investment - available-for-sale	-	656,185
Proceeds from disposal of property, plant and equipment	6,709	1,819
Net cash (used in) / generated from investing activities	(260,932)	100,365
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(231,933)	(706,934)
Dividend paid	(233,618)	(149,325)
Long term deposits - liabilities	643	(1,000)
Net cash used in financing activities	(464,908)	(857,259)
Net decrease in cash and cash equivalents	(205,299)	(307,617)
Cash and cash equivalents at beginning of the year	36 (89,016)	218,601
Cash and cash equivalents at end of the year	36 (294,315)	(89,016)

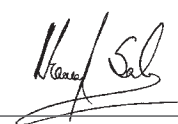
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Issued, subscribed and paid-up share capital	Share premium	Revaluation of Available for sale investment	Accumulated profit	Total
----- Rupees in thousands -----					
Balance as at July 1, 2016	997,181	99,718	64,522	913,548	2,074,969
Transactions with owners recorded directly in equity					
Final dividend @ Rs. 1.5 per share for the year ended June 30, 2016	-	-	-	(149,577)	(149,577)
Total comprehensive income for the year					
Profit for the year	-	-	-	581,993	581,993
Other comprehensive income					
Reclassification of gain realized on disposal of available-for-sale investment	-	-	(64,522)	-	(64,522)
Remeasurement of defined benefit liability	-	-	-	(2,243)	(2,243)
	-	-	(64,522)	579,750	515,228
Balance as at June 30, 2017	997,181	99,718	-	1,343,721	2,440,620
Balance as at July 1, 2017	997,181	99,718	-	1,343,721	2,440,620
Transactions with owners recorded directly in equity					
Final dividend @ Rs. 2.35 per share for the year ended June 30, 2017	-	-	-	(234,337)	(234,337)
Total comprehensive income for the year					
Profit for the year	-	-	-	356,860	356,860
Other comprehensive income					
Remeasurement of defined benefit liability	-	-	-	(6,353)	(6,353)
	-	-	-	350,507	350,507
Balance as at June 30, 2018	997,181	99,718	-	1,459,891	2,556,790

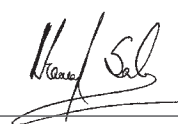
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

1 STATUS AND NATURE OF BUSINESS

Thatta Cement Company Limited (the Company) was incorporated in Pakistan in 1980 as a public limited Company. The shares of the Company are quoted at the Pakistan Stock Exchange. The Company's main business activity is manufacturing and marketing of cement. The registered office of the Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

These unconsolidated financial statements are being submitted to the shareholders as required under section 223 of the Companies Act 2017 and the Pakistan Stock Exchange Regulations.

2.2 Basis of measurement

These unconsolidated financial statements have been prepared under historical cost convention except for recognition of staff retirement benefits at present value based on actuarial valuation and foreign currency liabilities which are stated at the exchange rate at the balance sheet date.

2.3 Financial year

The Company's financial year starts from July 1 and ends at June 30.

2.4 Functional and presentation currency

These unconsolidated financial statements have been prepared and presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2.5 Use of estimates and judgments

The preparation of these unconsolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these unconsolidated financial statements, the significant judgments made by the management in applying the Company's accounting policies and key sources of

estimation and uncertainty were the same as those that were applied to the unconsolidated financial statements as at and for the year ended June 30, 2017.

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

a) **Property, plant and equipment**

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

b) **Intangible assets**

The Company's management determines the estimated useful lives and related amortization charge for its intangibles. The Company also reviews the value of the intangibles for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of intangibles with a corresponding effect on the amortization charge and impairment.

c) **Trade debts**

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

d) **Stock-in-trade and stores & spares**

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

e) **Taxation**

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

f) **Contingencies**

The assessment of contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events with respect to evaluation based on element of issue involved and opinion of the legal counsel.

g) Staff retirement benefits

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

h) Impairment of investments

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

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

3.1 Promulgation of Companies Act, 2017

The Companies Act 2017 applicable for periods ending after December 31, 2017 which result in additional disclosures and certain changes in financial statements presentation.

3.2 Standards, amendments and interpretations to the published standards that are relevant to the company and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation

Effective date
(Annual periods beginning
on or after)

IAS 7 - Disclosure Initiative (Amendments to IAS 7)

January 1, 2017

IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses
(Amendments to IAS 12)

January 1, 2017

IFRS 12 - Annual Improvements to IFRS 2014-2016

January 1, 2017

The adoption of the above standards, amendments and interpretations of the standards do not have material effect on the unconsolidated financial statements including comparative figures.

3.3 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2017 are considered not to be relevant nor to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

3.4 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations will be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014 - 2016	January 1, 2018
IFRS 9 - Financial Instruments	July 1, 2018
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

3.5 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2021

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

Depreciation

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

Subsequent costs

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

Disposal

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

4.1.1 Capital work-in-progress (CWIP)

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

4.2 Government grant

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

4.3 Intangible assets

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

4.4 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Non-Financial assets

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

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

4.5 Investments

Investment in subsidiaries

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

investment. A reversal of impairment loss is recognized in the unconsolidated profit and loss account.

Investment in associates

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

Investment - Available for sale

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

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

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

4.6 Stores, spare parts and loose tools

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

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

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

4.7 Stock-in-trade

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

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

4.8 Trade debts and other receivables

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

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

4.9 Cash and cash equivalents

Cash and cash equivalents in local currency are carried in the unconsolidated balance sheet at cost and cash in foreign currencies are stated at the exchange rate prevailing at the balance sheet date. For the purposes of the unconsolidated cash flow statement, cash and cash equivalents comprises of cash in hand, with banks in current, profit & loss sharing and deposit accounts net of short term borrowings under mark-up arrangements, if any.

4.10 Employee retirement benefits

Defined benefit plan

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

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

Defined contribution plan

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

Leave encashment

The liability for accumulated earned leaves which are eligible for encashment relating to permanent employees are recognised on the basis of actuarial valuation in the period in which permanent employees render service that increases their entitlement to future leave encashment.

4.11 Borrowings and finance cost

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

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

4.12 Taxation

Current

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

Deferred

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

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices except for the allocation of expenses such as sharing of electricity, gas, water, repair and maintenance with the subsidiary company relating to the Head Office and Business Support Services for which the pricing mechanism is subject to approval of the Board of Directors.

4.16 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue from sales is recognized upon passage of title to the customers usually on dispatch of goods. Export sales are recognized as revenue when significant risks and rewards associated with ownership are transferred. Interest and rental/other income is recognized on accrual basis.

4.17 Financial instruments

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

4.18 Offsetting of financial assets and financial liabilities

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

4.19 Segment reporting

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

4.20 Foreign currency transactions

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

4.21 Earnings per share

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

4.22 Dividends and reserve appropriations

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

	2018	2017
Note	----- Rupees in thousands -----	

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	1,971,885	2,008,696
Capital work-in-progress	5.4	172,552	-
Major stores and spares	5.5	55,098	46,706
		<u>2,199,535</u>	<u>2,055,402</u>

5.1 Operating fixed assets

	2018											
	COST					ACCUMULATED DEPRECIATION						Net book value as at June 30, 2018
	As at July 1, 2017	Additions	Disposals	Adjustment (Note 5.1.1)	As at June 30, 2018	Depreciation rate per annum	As at July 1, 2017	Charge for the year (Note 5.2)	Accumulated depreciation on disposals	Adjustment (Note 5.1.1)	As at June 30, 2018	
	----- Rupees in thousands -----						----- Rupees in thousands -----					
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	-	6,186
Leasehold improvements	2,585	-	-	-	2,585	20%	2,338	247	-	-	2,585	-
Quarries and improvements	11,963	-	-	-	11,963	5%	11,810	9	-	-	11,819	144
Factory building on freehold land	246,642	-	-	-	246,642	10%	205,745	5,559	-	-	211,304	35,338
Electrical installations	58,848	-	-	-	58,848	5%	15,509	2,540	-	-	18,049	40,799
Housing colonies	74,096	-	-	-	74,096	5%	57,271	990	-	-	58,261	15,835
Office building on freehold land	22,281	-	-	-	22,281	5%	18,671	212	-	-	18,883	3,398
Plant and machinery	3,139,338	81,186	(140)	(517)	3,219,867	UoP	1,322,992	95,156	(13)	(19)	1,418,116	1,801,751
Quarry equipments	18,857	-	-	-	18,857	20%	18,522	167	-	-	18,689	168
Railway sidings	14,905	-	-	-	14,905	10%	13,703	172	-	-	13,875	1,030
Vehicles	72,845	4,178	(10,508)	-	66,515	10% & 20%	44,142	10,066	(8,332)	-	45,876	20,639
Furniture and fixtures	11,134	-	-	(104)	11,030	10%	7,268	551	-	(99)	7,720	3,310
Office & other equipments	17,621	1,007	(12)	(67)	18,549	10%	5,136	1,696	(11)	(62)	6,759	11,790
Medical equipments	629	-	-	-	629	10%	625	1	-	-	626	3
Laboratory equipments	65,700	3,796	-	-	69,496	10%	33,616	4,542	-	-	38,158	31,338
Computers	21,093	-	(318)	(107)	20,668	30%	18,679	2,238	(318)	(87)	20,512	156
	3,784,723	90,167	(10,978)	(795)	3,863,117		1,776,027	124,146	(8,674)	(267)	1,891,232	1,971,885

	2017										
	COST					ACCUMULATED DEPRECIATION					Net book value as at June 30, 2017
	As at July 1, 2016	Additions	Disposals	Adjustment (Note 5.1.1)	As at June 30, 2017	Depreciation rate per annum	As at July 1, 2016	Charge for the year (Note 5.2)	Accumulated depreciation on disposals	Adjustment (Note 5.1.1)	As at June 30, 2017
	----- Rupees in thousands -----						----- Rupees in thousands -----				
Freehold land	6,186	-	-	-	6,186	-	-	-	-	-	6,186
Leasehold improvements	2,585	-	-	-	2,585	20%	1,821	517	-	-	2,338
Quarries and improvements	11,963	-	-	-	11,963	5%	11,801	9	-	-	11,810
Factory building on freehold land	238,871	7,771	-	-	246,642	10%	200,574	5,171	-	-	205,745
Electrical installations	58,848	-	-	-	58,848	5%	12,969	2,540	-	-	15,509
Housing colonies	74,096	-	-	-	74,096	5%	56,281	990	-	-	57,271
Office building on freehold land	22,281	-	-	-	22,281	5%	18,459	212	-	-	18,671
Plant and machinery	3,103,041	41,335	-	(5,038)	3,139,338	UoP	1,209,947	114,202	-	(1,157)	1,322,992
Quarry equipments	19,143	-	-	(286)	18,857	20%	18,433	200	-	(111)	18,522
Railway sidings	14,905	-	-	-	14,905	10%	13,531	172	-	-	13,703
Vehicles	72,707	5,704	(5,566)	-	72,845	10% & 20%	39,066	9,569	(4,493)	-	44,142
Furniture and fixtures	11,506	-	-	(372)	11,134	10%	7,054	555	-	(341)	7,268
Office & other equipments	21,934	454	-	(4,767)	17,621	10%	7,532	1,697	-	(4,093)	5,136
Medical equipments	629	-	-	-	629	10%	624	1	-	-	625
Laboratory equipments	63,365	2,335	-	-	65,700	10%	29,324	4,292	-	-	33,616
Computers	21,656	-	-	(563)	21,093	30%	15,692	3,542	-	(555)	18,679
	3,743,716	57,599	(5,566)	(11,026)	3,784,723		1,643,108	143,669	(4,493)	(6,257)	1,776,027
											2,008,696

- 5.1.1 The adjustment represents write off of certain items of operating fixed assets that have been taken out from active use as they are no longer usable and are in unserviceable condition.

5.2 Allocation of depreciation

	2018	2017
Note	----- Rupees in thousands -----	
The depreciation charge for the year has been allocated as under:		
Cost of sales	28	118,520
Selling and distribution cost	29	1,366
Administrative expenses	30	4,260
		<u>124,146</u>
		<u>143,669</u>

- 5.3 The details of operating fixed assets having book value of above Rs. 500,000/- (2017: Rs. 50,000/-) disposed off during the year are as follows:

Particulars	Cost	Written Down Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
----- Rupees in thousands -----						
Vehicle	7,398	1,503	6,025	4,522	Claim	M/s EFU General Insurance
June 30, 2018	<u>7,398</u>	<u>1,503</u>	<u>6,025</u>	<u>4,522</u>		
June 30, 2017	<u>5,566</u>	<u>1,073</u>	<u>1,819</u>	<u>746</u>		

5.4 Capital work-in-progress

		Cost as at July 1, 2017	Capital/ expenditure incurred	Transferred to operating fixed assets	Cost as at June 30, 2018
		----- Rupees in thousands -----			
Plant and machinery		-	218,808	(46,256)	172,552
	June 30, 2018	-	218,808	(46,256)	172,552
	June 30, 2017	1,403	6,368	(7,771)	-

		2018	2017
Note		----- Rupees in thousands -----	

5.5 Major stores and spares

Cost

Opening balance	81,722	103,863
Additions during the year	134,431	24,870
Transferred to operating fixed assets and capital work-in-progress	(129,509)	(47,011)
Closing balance	86,644	81,722

Accumulated impairment

Opening balance	(35,016)	(32,874)
Reversal / (impairment) for the year	3,470	(2,142)
Closing balance	(31,546)	(35,016)
Net book value	55,098	46,706

6 INTANGIBLE ASSETS

The Company's intangible assets comprises of computer softwares and club membership fee.

Cost

Opening balance	10,465	2,965
Additions during the year	-	7,500
Closing balance	10,465	10,465

Amortization

Opening balance	(4,672)	(1,461)
Charge for the year	(2,993)	(3,211)
Closing balance	(7,665)	(4,672)
Net book value	2,800	5,793

Amortization rate per annum

20-33% 20-33%

- 6.1 The net book value pertains to computer softwares Rs. 2.5 million (2017: Rs. 5.168 million) and club membership fee Rs. 0.300 million (2017: 0.625 million).

	2018	2017
Note	----- Rupees in thousands -----	

7 LONG TERM INVESTMENT IN SUBSIDIARY

Thatta Power (Private) Limited (TPPL)	7.1 & 7.2	<u>299,158</u>	<u>299,158</u>
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- 7.1 The Company owns 62.43% shareholding of TPPL as at June 30, 2018 (2017: 62.43%). The principal business of the Subsidiary is generation and sale of electrical power. As at June 30, 2018 TPPL has authorized and issued share capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 and 47,915,830 ordinary shares respectively. Investment in subsidiary is accounted and carried on the basis of cost.

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

8 LONG TERM DEPOSITS

Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

	2018	2017
Note	----- Rupees in thousands -----	

9 STORES, SPARE PARTS AND LOOSE TOOLS

Coal and other fuels	401,915	249,980
Stores & spare parts	236,381	263,207
Loose tools	275	274
9.1	<u>638,571</u>	<u>513,461</u>

Provision for obsolete stores	(5,114)	(5,353)
Provision for slow moving stores and spares	(22,755)	(24,363)
9.2	<u>(27,869)</u>	<u>(29,716)</u>
	<u>610,702</u>	<u>483,745</u>

- 9.1 This includes stores in transit of Rs. 66.952 million (2017: Rs. 119.097 million) as at the balance sheet date.

9.2 Movement in provision

Opening balance	(29,716)	(32,697)
Reversal during the year	1,847	2,981
Closing balance	<u>(27,869)</u>	<u>(29,716)</u>

	2018	2017
Note	----- Rupees in thousands -----	

10 STOCK-IN-TRADE

Raw material	28.1	46,972	87,604
Packing material	28.2	30,611	27,452
Work-in-process		408,198	211,163
Finished goods		42,946	36,454
		<u>528,727</u>	<u>362,673</u>

11 TRADE DEBTS

Considered good

Local - unsecured		90,984	136,623
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Considered doubtful

Cement stockiest	11.1	60,801	60,801
Excessive rebate allowed	11.1	6,101	6,101
Controller Military Accounts		5,126	5,126
		<u>72,028</u>	<u>72,028</u>
Provision for doubtful debts		<u>(72,028)</u>	<u>(72,028)</u>
		<u>90,984</u>	<u>136,623</u>

- 11.1 This includes balances outstanding for more than 10 years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Company whose services had been terminated, when the Company was operating under State Cement Corporation of Pakistan (SCCP). Accordingly, the management had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in preceding years. The Company is continuously following with NAB officials for early realisation of amount owed to the Company and has also written letters in this regard for which reply has not yet been received, therefore provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.

12 LOAN/ADVANCE TO THE SUBSIDIARY - CONSIDERED GOOD

The loan/advance is extended to Thatta Power (Private) Limited (TPPL), the Subsidiary, to honour its financial obligations including working capital requirements which will ensure smooth business operations of the Subsidiary. This will in turn ensure uninterrupted supply of electricity to the Company and hence maintaining sustainable cement production. The loan/advance facility carries markup at the rate of 3 months KIBOR plus 2.62% per annum payable on quarterly basis. As Company owns majority shares of the Subsidiary, the loan was extended without any collateral security. The maximum balance outstanding at any month end during the year amounting to Rs. 165 million (2017: Rs. 216 million).

	2018	2017
Note	----- Rupees in thousands -----	

13 ADVANCES - UNSECURED

Advances - considered good

- to vendors

- others

5,617	11,245
229	352
<u>5,846</u>	<u>11,597</u>

14 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits - considered good

Short term prepayments

14.1	1,346	1,380
	18,015	4,727
	<u>19,361</u>	<u>6,107</u>

14.1 Trade deposits are given in the normal course of business and comprises of earnest money and security deposits. These do not carry any interest or mark-up.

15 OTHER RECEIVABLES AND ACCRUED INTEREST

Interest receivable from banks

Interest receivable from the Subsidiary

Refund against fuel price adjustment

Deposit with Commissioner Workmen's Compensation

Receivable against disposal of shares

Sales tax refundable

Others

15.1	857	2,038
	-	2,951
	-	4,307
	14,915	14,915
	40,799	132,439
	40,937	-
	3,399	9,019
	<u>100,907</u>	<u>165,669</u>

15.1 This represents interest accrued on loan/advance to the Subsidiary. The maximum amount of interest outstanding at any month end during the year was Rs. 3.41 million (2017: Rs. 5.78 million).

	2018	2017
Note	----- Rupees in thousands -----	

16 TAXATION - NET

16.1	<u>210,405</u>	<u>140,432</u>
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16.1 It mainly includes an amount of Rs. 144.394 million (2017: Rs. 132.144 million) representing tax refundable for the tax years 2012, 2015, 2016 & 2017.

17 CASH AND BANK BALANCES

Cash in hand

Balances with banks

- in current accounts

- in profit and loss sharing (PLS) accounts

17.1	1,220	976
17.1, 17.2 & 17.3	1,571	26,915
	67,383	74,140
	<u>68,954</u>	<u>101,055</u>
	<u>70,174</u>	<u>102,031</u>

- 17.1 These accounts are maintained with commercial banks under conventional banking system.
- 17.2 As at June 30, 2018, the mark-up rates on PLS accounts ranges from 2.5% to 3% (2017: 3.5% to 4%) per annum.
- 17.3 This includes Rs. 65.982 million (2017: Rs. 72.51 million) in PLS accounts under lien with National Bank of Pakistan, as Security Trustee, in accordance with the covenants of syndicated term finance facility agreements. These funds are to be used in accordance with the conditions mentioned in said financing agreement.

18 SHARE CAPITAL

2018	2017		2018	2017
----- Number of Shares -----		Note	----- Rupees in thousands -----	
Authorized share capital				
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each. Issued, subscribed and paid-up share capital	<u>2,000,000</u>	<u>2,000,000</u>
89,418,125	89,418,125	Ordinary shares of Rs. 10/- each - shares allotted for consideration paid in cash	894,181	894,181
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each - shares allotted for consideration other than cash	103,000	103,000
<u>99,718,125</u>	<u>99,718,125</u>		<u>997,181</u>	<u>997,181</u>

19 LONG TERM FINANCING

Loan from Banking companies - secured

Syndicated term finance facility (STFF)	19.1	319,750	551,683
Less : Current maturity		(231,933)	(231,933)
		<u>87,817</u>	<u>319,750</u>

- 19.1 This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries mark-up at rates ranging between 8.14% to 8.41% (2017: 8.03% to 8.15%) per annum payable quarterly. The tenure of financing is 8 years including grace period of 2 years and the facility is payable in 24 equal quarterly installments of Rs. 57.983 million each starting from June 17, 2016. During the year, Rs. 231.933 million has been paid against 4 quarterly installments. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties. Unless the entire amount of loan has been repaid, the Company has to seek prior approval of the majority members of the syndicated term finance facility before declaration of any dividend.

20 LONG TERM DEPOSITS

		2018	2017
	Note	----- Rupees in thousands -----	
Dealers	20.1	2,110	2,110
Suppliers and contractors	20.2	1,367	724
		<u>3,477</u>	<u>2,834</u>

20.1 These relates to dealers against whom recovery proceedings are in process with National Accountability Bureau (NAB) and are adjustable against the amount owed by them to the Company (refer note: 11.1).

20.2 These represent interest free security deposits, received from dealers, suppliers & contractors. These are kept in a separate bank account and repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

21 LONG TERM EMPLOYEE BENEFIT

This represents accrual for encashment of eligible earned leave balances in respect of permanent employees amounting to Rs. 15.884 million (2017: Rs. 17.699 million). Principal actuarial assumptions used for determining leave encashment liability are same as are used for Gratuity actuarial valuation as disclosed in note 23.2.

		2018	2017
	Note	----- Rupees in thousands -----	
22 DEFERRED TAXATION			
Taxable temporary differences arising in respect of Accelerated tax depreciation	22.1	325,419	309,600
Deductible temporary differences arising in respect of Other provisions - for doubtful debts and stores		(39,433)	(41,028)
		<u>285,986</u>	<u>268,572</u>

22.1 Movement in Deferred Tax

	Deductible Temporary Differences	Taxable Temporary Differences	Total
	----- Rupees in thousands -----		
2018			
Opening deferred tax	(41,028)	309,600	268,572
Deferred tax liability	-	15,819	15,819
Deferred tax asset	1,595	-	1,595
Deferred tax expense	1,595	15,819	17,414
Closing deferred Tax	<u>(39,433)</u>	<u>325,419</u>	<u>285,986</u>
2017			
Opening deferred tax	(113,645)	298,640	184,995
Deferred tax liability	-	10,960	10,960
Deferred tax asset	2,551	-	2,551
Deferred tax expense	2,551	10,960	13,511
Adjustment against tax liability	70,066	-	70,066
Closing deferred Tax	<u>(41,028)</u>	<u>309,600</u>	<u>268,572</u>

		2018	2017
Note		----- Rupees in thousands -----	
23	TRADE AND OTHER PAYABLES		
	Trade creditors	37,693	48,119
	Accrued liabilities	23.1 193,246	213,345
	Bills payable	216,986	12,281
	Advances from customers	63,820	31,191
	Contractors retention money	2,469	45
	Excise duty and sales tax payable	-	35,509
	Payable to Gratuity Fund	23.2 19,984	14,326
	Workers' Profit Participation Fund (WPPF)	23.4 26,650	45,347
	Workers' Welfare Fund (WWF)	10,176	16,977
	Other liabilities	13,060	2,289
		<u>584,084</u>	<u>419,429</u>

23.1 It includes Rs. 69.430 million (2017: Rs. 57.561 million) payable to Thatta Power (Private) Limited, the Subsidiary Company, in respect of purchase of electricity.

23.2 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit (PUC) Actuarial Cost Method as at June 30, 2018 are as follows:

- Discount rate used for year end obligation is 9.00% per annum (2017: 7.75% per annum).
- Discount rate used for interest cost in unconsolidated profit and loss charge is 9.00% per annum (2017: 7.25% per annum)
- Expected rate of increase in salary level at 8.00% per annum (2017: 6.75% per annum).
- Mortality rate used is SLIC 2001-2005 (2017: SLIC 2001-2005).

23.2.1 The amount recognised in the unconsolidated balance sheet is as follows:

		2018	2017
Note		----- Rupees in thousands -----	
	Present value of defined benefit obligation	23.2.2 79,230	84,760
	Fair value of plan assets	23.2.3 (59,246)	(70,434)
	Closing net liability	<u>19,984</u>	<u>14,326</u>

23.2.2 Movement in present value of defined benefit obligation

	Opening net liability	84,760	69,270
	Current service cost	13,149	11,576
	Interest cost	5,566	4,841
	Benefits paid and payable	(25,878)	(4,999)
	Remeasurement loss due to change in experience adjustments	23.2.6 1,633	4,072
	Closing net liability	<u>79,230</u>	<u>84,760</u>

	2018	2017
Note	----- Rupees in thousands -----	

23.2.3 Movement in the fair value of plan assets

Opening fair value of plan assets		70,434	54,805
Expected return / Interest income on plan assets	23.2.7	5,084	4,334
Employer contribution		14,326	14,465
Benefits paid		(23,996)	(4,525)
Benefit due but not paid		(1,882)	(474)
Return on plan assets excluding interest income	23.2.7	(4,720)	1,829
Closing fair value of plan assets	23.2.9	59,246	70,434

23.2.4 Movement in liabilities

Opening net liability		14,326	14,465
Charge for the year	23.2.11	13,631	12,083
Employer contribution		(14,326)	(14,465)
Remeasurements chargeable in other comprehensive income	23.2.6	6,353	2,243
Closing net liability		19,984	14,326

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

Current service cost		13,149	11,576
Interest cost		5,566	4,841
Expected return / interest income on plan assets		(5,084)	(4,334)
		13,631	12,083

23.2.6 The amount recognised in unconsolidated statement of other comprehensive income is as follows:

Remeasurement loss due to changes in assumption and experience adjustments	23.2.2	1,633	4,072
Return on plan assets excluding interest income	23.2.3	4,720	(1,829)
		6,353	2,243

23.2.7 Return on plan assets is as follows:

Expected return / interest income on plan assets	23.2.3	5,084	4,334
Return on plan assets excluding interest income	23.2.3	(4,720)	1,829
		364	6,163

23.2.8 Analysis of present value of defined benefit obligation and fair value of plan assets

	2018	2017	2016	2015	2014
	----- Rupees in thousands -----				
Present value of defined benefit obligation	(79,230)	(84,760)	(69,270)	(55,881)	(46,415)
Fair value of plan assets	59,246	70,434	54,805	44,619	31,666
Deficit	(19,984)	(14,326)	(14,465)	(11,262)	(14,749)

	2018	2017
Note	----- Rupees in thousands -----	

23.2.9 Disaggregation of fair value of plan assets

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

Cash and cash equivalents (adjusted for current liabilities)	(1,418)	4,507
Mutual funds		
- Islamic funds	22,164	18,708
- Stock market fund (conventional)	-	6,042
	22,164	24,750
Certificate of islamic investments	38,500	41,177
23.2.3	59,246	70,434

23.2.10 Sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	----- Rupees in thousands -----			
2018	74,875	84,203	84,336	74,677
2017	81,045	89,000	89,112	80,877

	2018	2017
Note	----- Rupees in thousands -----	

23.2.11 The charge for the year has been allocated as follows:

Cost of sales	28	9,330	7,648
Selling and distribution cost	29	893	928
Administrative expenses	30	3,408	3,507
23.2.5		13,631	12,083

23.3 The following information is based on the latest audited financial statements of the Provident Fund:

Size of the Fund - total assets	83,519	80,172
Cost of investments made	82,782	79,439
Percentage of investments made	96%	99%
Fair value of investments	79,946	79,760
23.3.1		

23.3.1 Fair value of investment is held by Provident Fund

	2018		2017	
	Rupees in thousands	%	Rupees in thousands	%
Bank balances	1,181	1%	2,060	3%
Term deposit	46,998	59%	40,485	51%
Mutual funds	31,767	40%	37,215	46%
	79,946	100%	79,760	100%

The investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

		2018	2017
	Note	----- Rupees in thousands -----	
23.4 Workers' Profit Participation Fund (WPPF)			
Opening balance		45,347	35,768
Allocation for the year	31	26,650	45,347
Interest on opening balance	32	1,620	1,014
		73,617	82,129
Payments made during the year		(46,967)	(36,782)
Closing balance		26,650	45,347
24 ACCRUED MARK-UP			
Syndicated term finance facility		935	1,478
Short term borrowings		6,949	1,332
		7,884	2,810
25 SHORT TERM BORROWINGS			
Short-term running finance	25.1	364,489	191,047
25.1	The aggregate running finance facilities available from banks as at June 30, 2018 amounted to Rs. 650 million (2017: Rs. 650 million) out of which Rs. 285.511 million (2017: Rs. 458.953 million) remained unutilized at the year end. These facilities are renewable annually and secured by way of hypothecation of fixed assets and current assets. These carry mark-up at rates ranging between 8.14% to 8.50% (2017: 8.04% to 8.12%) per annum payable quarterly.		
26 CONTINGENCIES AND COMMITMENTS			
26.1 Contingencies			
26.1.1	During the year 2014-2015, Deputy Commissioner Inland Revenue (DCIR) passed an assessment order under section 122(1)(5) of the Income Tax Ordinance, 2001 in respect of Tax Year 2014 raising a tax demand of Rs. 78.35 million by making certain disallowances and additions in taxable income as reported in the tax return of that year. The Company filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A) against which the adverse order has been passed by CIR(A). Therefore, appeal has been filed before Appellate Tribunal Inland Revenue (ATIR) on February 19, 2016 against the said order relating to certain add backs/disallowances which have been set-aside for afresh proceedings, which is pending for hearing. In view of Company's tax consultant, the Company has an arguable case on merit; however, definite outcome cannot be predicted.		
26.1.2	The Company has adjusted minimum tax aggregating to Rs. 31.47 million against its income tax liability in terms of section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). An appeal was filed in 2014-2015 before the Commissioner Inland Revenue - Appeals (CIR-A) against the order of the Assessing Officer disallowing adjustment of minimum tax amounting to Rs. 15.721 million in respect of Tax Year 2012. During the year ended June 30, 2018 Appellate		

Tribunal Inland Revenue (ATIR) has passed an order in favour of the Company on the issue of adjustment of minimum tax. However, Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has an option to file an appeal against the appellate order passed by ATIR in favor of the Company before appellate forum.

- 26.1.3** In respect of Tax Year 2008, an appeal was filed in 2014-2015 before Commissioner Inland Revenue - Appeals (CIR-A) against certain disallowances and additions in taxable income while passing assessment order under 122(5A) of the Income Tax Ordinance, 2001, and thereby raising a tax demand of Rs. 2.787 million. The appeal has been heard, however order of CIR-A is pending. The management is confident that the Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these unconsolidated financial statements.
- 26.1.4** The Deputy Commissioner Inland Revenue (DCIR) has passed Assessment Orders in 2014-2015 raising an aggregate sales tax demand for Rs. 5.989 million by disallowing certain input tax claimed by the Company in its sales tax return for tax period from July 2012 to February 2015. The Company had filed appeals against such Assessment Orders before Commissioner Inland Revenue (CIR-A) who has passed orders aggregating to Rs. 5.91 million in favor of the Company. During the year ended June 30, 2016, tax department has filed appeals against the said orders before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. In view of Company's tax consultant, favourable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.5** In respect of tax periods from July 2012 to December 2014, an Order in Original (ONO) has been issued by an Officer of Sales Tax in 2014-2015 against the Company raising a demand of Rs. 244.274 million which is mainly based on comparison of industry average for fuel and power consumption with that of the Company and thereby presuming the production quantities which in the view of tax authorities have not been subject to Sales Tax and Federal Excise Duty. Accordingly, the Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the ONO passed by the Officer of Sales Tax, however CIR-A decided the case against the Company. Accordingly, the Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A. Moreover, recovery proceedings were also initiated by tax authorities in the matter for an aggregate demand amount of Rs 488.548 million including 100% penalty on the principal amount as aforesaid. Therefore, the Company filed a stay application against the said aggregate demand before High Court of Sindh. The Sindh High Court has allowed ad interim relief against recovery of demand and refrained tax authorities to take any adverse action in this respect. During the year ended June 30, 2017, Appellate Tribunal Inland Revenue (ATIR) has passed an order in favor of the Company. During the year ended June 30, 2018, the Commissioner Inland Revenue has filed an appeal in the High Court of Sindh against the order passed by Appellate Tribunal Inland Revenue in favour of the Company. The matter is pending for adjudication. In view of Company's legal counsel, favourable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.6** During the year ended June 30, 2018, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Company in respect of tax periods from July 2013 to August 2017 raising a demand of Rs. 56.632 million by disallowing certain input tax claimed by the Company in its sales tax returns for the aforesaid tax period. The Company has filed an appeal on March 28, 2018 against the ONO passed by DCIR before Commissioner Inland Revenue - Appeals (CIR-A). The appeal has been decided in favor of the Company. The Commissioner Inland Revenue has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A) in favour of the Company. The matter is pending for

adjudication. The management is confident that the Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these unconsolidated financial statements.

- 26.1.7** During the year ended June 30, 2018, Deputy Commissioner Inland Revenue (DCIR) passed an order under section 161/205 of the Income Tax Ordinance, 2001(Ordinance) in respect of tax year 2017 raising a tax demand of Rs. 94.670 million including default surcharge and penalty aggregating to Rs 15.208 million on the ground that Company has not deducted applicable withholding taxes while making payments for purchases & certain expenses and hence made default under section 161/205 of the Ordinance. The Company has filed an appeal on May 4, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by DCIR. The CIR-A has passed the order in favor of the Company. However, Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has an option to file an appeal against the order of CIR-A passed in favor of the Company before higher appellate forums.
- 26.1.8** Subsequent to the year end, Assistant Commissioner Inland Revenue (ACIR) passed an order under section 122(1) of the Income Tax Ordinance, 2001(Ordinance) in relation to tax audit conducted under section 177 of the Ordinance, in respect of tax year 2016. Through the said order, ACIR has disallowed deduction of certain expenses, deductible allowance of WPPF and tax credit claimed under section 65B of the Ordinance amounting to Rs 28.497 million, Rs 35.768 million and Rs 16.915 million respectively. The Company intends to file an appeal before Commissioner Inland Revenue –Appeals (CIR-A) against the said order in due course. In view of Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these unconsolidated financial statements.
- 26.1.9** Certain ex-employees of the Company contested the Company's gratuity policy of 30 days and filed a Suit against the Company demanding 60 days gratuity as applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said Suit has been decided in favour of the applicants. However, the Company challenged the said order vide C.P. no. 591/2013, before the High Court of Sindh at Hyderabad and later on filed Labour Appeal No. 04/2014, before the Sindh Labour Court No. VI at Hyderabad being the Court of appropriate jurisdiction. After dismissal of the said appeal, a revision application has been filed before the Sindh Labour Appellate Tribunal, Karachi. The Tribunal also dismissed the appeal and hence C.P. no. D - 2636 has been filed on November 2, 2015 before the Honourable High Court of Sindh at Hyderabad wherein stay has been granted by the High Court. The matter is pending for disposal. In view of the Company's legal counsel, no definite outcome can be anticipated but the Company has a good case.
- 26.1.10** An ex-employee of the former holding company had filed CP # 86/2013 on May 21, 2013 for recovery of Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. In view of the Company's legal counsel, the Company has a good case whereas no definite outcome can be estimated.
- 26.1.11** Ex-workers of Labour Contractor had filed applications against the Company before the Labour Court at Hyderabad for reinstatement of their services which were not maintainable therefore, dismissed by the Court. The decision has been challenged vide Appeal no. Hyd-25/2016, Hyd-26/2016, Hyd-27/2016 and Hyd-28/2016 before the Sindh Labour Appellate Tribunal in Karachi. During the year ended June 30, 2018, Sindh Labour Appellate Tribunal has disposed of the appeals filed by ex-workers of contractor by awarding them the compensation instead of reinstatement of their services. The Company has challenged the said decision on January 5, 2018 before the High Court of Sindh, Hyderabad. In view of the Company's legal counsel, the Company has a good case whereas no definite outcome can be estimated.

26.1.12 During the year ended June 30, 2017, an ex-employee of the Company had filed a Suit no. 51/2017 on July 5, 2017 for recovery of damages, salaries and mesne profit of Rs. 197 million in the High Court of Sindh. The said ex- employee was dismissed from the Company's service on November 1, 1999 due to involvement in serious acts of misconduct. The said person has challenged the dismissal before different forums including High Court of Sindh, Federal Services Tribunal and the Supreme Court of Pakistan and lost all the cases. In view of Company's legal counsel, this litigation will also lead to the same fate as detailed above.

26.1.13 Two cement dealers had filed Suit no. 150/2001 & 151/2001 against the Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Company in lieu of outstanding dues from these dealers. The matter is pending for adjudication. In view of the Company's legal counsel, no unfavourable outcome can be estimated.

26.2 Commitments

26.2.1 Guarantee given by a commercial bank to Sui Southern Gas Company Limited on behalf of the Company amounts to Rs. 45 million (2017: Rs. 45 million).

26.2.2 Other outstanding guarantees given on behalf of the Company by banks amount to Rs. 15.784 million (2017: Rs. 25.204 million).

26.2.3 Irrevocable letter of credit under revenue and capital expenditure as on balance sheet date were Nil (2017: Rs. 133.011 million) and Rs. 4.502 million (2017: Rs. 66.284 million) respectively.

27 SALES - NET

	2018	2017
	----- Rupees in thousands -----	
Gross Sales - Local	4,005,754	4,989,739
- Export	-	6,027
	4,005,754	4,995,766
Less: - Federal Excise Duty	519,271	549,322
- Sales tax	643,945	789,721
	1,163,216	1,339,043
	<u>2,842,538</u>	<u>3,656,723</u>

		2018	2017
		----- Rupees in thousands -----	
	Note		
28	COST OF SALES		
Raw material consumed	28.1	185,191	274,470
Manufacturing expenses			
Packing material consumed	28.2	128,636	164,701
Stores, spare parts and loose tools consumed		102,647	101,112
Fuel and power		1,389,934	1,491,084
Salaries, wages and other benefits	28.3	318,910	356,218
Insurance		16,512	17,936
Repairs and maintenance		15,363	25,001
Depreciation	5.2	118,520	137,685
Vehicle hire, running and maintenance		10,622	11,634
Communication		1,901	1,990
Entertainment		2,329	2,278
Reversal of provision for slow moving & obsolete stores and impairment of major stores & spares	5.5 & 9.2	(5,317)	(839)
Other production overheads		4,813	7,044
		2,104,870	2,315,844
Cost of production		2,290,061	2,590,314
Work-in-process			
Opening balance		211,163	116,871
Closing balance	10	(408,198)	(211,163)
		(197,035)	(94,292)
Cost of goods manufactured		2,093,026	2,496,022
Finished goods			
Opening balance		36,454	34,126
Closing balance	10	(42,946)	(36,454)
		(6,492)	(2,328)
		2,086,534	2,493,694
28.1	Raw material consumed		
Opening balance		87,604	66,476
Purchases		144,559	295,598
		232,163	362,074
Closing balance	10	(46,972)	(87,604)
	28.1.1	185,191	274,470
28.1.1	It includes royalty amounting to Rs. 7.593 million (2017: Rs. 9.143 million) relating to Lime Stone and Clay Shale, payable to Director General Mines & Mineral Department, Government of Sindh.		

	2018	2017
Note	----- Rupees in thousands -----	

28.2 Packing material consumed

Opening balance		27,452	23,550
Purchases		131,795	168,603
		159,247	192,153
Closing balance	10	(30,611)	(27,452)
		128,636	164,701

28.3 This includes employees' retirement benefits amounting to Rs. 17.239 million (2017: Rs. 15.290 million).

29 SELLING AND DISTRIBUTION COST

Salaries, wages and other benefits	29.1	24,987	31,253
Vehicle running expenses		1,143	751
Travelling and conveyance		306	346
Communication		333	385
Printing and stationery		240	117
Entertainment		194	232
Repair and maintenance		238	258
Rent, rates and taxes		1,894	1,558
Utilities		285	248
Advertisements		139	152
Sales promotion expenses		1,969	1,236
Freight charges - local sale		1,808	1,093
Export logistics and related charges		-	102
Commission		26,412	52,788
Depreciation	5.2	1,366	1,686
Marking fee expense		2,032	2,419
Miscellaneous		6,910	6,407
		70,256	101,031

29.1 This includes employees' retirement benefits amounting to Rs. 1.595 million (2017: Rs. 1.758 million).

30 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	30.1	74,804	95,688
Board, Audit and HR Committee meeting fees		4,950	3,525
Vehicle running expenses		2,772	2,926
Travelling and conveyance		523	991
Advertisements		372	214
Communication, postage, telegram		1,967	1,887
Printing and stationery		2,285	2,202
Rent, rates and taxes		2,897	2,303
Entertainment		815	1,122
Legal and professional charges		4,649	5,356
<i>Balance carried forward</i>		96,034	116,214

	2018	2017
Note	----- Rupees in thousands -----	
<i>Balance brought forward</i>	96,034	116,214
Insurance	380	405
Repairs and maintenance	3,906	4,540
Utilities	1,856	1,859
Fees and subscription	1,870	2,116
Corporate expenses	916	604
Charity and donation	30.2 1,604	1,724
Auditor's remuneration	30.3 1,139	1,005
Other auditor's remuneration	30.4 1,307	1,410
Depreciation	5.2 4,260	4,298
Amortization	6 2,993	3,211
Education expenses	5,505	5,535
Fixed assets written off	5.1.1 528	4,769
Miscellaneous	248	622
	<u>122,546</u>	<u>148,312</u>

30.1 This includes employees' retirement benefits amounting to Rs. 6.637 million (2017: Rs. 6.961 million).

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

30.3 Auditor's remuneration

Annual audit fee	873	719
Half yearly review fee	74	67
Audit fee for consolidated financial statements	36	33
Fee for Code of Corporate Governance and other services	36	60
Out of pocket expenses	120	126
	<u>1,139</u>	<u>1,005</u>

30.4 Other auditor's remuneration

Cost audit fee	-	143
Out of pocket expenses	-	12
	-	155
Internal audit fee	1,187	1,135
Out of pocket expenses	120	120
	<u>1,307</u>	<u>1,255</u>
	<u>1,307</u>	<u>1,410</u>

31 OTHER OPERATING EXPENSES

Workers' Welfare Fund (WWF)	8,970	6,286
Workers' Profit Participation Fund (WPPF)	23.4 26,650	45,347
Brokerage & other charges	-	3,153
Exchange loss	16,715	-
	<u>52,335</u>	<u>54,786</u>

	2018	2017
Note	----- Rupees in thousands -----	

32 FINANCE COST

Mark-up on long term financing	37,568	78,017
Mark-up on short term borrowings	24,949	7,973
Mark-up on Workers' Profit Participation Fund	1,620	1,014
Bank charges and commission	590	719
	<u>64,727</u>	<u>87,723</u>

33 OTHER INCOME

Income from financial assets

Income on bank deposit accounts	2,550	4,693
Markup earned on loan/advance to the Subsidiary	7,247	15,540
Gain on disposal of available-for-sale investment	-	34,874
	<u>9,797</u>	<u>55,107</u>

Income from non-financial assets

Management fee	17,569	15,972
Scrap sales	14,631	8,018
Rental income	2,243	1,899
Gain on disposal of property, plant & equipment	4,405	746
Gain on sale of store items	-	1,377
Others	2,586	1,010
	<u>41,434</u>	<u>29,022</u>
	<u>51,231</u>	<u>84,129</u>

33.1 Income earned from bank deposits are under interest / mark-up arrangements with conventional banking system.

33.2 This represents management fee income of Rs. 17.57 million (2017: Rs. 15.97 million) for Business Support Services provided to Thatta Power (Private) Limited, which is a Subsidiary Company.

	2018	2017
Note	----- Rupees in thousands -----	

34 TAXATION

Current	123,356	259,665
Prior year	(259)	137
Deferred	17,414	13,511
	<u>140,511</u>	<u>273,313</u>

34.1 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analyzed as follows:

	2017	2016	2015
	----- Rupees in thousands -----		
Tax provision as per accounts	259,665	-	125,573
Tax payable/paid as per tax return	259,406	137	125,600

34.2 Relationship between tax expense and accounting profit

	2018	2017
	----- Rupees in thousands -----	
Profit before tax	497,371	855,306
Tax at 30% / 31%	149,211	265,145
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	(17,357)	(14,320)
- income charged at different rates	-	(11,063)
Tax Credit under section 65B	(8,498)	(4,346)
Super tax under section 4B	-	24,249
Prior year's tax (reversal)/charge	(259)	137
Tax effect on taxable temporary differences - net	17,414	13,511
	140,511	273,313

34.3 The returns of income have been filed upto and including Tax Year 2017 (corresponding to financial year ended June 30, 2017) while income tax assessments have been finalized upto and including Tax Year 2015 except for Tax Year 2008, 2012 and 2014. However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the Company respectively.

35 EARNINGS PER SHARE - BASIC AND DILUTED

	2018	2017
	----- Rupees in thousands -----	
35.1 Basic earnings per share		
Profit for the year	356,860	581,993
	----- Number -----	
Weighted average number of ordinary shares	99,718,125	99,718,125
	----- Rupees -----	
Earnings per share - basic and diluted	3.58	5.84

35.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

		2018	2017
	Note	----- Rupees in thousands -----	
36 CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	70,174	102,031
Short term borrowings	25	(364,489)	(191,047)
		<u>(294,315)</u>	<u>(89,016)</u>

37 CAPACITY AND ACTUAL PRODUCTION

Production capacity - clinker (tons)		510,000	510,000
Actual production - clinker (tons)	37.1	405,885	512,789
Actual production - cement (tons)	37.2	393,748	411,856

37.1 The production capacity utilization of clinker during the year has remained at 79.59% (2017: 100.55%).

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

38 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions except for Service Level Agreement for business support services with the Subsidiary Company for which the basis are approved by the Board of Directors. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and trust deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice. Details of transactions during the year ended / outstanding balances with related parties are as follows:

38.1 Transaction with related parties

		2018	2017
	Note	----- Rupees in thousands -----	
38.1.1 Subsidiary Company			
- Thatta Power (Private) Limited			
Common shared expenses		3,581	3,492
Receipts on account of common shared expenses		3,552	4,078
Sales of store items (inclusive of GST) - net		834	19
Payment on account of purchase of store items - net		132	47
Purchase of electricity (inclusive of GST)		707,215	790,334
Payment on account of electricity (inclusive of GST)		695,346	797,527
Management fee claimed (inclusive of SST)		19,853	18,048
Management fee received (inclusive of SST)	33.2	19,703	20,682
Loan/advance to the Subsidiary	12	85,000	32,000
Receipts on account of loan/advance to the Subsidiary		210,000	91,006
Sale of cement		1,476	-
Receipts on account of sale of cement		50	-
Markup earned on loan/advance to the Subsidiary	33	7,247	15,540
Receipts on account of markup on loan/advance to the Subsidiary		10,198	16,661

	2018	2017
Note	----- Rupees in thousands -----	

38.1.2 Key management personnel

Salaries and benefits (2017: Restated)
Sale of vehicles

39	92,589	112,937
	664	935

38.1.3 Other related parties

Contribution to Employees' Gratuity Fund
Contribution to Employees' Provident Fund
Education expenses - Model Terbiat School

23.2.4	14,326	14,465
	9,511	9,035
30	5,231	5,535

38.2 Balances with related parties**38.2.1 Subsidiary Company****- Thatta Power (Private) Limited**

Payable against purchase of electricity (inclusive of GST)
Receivable against management fee (inclusive of SST)
Receivable against common shared expenses
Receivable against sale of store items - net
Loan / advance to the Subsidiary
Receivable against sale of cement
Accrued mark-up on loan

23.1	69,430	57,561
	1,654	1,504
	358	329
	970	4
12	-	125,000
	1,426	-
	-	2,951

38.2.2 Other related parties

Payable to gratuity fund

23.2.4	19,984	14,326
--------	--------	--------

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

39 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Chief Executive Officer (note: 39.3)	Executive Director	Executives	Chief Executive Officer	Executive Director	Executives
	----- Rupees in thousands -----					
	----- Restated -----					
Managerial remuneration	13,967	5,760	37,047	15,922	7,245	33,391
Leave fare assistance	131	393	2,273	1,327	604	2,782
Bonus	3,225	2,705	16,966	11,681	5,197	24,027
Retirement benefits	2,129	999	6,353	3,927	1,090	4,821
Other benefits	322	35	284	587	60	276
	19,774	9,892	62,923	33,444	14,196	65,297
Number of person(s)	2	1	11	1	1	9

- 39.1 The Chief Executive, Executive Director and Executives are provided with free use of Company maintained car(s) and other benefits in accordance with their entitlement as per rules of the Company.
- 39.2 An aggregate amount of Rs. 4.950 million (2017: Rs. 3.525 million) was paid to Non-Executive Directors during the year on account of Board, Audit Committee and HR & Remuneration Committee meeting fee.
- 39.3 This includes remuneration paid to former Chief Executive Officer who has resigned during the year.

40 OPERATING SEGMENTS

- 40.1 These unconsolidated financial statements have been prepared on the basis of single reportable segment.
- 40.2 Revenue from sale of cement represents 100% (2017: 100%) of the total revenue of the Company.
- 40.3 100% (2017: 100%) sales of the Company relates to customers in Pakistan.
- 40.4 All non-current assets of the Company at June 30, 2018 are located in Pakistan.

41 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

		2018	2017
Note		----- Rupees in thousands -----	
Financial assets			
Long term deposits	8	1,096	1,096
Trade debts	11	90,984	136,623
Loan/advance to the Subsidiary	12	-	125,000
Advances	13	5,846	11,597
Trade deposits and short term prepayments	14	1,346	1,380
Other receivables and accrued interest	15	100,907	165,669
Cash and bank balances	17	70,174	102,031
		<u>270,353</u>	<u>543,396</u>
Financial liabilities			
Long term financing (LTF)	19	319,750	551,683
Long term deposits	20	3,477	2,834
Trade and other payables	23	520,264	388,870
Accrued mark-up	24	7,884	2,810
Short term borrowings	25	364,489	191,047
		<u>1,215,864</u>	<u>1,137,244</u>

41.1 Financial instruments and related disclosures

Financial risk management objectives

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

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

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

a) Credit risk

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

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

	2018		2017	
	Rupees in thousands	%	Rupees in thousands	%
Banks	68,954	26%	101,055	19%
Others	200,179	74%	441,365	81%
	<u>269,133</u>	<u>100%</u>	<u>542,420</u>	<u>100%</u>

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

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

		2018	2017
Note		----- Rupees in thousands -----	
Long term deposits	8	1,096	1,096
Trade debts	11	90,984	136,623
Loan/advance to the Subsidiary	12	-	125,000
Advances	13	5,846	11,597
Trade deposits	14	1,346	1,380
Other receivables and accrued interest	15	100,907	165,669
Bank balances	17	68,954	101,055
		<u>269,133</u>	<u>542,420</u>

41.1.1 Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2018 trade debts of Rs. 10.699 million (2017: Rs. 57.81 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

		2018	2017
Note		----- Rupees in thousands -----	
- within 30 days		32,075	78,817
- 31 to 90 days		48,717	37,474
- 91 to 180 days		8,076	7,349
- over 180 days		2,116	12,983
	11	<u>90,984</u>	<u>136,623</u>

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

Rating

A1 +		66,163	99,657
A1		2,760	1,367
A2		31	31
	17	<u>68,954</u>	<u>101,055</u>

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

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 11.1. The aging analysis of these impaired trade debts is as follows:

	2018	2017
	----- Rupees in thousands -----	
Over ten years	<u>72,028</u>	<u>72,028</u>

b) Liquidity risk management

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

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

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

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

41.1.2 Maturity analysis for financial liabilities

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

		2018				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
Note		----- Rupees in thousands -----				
Non-derivative Liabilities						
Long term financing	19	319,750	(429,739)	(128,367)	(122,961)	(178,411)
Long term deposits	20	3,477	(3,477)	-	-	(3,477)
Trade and other payables	23	520,264	(520,264)	(520,264)	-	-
Short term borrowings	25	364,489	(364,489)	(182,245)	(182,244)	-
Accrued mark-up	24	7,884	(7,884)	(7,884)	-	-
		1,215,864	(1,325,853)	(838,760)	(305,205)	(181,888)

		2017				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
Note		----- Rupees in thousands -----				
Non-derivative Liabilities						
Long term financing	19	551,683	(700,333)	(137,688)	(133,592)	(429,053)
Long term deposits	20	2,834	(2,834)	-	-	(2,834)
Trade and other payables	23	388,870	(388,870)	(388,870)	-	-
Short term borrowings	25	191,047	(191,047)	(95,524)	(95,523)	-
Accrued mark-up	24	2,810	(2,810)	(2,810)	-	-
		1,137,244	(1,285,894)	(624,892)	(229,115)	(431,887)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at the reporting date.

c) Market risk

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

d) Interest/Mark-up rate risk management

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

	Carrying amount	
	2018	2017
	----- Rupees in thousands -----	
Variable rate instruments		
Financial assets	67,383	199,140
Financial liabilities	684,239	742,730

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 0.67 million (2017: Rs.1.99 million) higher / lower, mainly as a result of higher / lower interest income from these financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, profit before tax for the year would have been Rs. 6.842 million (2017: Rs. 7.427 million) higher / lower, mainly as a result of higher / lower interest expense on these financial liabilities.

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

		June 30, 2018				
		Mark-up / return (%)	Less than six months	Six months to one year	More than one year	Total
Note	----- Rupees in thousands -----					
Assets						
Bank balance in PLS accounts	17	2.5 % to 3 %	5	1,401	65,977	67,383
Total assets			5	1,401	65,977	67,383
Liabilities						
Short term borrowings	25	8.14% to 8.50%	(182,245)	(182,244)	-	(364,489)
Long term financing	19	8.14% to 8.41%	(128,367)	(122,961)	(178,411)	(429,739)
Total liabilities			(310,612)	(305,205)	(178,411)	(794,228)
On-balance sheet gap			(310,607)	(303,804)	(112,434)	(726,845)
Total interest risk sensitivity gap			(310,607)	(614,410)	(726,844)	(726,844)

		June 30, 2017				
		Mark-up / return (%)	Less than six months	Six months to one year	More than one year	Total
Note	----- Rupees in thousands -----					
Assets						
Bank balance in PLS accounts	17	3.5% to 4%	56	1,630	72,454	74,140
Loan/advance to the Subsidiary	12	8.67% to 8.74%	125,000	-	-	125,000
Total assets			125,056	1,630	72,454	199,140
Liabilities						
Short term borrowings	25	8.04% to 8.12%	(95,524)	(95,523)	-	(191,047)
Long term financing	19	8.03% to 8.15%	(137,688)	(133,592)	(429,053)	(700,333)
Total liabilities			(233,212)	(229,115)	(429,053)	(891,380)
On-balance sheet gap			(108,156)	(227,485)	(356,599)	(692,240)
Total interest risk sensitivity gap			(108,156)	(335,640)	(692,239)	(692,240)

e) Foreign exchange risk management

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

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

	2018		2017	
	Rupees	US \$	Rupees	US \$
	-----in thousands-----		-----in thousands-----	
Trade and other payables	216,986	1,787	12,281	117

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

	2018	2017	2018	2017
	Average rate		Balance sheet date rate	
US Dollar to PKR	109.88	104.91	121.45	104.98

Sensitivity analysis

A five percent strengthening / weakening of Rupee against US Dollar on June 30th would have increased / decreased equity and unconsolidated profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2017.

	2018	2017
	----- Rupees in thousands -----	
Effects of US Dollars gain/loss	10,849	614

f) Fair value of financial instruments

Fair value of the financial instrument is the amount for which an asset could be sold or exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction.

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

g) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

h) Capital risk management

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

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

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

i) Operational risk

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

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

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

42 CORRESPONDING FIGURES

- 42.1 Corresponding figure of unclaimed dividend amounting to Rs. 0.632 million appearing under the note no. 23 has now been disclosed as separate line item on the face of balance sheet to comply with disclosure requirement of 4th schedule to the Companies Act, 2017.
- 42.2 Corresponding figures for remuneration to Chief Executive, Directors and Executives disclosed in the note no. 39 have been recalculated based on the definition of Executive as per Companies Act, 2017.

43 SUMMARY OF SIGNIFICANT TRANSACTION

	2018	2017
	----- Rupees in thousands -----	
Sales	<u>2,842,538</u>	<u>3,656,723</u>

During the year, the sales of the Company decreased by Rs. 814.186 million (2017: increased by Rs. 810.576 million), due to decline in clinker quantity sold and stiff competition among cement manufacturing companies.

44 NUMBER OF EMPLOYEES

The total number of employees as at year end were 530 (2017: 534) out of which 473 (2017: 473) employed at factory and average number of employees were 531 (2017: 543) out of which 472 (2017: 482) employed at factory.

45 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 13, 2018 have proposed for the year ended June 30, 2018, final cash dividend of Rs. 1.44 per share i.e. 14.40% (2017: Rs. 2.35 per share i.e. 23.5%) amounting to Rs. 143.594 million (2017: Rs.234.337 million) for approval by the members of the Company in the Annual General Meeting to be held on October 15, 2018. These unconsolidated financial statements for the year ended June 30, 2018 do not include the effect of the proposed cash dividend, which will be recognized in the unconsolidated financial statements for the year ending on June 30, 2019.

46 DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on September 13, 2018 by the Board of Directors of the Company.

47 GENERAL

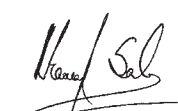
Figures have been rounded off to the nearest thousand of Rupees.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



FINANCIAL STATEMENTS CONSOLIDATED

Valuing Resources

Conserving energy is an important way to reduce strain on the environment, by reassessing the use of appliances, using lights only when necessary and insulating your workplace and home, can go a long way towards shrinking your carbon footprint.

Our people are the true strength that we value and respect, who make victories with their teamwork and devotion, and shape the future of Thatta Cement.

Energy Conservation



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THATTA CEMENT COMPANY LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the annexed consolidated financial statements of **Thatta Cement Company Limited** (the Company), and Thatta Power Private Limited (termed as "the Group"), which comprise the consolidated balance sheet as at **June 30, 2018**, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated cash flows statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matters
<p>Existence and valuation of inventories</p> <p>Refer in Note 8 & 9 to the consolidated financial statements, stores, spare parts and loose tools and stock-in-trade comprise of limestone, coal, slag, gypsum, iron ore, bauxite and clinker which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volume by using an angle of repose and the bulk density. Due to the significance of the stock balances and related estimations involved, this is considered a key audit matter.</p>	<p>1-We obtained an understanding of the valuation methodology and the processes and controls with respect to the valuation of the stock.</p> <p>2-We attended the physical inventory count performed by the Company.</p> <p>3-We assessed the reasonableness of management's measurement of stockpiles during the physical count at year end and reviewed the conversion to the unit of volume.</p>
<p>Gratuity obligation valuation</p> <p>As described in Note 4.10 (accounting policies) and Note 22 (payable to gratuity fund), the Company operates an approved defined benefit plan. The Company recorded a net retirement obligation amounting to Rs. 19.98 million (2017: Rs. 14.33 million). The gratuity valuation is dependent on market conditions and assumptions made. The risk specifically relates to the following key assumptions: discount rate, inflation expectations and other assumptions. The setting of these assumptions is complex and requires the exercise of significant actuarial assumptions.</p>	<p>1-We obtained a detailed understanding and evaluated the design and implementation of controls that the Company has established in relation to the book keeping process.</p> <p>2-We have reviewed the data provided to actuary and results derived to obtain sufficient and appropriate audit evidence over the assumptions and valuation.</p> <p>3-We have evaluated qualification of actuary.</p> <p>4-In testing the gratuity valuation, we reviewed the key actuarial assumptions used, both financial and demographic, and considered the methodology utilized to derive these assumptions.</p>



Information other than the financial statements and auditor's report thereon

The board of directors is responsible for the other information. The other information comprises the information included in the annual report i.e., a more specific description of the other information, such as "the directors' report and chairman's statement," may be used to identify the other information but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to



influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Accountants
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Offices in Islamabad, Lahore



We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman
Grant Thornton Anjum Rahman

Karachi

Date: September 14, 2018

Chartered Accountants
Member of Grant Thornton International Ltd
Offices in Islamabad, Lahore

CONSOLIDATED BALANCE SHEET

As at June 30, 2018

		2018	2017
Note		----- Rupees in thousands -----	
	ASSETS		
	NON-CURRENT ASSETS		
	Property, plant and equipment	5 3,395,307	3,265,979
	Intangible assets	6 2,800	5,793
	Long term deposits	7 1,096	1,096
	Total non-current assets	3,399,203	3,272,868
	CURRENT ASSETS		
	Stores, spare parts and loose tools	8 660,012	513,141
	Stock-in-trade	9 504,039	353,970
	Trade debts	10 512,967	404,434
	Short term investment - Held to maturity	11 306,000	306,000
	Advances	12 52,241	35,574
	Trade deposits and short term prepayments	13 26,683	7,306
	Other receivables and accrued interest	14 105,726	166,274
	Taxation - net	15 237,414	164,405
	Cash and bank balances	16 147,878	154,478
	Total current assets	2,552,960	2,105,582
	Total assets	5,952,163	5,378,450
	EQUITY AND LIABILITIES		
	SHAREHOLDERS' EQUITY		
	Share capital	17 997,181	997,181
	Share premium	99,718	99,718
	Accumulated profit	2,264,837	1,908,286
	Attributable to the owners of the Holding Company	3,361,736	3,005,185
	Non-controlling interests	665,758	521,098
	Total equity	4,027,494	3,526,283
	NON-CURRENT LIABILITIES		
	Long term financing	18 214,724	548,182
	Long term deposits	19 3,477	2,834
	Long term employee benefit	20 15,884	17,699
	Deferred taxation	21 285,986	268,572
	Total non-current liabilities	520,071	837,287
	CURRENT LIABILITIES		
	Trade and other payables	22 694,972	483,635
	Unclaimed dividend	1,351	632
	Accrued mark-up	23 10,328	6,108
	Current maturity of long term financing	18 333,458	333,458
	Short term borrowings	24 364,489	191,047
	Total current liabilities	1,404,598	1,014,880
	Total equity and liabilities	5,952,163	5,378,450
	CONTINGENCIES AND COMMITMENTS	25	

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED PROFIT & LOSS ACCOUNT

For the year ended June 30, 2018

		2018	2017
	Note	----- Rupees in thousands -----	
Sales - net	26	3,793,875	3,824,522
Cost of sales	27	(2,607,747)	(2,466,225)
Gross profit		1,186,128	1,358,297
Selling and distribution cost	28	(70,256)	(101,031)
Administrative expenses	29	(128,245)	(152,922)
		(198,501)	(253,953)
Operating profit		987,627	1,104,344
Other operating expenses	30	(52,335)	(54,786)
Finance cost	31	(97,168)	(128,386)
		(149,503)	(183,172)
Other income	32	46,965	72,038
Profit before taxation		885,089	993,210
Taxation	33	(143,188)	(274,429)
Profit for the year		741,901	718,781
Profit for the year attributable to:			
- Equity holders of the Holding Company		597,241	667,390
- Non-controlling interests		144,660	51,391
		741,901	718,781
Earnings per share - basic and diluted (Rupees)	34	5.99	6.69

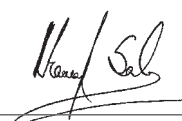
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2018

		2018	2017
Note		----- Rupees in thousands -----	
	Profit for the year	741,901	718,781
	Other comprehensive income		
	<i>Items to be reclassified to consolidated profit and loss account in subsequent years</i>		
	Revaluation gain on available-for-sale investments reclassified to consolidated profit and loss account	-	(64,522)
	<i>Items not to be reclassified to consolidated profit and loss account in subsequent years</i>		
	Remeasurement of defined benefit liability	22.1.6 (6,353)	(2,243)
	Total comprehensive income for the year	735,548	652,016
	Total comprehensive income for the year attributable to:		
	- Equity holders of the Holding Company	590,888	600,625
	- Non-controlling interests	144,660	51,391
		735,548	652,016

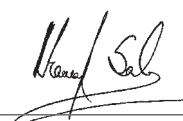
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2018

		2018	2017
	Note	----- Rupees in thousands -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		885,089	993,210
Adjustment for:			
Depreciation	5.2	171,561	178,883
Amortization	6	2,993	3,211
Reversal of provision for slow moving & obsolete stores and impairment of major stores & spares	27	(5,317)	(839)
Finance cost	31	97,168	128,386
Provision for gratuity	22.1.5	13,631	12,083
Provision for leave encashment		2,281	2,959
Fixed assets written off	29	528	4,769
Gain on disposal of available-for-sale investment	32	-	(34,874)
Gain on disposal of property, plant and equipment	32	(4,405)	(746)
		278,440	293,832
Operating cash flows before working capital changes		1,163,529	1,287,042
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(145,024)	(211,927)
Stock-in-trade		(150,069)	(115,563)
Trade debts		(108,533)	60,247
Advances		(16,667)	(12,810)
Trade deposits and short term prepayments		(19,377)	11,283
Other receivables and accrued interest		60,548	(123,043)
		(379,122)	(391,813)
Increase in current liabilities			
Trade and other payables excluding gratuity		205,679	59,705
Cash generated from operations		990,086	954,934
Finance cost paid		(92,948)	(131,154)
Gratuity paid	22.1.3	(14,326)	(14,465)
Leave encashment paid		(4,096)	(900)
Income tax paid - net		(198,783)	(201,605)
		(310,153)	(348,124)
Net cash generated from operating activities		679,933	606,810

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2018

	2018	2017
Note	----- Rupees in thousands -----	
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(300,251)	(47,506)
Addition in intangible assets	-	(2,519)
Acquisition of shares	-	(521,065)
Proceeds from disposal of long term investments - Available for sale	-	656,185
Proceeds from disposal of property, plant and equipment	6,709	1,819
Proceeds from maturity of short term investment	306,000	306,000
Short term investment	(306,000)	(306,000)
Net cash (used in) / generated from investing activities	(293,542)	86,914
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(333,458)	(808,459)
Dividend paid	(233,618)	(149,325)
Long term deposits - liabilities	643	(1,000)
Net cash used in financing activities	(566,433)	(958,784)
Net decrease in cash and cash equivalents	(180,042)	(265,060)
Cash and cash equivalents at beginning of the year	35 (36,569)	228,491
Cash and cash equivalents at end of the year	35 (216,611)	(36,569)

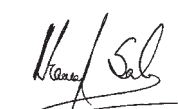
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CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Equity attributable to owners of the Holding Company				Non-controlling interests	Total equity	
	Issued, subscribed and paid-up share capital	Share premium	Revaluation of Available for sale investment	Accumulated profit			Total
	Rupees in thousands						
Balance as at July 1, 2016	997,181	99,718	64,522	1,392,716	2,554,137	469,707	3,023,844
Transactions with owners recorded directly in equity							
Final dividend @ Rs. 1.5 per share for the year ended June 30, 2016	-	-	-	(149,577)	(149,577)	-	(149,577)
Total comprehensive income for the year							
Profit for the year	-	-	-	667,390	667,390	51,391	718,781
Other comprehensive income							
Reclassification of gain realized on disposal of available-for-sale investment	-	-	(64,522)	-	(64,522)	-	(64,522)
Remeasurement of defined benefit liability	-	-	-	(2,243)	(2,243)	-	(2,243)
	-	-	(64,522)	665,147	600,625	51,391	652,016
Balance as at June 30, 2017	997,181	99,718	-	1,908,286	3,005,185	521,098	3,526,283
Balance as at July 1, 2017	997,181	99,718	-	1,908,286	3,005,185	521,098	3,526,283
Transactions with owners recorded directly in equity							
Final dividend @ Rs. 2.35 per share for the year ended June 30, 2017	-	-	-	(234,337)	(234,337)	-	(234,337)
Total comprehensive income for the year							
Profit for the year	-	-	-	597,241	597,241	144,660	741,901
Other comprehensive income							
Remeasurement of defined benefit liability	-	-	-	(6,353)	(6,353)	-	(6,353)
	-	-	-	590,888	590,888	144,660	735,548
Balance as at June 30, 2018	997,181	99,718	-	2,264,837	3,361,736	665,758	4,027,494

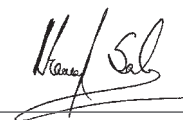
The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2018

1 THE GROUP AND ITS OPERATIONS

- 1.1** The Group consists of Thatta Cement Company Limited (TCCL) and Thatta Power (Private) Limited (TPPL), (together referred to as "the Group").
- 1.2** Thatta Cement Company Limited (the Holding Company) was incorporated in Pakistan in 1980 as a public limited company. The shares of the Holding Company are quoted at the Pakistan Stock Exchange. The Holding Company's main business activity is manufacturing and marketing of cement. The registered office of the Holding Company is situated at Office No. 606, 607, 608 & 608A, Continental Trade Centre, Block 8, Clifton, Karachi. The production facility of the Holding Company comprises of 233 acres and is located at Ghulamullah Road, Makli, District Thatta, Sindh.
- 1.3** Thatta Power (Private) Limited (the Subsidiary Company) is a 62.43% owned subsidiary of the Holding Company as at June 30, 2018 (2017: 62.43%). The principal business of the Subsidiary Company is generation and sale of electrical power. As at June 30, 2018, the Subsidiary Company has authorized and issued, subscribed and paid up capital of Rs. 500 million and Rs. 479.16 million divided into 50,000,000 (2017: 50,000,000) ordinary shares and 47,915,830 (2017: 47,915,830) ordinary shares respectively. The registered office and generation facility of the Subsidiary Company comprises of 3 acres and is situated at Ghulamullah Road, Makli, District Thatta, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprises of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. In case the requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

These consolidated financial statements are being submitted to the shareholders as required under section 228 of the Companies Act, 2017 and the Pakistan Stock Exchange Regulations.

2.2 Basis of consolidation

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

The financial statements of the Subsidiary Company are prepared for the same reporting period as of the Holding Company, using accounting policies that are generally consistent with those of the Holding Company.

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

2.3 Basis of measurement

These consolidated financial statements have been prepared under historical cost convention except for recognition of staff retirement benefits at present value based on actuarial valuation and foreign currency liabilities which are stated at the exchange rate at the consolidated balance sheet date.

2.4 Financial year

The Group's financial year starts from July 1 and ends at June 30.

2.5 Functional and presentation currency

These consolidated financial statements have been prepared and presented in Pakistani Rupee, which is the Group's functional and presentation currency.

2.6 Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision. In preparing these consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended June 30, 2017.

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

a) Property, plant and equipment

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

b) Intangible assets

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

c) Trade debts

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

d) Stock-in-trade and stores and spares

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

e) Taxation

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

f) 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 uncertain future events with respect to evaluation based on element of issue involved and opinion of the legal counsel.

g) Staff retirement benefits

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

h) Impairment of investments

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

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

3.1 Promulgation of Companies Act, 2017

The Companies Act 2017, applicable for periods ending after December 31, 2017 which result in additional disclosures and certain changes in financial statements presentation.

3.2 Standards, amendments and interpretations to the published standards that are relevant to the Group and adopted in the current year

The Group has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IAS 7 - Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
IAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017
IFRS 12 - Annual Improvements to IFRS 2014-2016	January 1, 2017

The adoption of the above accounting standards, amendments and interpretations of the standards do not have any material effect on the consolidated financial statements including comparative figures.

3.3 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant nor to have any significant effect on the Group's financial reporting and operations and are therefore not presented here.

3.4 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Group

The following new standards, amendments to published standards and interpretations will be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRS 9 - Financial Instruments	July 1, 2018
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
The above standards and amendments are not expected to have any material impact on the Group's financial statements in the period of initial application.	

3.5 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP).

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2021

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

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

Depreciation

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

Subsequent costs

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

Disposal

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

4.1.1 Capital work-in-progress (CWIP)

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

4.2 Government grant

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

4.3 Intangible assets

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

4.4 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Non-Financial assets

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

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

4.5 Investments

Investment in associate

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

to determine the recoverable amount but limited to the extent of initial cost of investment. A reversal of impairment loss is recognized in the consolidated profit and loss account.

Investment - Available for sale

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

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

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

Investment - Held to maturity

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

4.6 Stores, spare parts and loose tools

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

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

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

4.7 Stock-in-trade

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

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

4.8 Trade debts and other receivables

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

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

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost and cash in foreign currencies are stated at the exchange rate prevailing at the consolidated balance sheet date. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprises of cash in hand, cash with banks in current, profit and loss sharing and deposit accounts net of short term borrowings under mark-up arrangements, if any.

4.10 Employee retirement benefits

Defined benefit plan

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

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

Defined contribution plan

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

Leave encashment

The liability for accumulated earned leaves which are eligible for encashment relating to permanent employees are recognised on the basis of actuarial valuation in the period in which permanent employees render service that increases their entitlement to future leave encashment.

4.11 Borrowings and finance cost

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

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

4.12 Taxation

Current

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

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

Deferred

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

Deferred tax has not been provided in these consolidated financial statements for the Subsidiary Company as the Group's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Subsidiary Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in the Income Tax Ordinance, 2001.

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Transactions with related parties

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices except for the allocation of expenses such as sharing of electricity, gas, water, repair and maintenance with the Subsidiary Company relating to the Head Office and Business Support Services for which the pricing mechanism is subject to the approval of the Board of Directors.

4.16 Revenue recognition

Thatta Cement Company Limited

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Holding Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue from sales is recognised upon passage of title to the customers usually on dispatch of goods. Export sales are recognised as revenue when significant risks and rewards associated with the ownership of goods are transferred. Interest and rentals / other income are recognised on accrual basis.

Thatta Power (Private) Limited

Revenue from the sale of electric power is recorded based upon the output delivered and grid unavailability at rates specified under the Power Purchase Agreement whereas income on short term investments is recorded on accrual basis using effective interest rate method. Interest and other income are recognised on accrual basis.

4.17 Financial instruments

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

4.18 Offsetting of financial assets and financial liabilities

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

4.19 Segment reporting

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

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, mainly comprises of corporate assets, head office expenses and tax assets and liabilities.

4.20 Foreign currency transactions

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

4.21 Earnings per share

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

4.22 Dividends and appropriations

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

	2018	2017
Note	----- Rupees in thousands -----	

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	3,123,053	3,199,149
Capital work-in-progress	5.4	214,212	17,180
Major stores and spares	5.5	58,042	49,650
		<u>3,395,307</u>	<u>3,265,979</u>

5.1 Operating fixed assets

	2018											
	COST					ACCUMULATED DEPRECIATION						Net book value as at June 30, 2018
	As at July 1, 2017	Additions	Disposals	Adjustment (Note 5.1.1)	As at June 30, 2018	Depreciation rate per annum	As at July 1, 2017	Charge for the year (Note 5.2)	Accumulated depreciation on disposals	Adjustment (Note 5.1.1)	As at June 30, 2018	
----- Rupees in thousands -----						----- Rupees in thousands -----						
Freehold land	6,422	-	-	-	6,422	-	-	-	-	-	-	6,422
Leasehold improvements	2,585	-	-	-	2,585	20%	2,338	247	-	-	2,585	-
Quarries and improvements	11,963	-	-	-	11,963	5%	11,810	9	-	-	11,819	144
Factory building on freehold land	488,743	-	-	-	488,743	10% & 4%	249,776	15,243	-	-	265,019	223,724
Electrical installations	58,848	-	-	-	58,848	5%	15,509	2,540	-	-	18,049	40,799
Housing colonies	74,096	-	-	-	74,096	5%	57,271	990	-	-	58,261	15,835
Office building on freehold land	22,281	-	-	-	22,281	5%	18,671	212	-	-	18,883	3,398
Cooling towers	73,235	-	-	-	73,235	7%	23,327	5,126	-	-	28,453	44,782
Plant and machinery	4,189,137	89,316	(140)	(517)	4,277,796	UoP & RH	1,431,245	127,639	(13)	(19)	1,558,852	2,718,944
Quarry equipments	18,857	-	-	-	18,857	20%	18,522	167	-	-	18,689	168
Railway sidings	14,905	-	-	-	14,905	10%	13,703	172	-	-	13,875	1,030
Vehicles	72,845	4,178	(10,508)	-	66,515	10% & 20%	44,142	10,066	(8,332)	-	45,876	20,639
Furniture and fixtures	11,712	-	-	(104)	11,608	10%	7,521	609	-	(99)	8,031	3,577
Office & other equipments	18,258	1,007	(12)	(67)	19,186	10%	5,405	1,760	(11)	(62)	7,092	12,094
Medical equipments	629	-	-	-	629	10%	625	1	-	-	626	3
Laboratory equipments	65,700	3,796	-	-	69,496	10%	33,616	4,542	-	-	38,158	31,338
Computers	21,299	-	(318)	(107)	20,874	30%	18,885	2,238	(318)	(87)	20,718	156
	5,151,515	98,297	(10,978)	(795)	5,238,039		1,952,366	171,561	(8,674)	(267)	2,114,986	3,123,053

	2017											
	COST					ACCUMULATED DEPRECIATION						Net book value as at June 30, 2017
	As at July 1, 2016	Additions	Disposals	Adjustment (Note 5.1.1)	As at June 30, 2017	Depreciation rate per annum	As at July 1, 2016	Charge for the year (Note 5.2)	Accumulated depreciation on disposals	Adjustment (Note 5.1.1)	As at June 30, 2017	
----- Rupees in thousands -----						----- Rupees in thousands -----						
Freehold land	6,422	-	-	-	6,422	-	-	-	-	-	-	6,422
Leasehold improvements	2,585	-	-	-	2,585	20%	1,821	517	-	-	2,338	247
Quarries and improvements	11,963	-	-	-	11,963	5%	11,801	9	-	-	11,810	153
Factory building on freehold land	480,972	7,771	-	-	488,743	10% & 4%	234,921	14,855	-	-	249,776	238,967
Electrical installations	58,848	-	-	-	58,848	5%	12,969	2,540	-	-	15,509	43,339
Housing colonies	74,096	-	-	-	74,096	5%	56,281	990	-	-	57,271	16,825
Office building on freehold land	22,281	-	-	-	22,281	5%	18,459	212	-	-	18,671	3,610
Cooling towers	73,235	-	-	-	73,235	7%	18,201	5,126	-	-	23,327	49,908
Plant and machinery	4,139,785	54,390	-	(5,038)	4,189,137	UoP & RH	1,297,918	134,484	-	(1,157)	1,431,245	2,757,892
Quarry equipments	19,143	-	-	(286)	18,857	20%	18,433	200	-	(111)	18,522	335
Railway sidings	14,905	-	-	-	14,905	10%	13,531	172	-	-	13,703	1,202
Vehicles	72,707	5,704	(5,566)	-	72,845	10% & 20%	39,066	9,569	(4,493)	-	44,142	28,703
Furniture and fixtures	12,084	-	-	(372)	11,712	10%	7,249	613	-	(341)	7,521	4,191
Office & other equipments	22,571	454	-	(4,767)	18,258	10%	7,737	1,761	-	(4,093)	5,405	12,853
Medical equipments	629	-	-	-	629	10%	624	1	-	-	625	4
Laboratory equipments	63,365	2,335	-	-	65,700	10%	29,324	4,292	-	-	33,616	32,084
Computers	21,862	-	-	(563)	21,299	30%	15,898	3,542	-	(555)	18,885	2,414
	5,097,453	70,654	(5,566)	(11,026)	5,151,515		1,784,233	178,883	(4,493)	(6,257)	1,952,366	3,199,149

- 5.1.1 The adjustment represents write off of certain items of operating fixed assets that have been taken out from active use as they are no longer usable and are in unserviceable condition.

	2018	2017
Note	----- Rupees in thousands -----	

5.2 Allocation of depreciation

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

Cost of sales	27	165,935	172,899
Selling and distribution cost	28	1,366	1,686
Administrative expenses	29	4,260	4,298
		<u>171,561</u>	<u>178,883</u>

- 5.3 The details of operating fixed assets having book value of above Rs. 500,000/- (2017: Rs. 50,000/-) disposed off during the year are as follows:

Particulars	Cost	Written Down Value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
	----- Rupees in thousands -----					
Vehicle	7,398	1,503	6,025	4,522	Claim	M/s EFU General Insurance
June 30, 2018	<u>7,398</u>	<u>1,503</u>	<u>6,025</u>	<u>4,522</u>		
June 30, 2017	<u>5,566</u>	<u>1,073</u>	<u>1,819</u>	<u>746</u>		

5.4 Capital work-in-progress

	Cost as at July 1, 2017	Capital/ expenditure incurred	Transferred to operating fixed assets	Cost as at June 30, 2018
	----- Rupees in thousands -----			
Plant and machinery	-	218,808	(46,256)	172,552
Waste heat recovery project	17,180	24,480	-	41,660
June 30, 2018	<u>17,180</u>	<u>243,288</u>	<u>(46,256)</u>	<u>214,212</u>
June 30, 2017	<u>18,187</u>	<u>6,764</u>	<u>(7,771)</u>	<u>17,180</u>

5.5 Major stores and spares

Cost

Opening balance	84,666	106,807
Additions during the year	134,431	24,870
Transferred to operating fixed assets and capital work-in-progress	(129,509)	(47,011)
Closing balance	<u>89,588</u>	<u>84,666</u>

Accumulated impairment

Opening balance	(35,016)	(32,874)
Reversal / (impairment) for the year	3,470	(2,142)
Closing balance	<u>(31,546)</u>	<u>(35,016)</u>
Net book value	<u>58,042</u>	<u>49,650</u>

	2018	2017
Note	----- Rupees in thousands -----	

6 INTANGIBLE ASSETS

The Group's intangible assets comprises of computer software and club membership fee.

Cost

Opening balance	10,675	3,175
Additions during the year	-	7,500
Closing balance	10,675	10,675

Accumulated amortization

Opening balance	(4,882)	(1,671)
Charge for the year	(2,993)	(3,211)
Closing balance	(7,875)	(4,882)

Net book value	6.1 2,800	5,793
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Amortization rate per annum	20-33%	20-33%
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- 6.1 The net book value pertains to computer software Rs. 2.5 million (2017: Rs. 5.168 million) and club membership fee Rs. 0.30 million (2017: Rs. 0.625 million).

7 LONG TERM DEPOSITS

Long term deposits are given in the normal course of business and do not carry any interest or mark-up.

	2018	2017
Note	----- Rupees in thousands -----	

8 STORES, SPARE PARTS AND LOOSE TOOLS

Coal and other fuels	401,915	249,980
Stores & spare parts	285,678	292,564
Loose tools	288	313

8.1	687,881	542,857
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Provision for obsolete stores	(5,114)	(5,353)
Provision for slow moving stores and spares	(22,755)	(24,363)

8.2	(27,869)	(29,716)
	660,012	513,141

- 8.1 This includes stores in transit of Rs. 66.952 million (2017: Rs. 119.097 million) as at the consolidated balance sheet date.

8.2 Movement in provision

Opening balance	(29,716)	(32,697)
Reversal during the year	1,847	2,981
Closing balance	(27,869)	(29,716)

		2018	2017
Note		----- Rupees in thousands -----	
9	STOCK-IN-TRADE		
	Raw material	27.1 46,972	87,604
	Packing material	27.2 30,611	27,452
	Work-in-process	384,911	203,356
	Finished goods	41,545	35,558
		<u>504,039</u>	<u>353,970</u>

10 TRADE DEBTS

Considered good

Local - unsecured	10.1 & 10.2	512,967	404,434
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Considered doubtful

Cement stockiest	10.3	60,801	60,801
Excessive rebate allowed	10.3	6,101	6,101
Controller military accounts		5,126	5,126
		72,028	72,028
Provision for doubtful debts		(72,028)	(72,028)
		<u>512,967</u>	<u>404,434</u>

10.1 As disclosed in the annual audited consolidated financial statements for the year ended June 30, 2017, the Honorable High Court of Sindh has disposed the petition filed by the Subsidiary Company with the direction to HESCO to pay TPPL against purchase of electricity as per the rates stipulated in Power Purchase Agreement (PPA) until 01-02-2012 and thereafter on the rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel the Subsidiary Company has filed an appeal before the Supreme Court of Pakistan against the order passed by the High Court of Sindh. Consequently, HESCO and NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication. Moreover, the Subsidiary Company has resumed power supply to HESCO from January, 2017 and generating monthly invoice for supply of electricity as per tariff stipulated in PPA, whereas HESCO is paying the monthly invoice on the basis of tariff determined by NEPRA. During the current year, the Provincial Assembly of Sindh has promulgated the Sindh New Captive Power Plants Subsidy Bill 2017, thereby providing tariff differential support i.e. difference between tariff as per PPA and tariff determined by NEPRA, to the captive power plants. The Subsidiary Company has received tariff differential subsidy till March 2018.

10.2 Receivable from HESCO is secured against Standby Letter of Credit (SBLC) issued by National Bank of Pakistan to the extent Rs. 286.71 million (2017: Rs. 286.71 million). The management is confident that amount receivable from HESCO will be recovered soon and hence provision for doubtful debt is not required.

10.3 This includes balances outstanding for more than 10 years. The management contends that the amount recoverable from cement stockiest were misappropriated and certain unauthorized excessive rebates were allowed by collusion of certain personnel of the Holding Company, when the Holding Company was operating under State Cement Corporation of Pakistan (SCCP), whose services had been terminated. Accordingly, the management of the Group had lodged references for the recovery of misappropriated amount with the National Accountability Bureau (NAB). The NAB has recovered an amount of Rs. 2.276 million in the preceding years. The management is

continuously following with NAB officials for early realisation of amount owed to the Holding Company and has also written letters in this regard for which reply has not yet been received, therefore provision has been maintained in respect of outstanding amount as a matter of prudence and abundant precaution.

	2018	2017
Note	----- Rupees in thousands -----	

11 SHORT TERM INVESTMENT - HELD TO MATURITY

Term deposit with National Bank of Pakistan	11.1	306,000	306,000
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- 11.1 The term deposit is placed for a period of one year under interest/mark-up arrangement at the rate of 5.90% (2017: 5.90%) per annum and has been pledged against the bank guarantee issued to Sui Southern Gas Company Limited by National Bank of Pakistan on behalf of the Subsidiary Company.

	2018	2017
Note	----- Rupees in thousands -----	

12 ADVANCES - UNSECURED

Advances - considered good

- to vendors	22,287	12,636
- margin against Letter of Credit	29,725	22,586
- others	229	352
	<u>52,241</u>	<u>35,574</u>

13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits - considered good	13.1	1,346	1,380
Short term prepayments		25,337	5,926
		<u>26,683</u>	<u>7,306</u>

- 13.1 Trade deposits are given in the normal course of business and comprises of earnest money and security deposits. These do not carry any interest or mark-up.

14 OTHER RECEIVABLES AND ACCRUED INTEREST

Interest receivable from banks	2,205	2,716
Refund against fuel price adjustment	-	4,307
Deposit with Commissioner Workmen's Compensation	14,915	14,915
Receivable against disposal of shares	40,799	132,439
Sales tax refundable	40,937	-
Others	6,870	11,897
	<u>105,726</u>	<u>166,274</u>

15 TAXATION - NET	15.1	237,414	164,405
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- 15.1 It mainly includes an amount of Rs. 144.394 million representing tax refundable of the Holding Company for the tax years 2012, 2015, 2016 and 2017 and an amount of Rs. 24.06 million representing tax refundable of the Subsidiary Company upto the Tax Year 2017.

	2018	2017
Note	----- Rupees in thousands -----	

16 CASH AND BANK BALANCES

Cash in hand			1,233	990
Balances with banks				
- in current accounts	16.1		9,689	34,974
- in profit and loss sharing (PLS) accounts	16.1, 16.2 & 16.3		136,956	118,514
			146,645	153,488
			147,878	154,478

16.1 These accounts are maintained with commercial banks under conventional banking system.

16.2 As at June 30, 2018, the mark-up rates on PLS accounts ranges from 2.5% to 5% (2017: 3.5% to 5%) per annum.

16.3 This includes Rs. 135.132 million (2017: Rs. 116.87 million) in PLS accounts under lien with National Bank of Pakistan, as Security Trustee, in accordance with the covenants of syndicated term finance facility agreements of the Holding Company and its subsidiary. These funds are to be used in accordance with the conditions mentioned in said financing agreements.

17 SHARE CAPITAL

	2018	2017		2018	2017
	----- Number of Shares -----		Note	----- Rupees in thousands -----	
Authorized share capital					
	200,000,000	200,000,000		2,000,000	2,000,000
Issued, subscribed and paid-up share capital					
89,418,125	89,418,125	Ordinary shares of Rs. 10/- each			
		- shares allotted for consideration fully paid in cash		894,181	894,181
10,300,000	10,300,000	Ordinary shares of Rs. 10/- each			
		- shares allotted for consideration other than cash		103,000	103,000
99,718,125	99,718,125			997,181	997,181

18 LONG TERM FINANCING

Loan from Banking companies - secured

- Syndicated term finance facility (STFF) - TCCL	18.1	319,750	551,683
- Syndicated term finance facility (STFF) - TPPL	18.2 & 18.3	228,432	329,957
		548,182	881,640
Less: Current maturity		(333,458)	(333,458)
		214,724	548,182

- 18.1** This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited, Summit Bank Limited and Silk Bank Limited. The facility carries mark-up at rates ranging between 8.14% to 8.41% (2017: 8.03% to 8.15%) per annum payable quarterly. The tenure of financing is 8 years including grace period of 2 years and the facility is payable in 24 equal quarterly installments of Rs. 57.983 million each starting from June 17, 2016. During the year, Rs. 231.933 million has been paid against 4 quarterly installments. The facility is secured by first joint pari passu charge by way of hypothecation over all present and future fixed assets and mortgage over the immovable properties. Unless the entire amount of loan has been repaid, the Company has to seek prior approval of the majority members of the syndicated term finance facility before declaration of any dividend.
- 18.2** This syndicated term finance facility has been obtained from syndicate of banks comprising of National Bank of Pakistan, Sindh Bank Limited and Summit Bank Limited. The facility carries mark-up at rates ranging between 9.12% to 9.14% (2017: 9.08% to 10.04%) per annum payable quarterly. The tenure of financing is 7 years and 9 months including grace period of 9 months and the facility is payable in 28 equal quarterly installments of Rs. 25.381 million each starting after one year from the date of first drawdown. The drawdown of the entire facility i.e. Rs. 710.675 million was on November 21, 2012. Unless the entire amount of loan has been repaid, the Company has to seek approval of the majority members of the syndicated term finance facility before declaration of any dividend.
- 18.3** The syndicated term finance facility provided by the syndicate of banks as explained in note 18.2 is secured by first joint pari passu charge by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and Building), mortgage over all present and future immoveable assets including land and building, first joint pari passu hypothecation charge on current assets, lien over import documents, assignment over receivables and insurance policies and pledge of Company's shares owned by the Holding Company.

	2018	2017
Note	----- Rupees in thousands -----	

19 LONG TERM DEPOSITS

Dealers	19.1	2,110	2,110
Suppliers and contractors	19.2	1,367	724
		<u>3,477</u>	<u>2,834</u>

- 19.1** These relates to dealers against whom recovery proceedings are in process with National Accountability Bureau (NAB) and is adjustable against the amount owed by them to the Holding Company (refer note 10.3).

- 19.2** These represent interest free security deposits received from dealers, suppliers & contractors. These are kept in a separate bank account and repayable / adjustable on cancellation or withdrawal of dealership and completion of contract in case of suppliers and contractors.

20 LONG TERM EMPLOYEE BENEFIT

This represents accrual for encashment of eligible earned leave in respect of permanent employees amounting to Rs. 15.884 million (2017: Rs. 17.699 million). Principal actuarial assumptions used in the actuarial valuation are same as those were used for Gratuity actuarial valuation as disclosed in note 22.1.

	2018	2017
	----- Rupees in thousands -----	
21 DEFERRED TAXATION		
Taxable temporary differences arising in respect of Accelerated tax depreciation	325,419	309,600
Deductible temporary differences arising in respect of Other provisions - for doubtful debts and stores	(39,433)	(41,028)
	<u>285,986</u>	<u>268,572</u>

21.1 Movement in deferred tax

	Deductible Temporary Differences	Taxable Temporary Differences	Total
	----- Rupees in thousands -----		
2018			
Opening deferred tax	(41,028)	309,600	268,572
Deferred tax liability	-	15,819	15,819
Deferred tax asset	1,595	-	1,595
Deferred tax expense	1,595	15,819	17,414
Closing deferred tax	<u>(39,433)</u>	<u>325,419</u>	<u>285,986</u>
2017			
Opening deferred tax	(113,645)	298,640	184,995
Deferred Tax liability	-	10,960	10,960
Deferred Tax asset	2,551	-	2,551
Deferred tax expense	2,551	10,960	13,511
Adjustment against tax liability	70,066	-	70,066
Closing deferred tax	<u>(41,028)</u>	<u>309,600</u>	<u>268,572</u>

	2018	2017
Note	----- Rupees in thousands -----	

22 TRADE AND OTHER PAYABLES

Trade creditors		40,376	49,041
Accrued liabilities		234,374	214,877
Bills payable		216,986	12,281
Advances from customers		63,820	31,191
Contractors retention money		2,469	45
Excise duty and sales tax payable		5,586	39,658
Payable to Gratuity Fund	22.1	19,984	14,326
Workers' Profit Participation Fund (WPPF)	22.3 & 22.4	66,306	85,003
Workers' Welfare Fund (WWF)	22.4	25,245	32,046
Other liabilities		19,826	5,167
		<u>694,972</u>	<u>483,635</u>

22.1 Payable to Gratuity Fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit (PUC) Actuarial Cost Method as at June 30, 2018 are as follows:

- Discount rate used for year end obligation is 9.00% per annum (2017: 7.75% per annum).
- Discount rate used for interest cost in consolidated profit and loss account is 9.00% per annum (2017: 7.25% per annum).
- Expected rate of increase in salary level at 8.00% per annum (2017: 6.75% per annum).
- Mortality rate used is SLIC 2001-2005 (2017: SLIC 2001-2005).

	2018	2017
Note	----- Rupees in thousands -----	

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

Present value of defined benefit obligations	22.1.2	79,230	84,760
Fair value of plan assets	22.1.3	(59,246)	(70,434)
Closing net liability		<u>19,984</u>	<u>14,326</u>

22.1.2 Movement in present value of defined benefit obligation

Opening net liability		84,760	69,270
Current service cost		13,149	11,576
Interest cost		5,566	4,841
Benefits paid & payable		(25,878)	(4,999)
Remeasurement loss due to change in experience adjustments	22.1.6	1,633	4,072
Closing net liability		<u>79,230</u>	<u>84,760</u>

22.1.3 Movement in the fair value of plan assets

Opening fair value of plan assets		70,434	54,805
Expected return / interest income on plan assets	22.1.7	5,084	4,334
Employer contribution		14,326	14,465
Benefits paid		(23,996)	(4,525)
Benefit due but not paid		(1,882)	(474)
Return on plan assets excluding interest income	22.1.7	(4,720)	1,829
Closing fair value of plan assets	22.1.9	<u>59,246</u>	<u>70,434</u>

22.1.4 Movement in liabilities

Opening net liability		14,326	14,465
Charge for the year	22.1.5	13,631	12,083
Employer contribution		(14,326)	(14,465)
Remeasurements chargeable in other comprehensive income	22.1.6	6,353	2,243
Closing net liability		<u>19,984</u>	<u>14,326</u>

2018	2017
----- Rupees in thousands -----	

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

Current service cost	13,149	11,576
Interest cost	5,566	4,841
Expected return / interest income on plan assets	(5,084)	(4,334)
	<u>13,631</u>	<u>12,083</u>

22.1.6 The amount recognised in consolidated statement of other comprehensive income is as follows:

Remeasurement loss due to change in assumption experience adjustments	1,633	4,072
Return on plan assets excluding interest income	4,720	(1,829)
	<u>6,353</u>	<u>2,243</u>

22.1.7 Return on plan assets is as follows:

Expected return / interest income on plan assets	5,084	4,334
Return on plan assets excluding interest income	(4,720)	1,829
	<u>364</u>	<u>6,163</u>

22.1.8 Analysis of present value of defined benefit obligation and fair value of plan assets

	2018	2017	2016	2015	2014
----- Rupees in thousands -----					
Present value of defined benefit obligation	(79,230)	(84,760)	(69,270)	(55,881)	(46,415)
Fair value of plan assets	59,246	70,434	54,805	44,619	31,666
Deficit	<u>(19,984)</u>	<u>(14,326)</u>	<u>(14,465)</u>	<u>(11,262)</u>	<u>(14,749)</u>

	2018	2017
Note	----- Rupees in thousands -----	

22.1.9 Disaggregation of fair value of plan assets

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

Cash and cash equivalents (adjusted for current liabilities)	(1,418)	4,507
Mutual funds		
- Islamic fund	22,164	18,708
- Stock market fund (conventional)	-	6,042
	<u>22,164</u>	<u>24,750</u>
Certificate of Islamic investments	38,500	41,177
22.1.3	<u>59,246</u>	<u>70,434</u>

22.1.10 Sensitivity analysis (± 100 bps) on present value of defined benefit obligation

	Discount rate		Salary increase	
	+100 bps	-100 bps	+100 bps	-100 bps
	----- Rupees in thousands -----			
2018	74,875	84,203	84,336	74,677
2017	81,045	89,000	89,112	80,877

	2018	2017
Note	----- Rupees in thousands -----	

22.1.11 The charge for the year has been allocated as follows:

Cost of sales	27	9,330	7,648
Selling and distribution cost	28	893	928
Administrative expenses	29	3,408	3,507
		<u>13,631</u>	<u>12,083</u>

22.2 The following information is based on the audited financial statements of the Provident Fund:

Size of the Fund - Total assets		83,519	80,172
Cost of investments made		82,782	79,439
Percentage of investments made		96%	99%
Fair value of investments	22.2.1	79,946	79,760

22.2.1 Fair value of investment held by Provident Fund

	2018		2017	
	Rupees in thousands	%	Rupees in thousands	%
Bank balances	1,181	1%	2,060	3%
Term deposit securities	46,998	59%	40,485	51%
Mutual funds	31,767	40%	37,215	46%
	<u>79,946</u>	<u>100%</u>	<u>79,760</u>	<u>100%</u>

22.2.2 The investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

	2018	2017
Note	----- Rupees in thousands -----	

22.3 Workers' profit participation fund

Balance as at July 1		85,003	75,424
Allocation for the year	30	26,650	45,347
Interest on balance as at July 1	31	1,620	1,014
		<u>113,273</u>	<u>121,785</u>
Payments made during the year		(46,967)	(36,782)
Balance as at June 30		<u>66,306</u>	<u>85,003</u>

- 22.4 As disclosed in the audited consolidated financial statements for the year ended June 30, 2016, the Subsidiary Company had obtained an opinion from its legal counsel regarding the applicability of welfare laws and other related matters on the Subsidiary Company and according to the opinion of the legal counsel no provision is made for WPPF & WWF in the consolidated financial statements for the year ended June 30, 2018.

	2018	2017
Note	----- Rupees in thousands -----	

23 ACCRUED MARK-UP

Syndicated term finance facility	3,379	4,776
Short term borrowings	6,949	1,332
	<u>10,328</u>	<u>6,108</u>

24 SHORT TERM BORROWINGS

Short-term running finance	24.1	<u>364,489</u>	<u>191,047</u>
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- 24.1 The aggregate running finance facilities available to the Holding Company from banks as at June 30, 2018 amounting to Rs. 650 million (2017: Rs. 650 million) out of which Rs. 285.511 million (2017: Rs. 458.953 million) remained unutilized at the year end. These facilities are renewable and secured by way of hypothecation of fixed assets and current assets of the Holding Company. These carry mark-up at rates ranging between 8.14% to 8.50% (2017: 8.04% to 8.12%) per annum payable quarterly.

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

- 25.1.1 During the year 2014-2015, Deputy Commissioner Inland Revenue (DCIR) passed an assessment order under section 122(1)(5) of the Income Tax Ordinance, 2001 in respect of Tax Year 2014 raising a tax demand of Rs. 78.35 million by making certain disallowances and additions in taxable income as reported in the tax return of that year. The Holding Company filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A) against which the adverse order was passed by CIR-A. Therefore, appeal has been filed before Appellate Tribunal Inland Revenue (ATIR) on February 19, 2016 against the said order relating to certain add backs/disallowances which have been set-aside for afresh proceedings, which is pending for hearing. In view of Holding Company's tax consultant, the Holding Company has an arguable case on merit, however, definite outcome cannot be predicted.

- 25.1.2 The Holding Company has adjusted minimum tax aggregating to Rs. 31.47 million against its income tax liability in terms of section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). An appeal was filed in 2014-2015 before the Commissioner Inland Revenue - Appeals (CIR-A) against the order of the Assessing Officer disallowing adjustment of minimum tax amounting to Rs. 15.721 million in respect of Tax Year 2012. During the year, Appellate Tribunal Inland Revenue (ATIR) has passed an order in favour of the Holding Company on the issue of adjustment of minimum tax. However, the Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has an option to file an appeal against the appellate order passed by ATIR in favor of the Holding Company before higher appellate forum.

- 25.1.3** In respect of Tax Year 2008, an appeal was filed in 2014-2015 before Commissioner Inland Revenue - Appeals (CIR-A) against certain disallowances and additions in taxable income while passing assessment order under 122(5A) of the Income Tax Ordinance, 2001, and thereby raising a tax demand of Rs. 2.787 million. The appeal has been heard, however order of CIR-A is pending. The management is confident that the Holding Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these consolidated financial statements.
- 25.1.4** The Deputy Commissioner Inland Revenue (DCIR) has passed Assessment Orders in 2014-2015 raising an aggregate sales tax demand for Rs. 5.989 million by disallowing certain input tax claimed by the Holding Company in its sales tax return for tax period from July 2012 to February 2015. The Holding Company had filed appeals against such Assessment Orders before Commissioner Inland Revenue (CIR-A) who has passed orders aggregating to Rs. 5.91 million in favor of the Holding Company. During the year ended June 30, 2016, tax department has filed appeals against the said orders before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. In view of Holding Company's tax consultant, favourable outcome of such appeals are anticipated; hence no provision is required to be made in these consolidated financial statements.
- 25.1.5** In respect of tax periods from July 2012 to December 2014, an Order in Original (ONO) has been issued by an Officer of Sales Tax in 2014-2015 against the Holding Company raising a demand of Rs. 244.274 million which is mainly based on comparison of industry average for fuel and power consumption with that of the Holding Company and thereby presuming the production quantities which in the view of tax authorities have not been subject to Sales Tax and Federal Excise Duty. Accordingly, the Holding Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the ONO passed by the Officer of Sales Tax, however CIR-A decided the case against the Holding Company. Accordingly, the Holding Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A. Moreover, recovery proceedings were also initiated by tax authorities in the matter for an aggregate demand amount of Rs 488.548 million including 100% penalty on the principal amount as aforesaid. Therefore, the Holding Company filed a stay application against the said aggregate demand before High Court of Sindh. The High Court of Sindh has allowed ad interim relief against recovery of demand and refrained tax authorities to take any adverse action in this respect. During the year ended June 30, 2017, Appellate Tribunal Inland Revenue (ATIR) has passed an order in favor of the Holding Company. During the year ended June 30, 2018, the Commissioner Inland Revenue has filed an appeal in the High Court of Sindh against the order passed by Appellate Tribunal Inland Revenue in favour of the Holding Company. The matter is pending for adjudication. In view of Holding Company's legal counsel, favourable outcome of such appeal is anticipated; hence no provision is required to be made in these consolidated financial statements.
- 25.1.6** During the year ended June 30, 2018, an Order in Original (ONO) has been issued by Deputy Commissioner Inland Revenue (DCIR) against the Holding Company in respect of tax periods from July 2013 to August 2017 raising a demand of Rs. 56.632 million by disallowing certain input tax claimed by the Holding Company in its sales tax returns for the aforesaid tax period. The Holding Company has filed an appeal on March 28, 2018 against the ONO passed by DCIR before Commissioner Inland Revenue - Appeals (CIR-A). The appeal has been decided in favor of the Holding Company. The Commissioner Inland Revenue has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A) in favour of the Holding Company. The matter is pending for adjudication. The management is confident that the Holding Company has an arguable case on merits, however definite outcome cannot be predicted. Hence, no provision is required to be made in these consolidated financial statements.

- 25.1.7** During the year ended June 30, 2018, Deputy Commissioner Inland Revenue (DCIR) passed an order under section 161/205 of the Income Tax Ordinance, 2001(Ordinance) in respect of tax year 2017 raising a tax demand of Rs. 94.670 million including default surcharge and penalty aggregating to Rs 15.208 million on the ground that Holding Company has not deducted applicable withholding taxes while making payments for purchases & certain expenses and hence made default under section 161/205 of the Ordinance. The Holding Company has filed an appeal on May 4, 2018 before Commissioner Inland Revenue - Appeals (CIR-A) against the order passed by DCIR. The CIR-A has passed an order in favor of the Holding Company. However, Commissioner Inland Revenue, Zone II, Large Taxpayer Unit, Karachi has an option to file an appeal against the order of CIR-A passed in favor of the Holding Company before higher appellate forums.
- 25.1.8** Subsequent to the year end, Assistant Commissioner Inland Revenue (ACIR) passed an order under section 122(1) of the Income Tax Ordinance, 2001(Ordinance) in relation to tax audit of the Holding Company conducted under section 177 of the Ordinance, in respect of tax year 2016. Through the said order, ACIR has disallowed deduction of certain expenses, deductible allowance of WPPF and tax credit claimed under section 65B of the Ordinance amounting to Rs 28.497 million, Rs 35.768 million and Rs 16.915 million respectively. The Holding Company intends to file an appeal before Commissioner Inland Revenue – Appeals (CIR-A) against the said order in due course. In view of Holding Company's tax consultant, favorable outcome of such appeals are anticipated; hence no provision is required to be made in these consolidated financial statements.
- 25.1.9** Certain ex-employees of the Holding Company contested the Company's gratuity policy of 30 days and filed a Suit against the Holding Company demanding 60 days gratuity as applicable to the employees of former holding company having an impact of Rs. 14.9 million. The said Suit has been decided in favour of the applicants. However, the Holding Company challenged the said order vide C.P. no. 591/2013, before the High Court of Sindh at Hyderabad and later on filed Labour Appeal No. 04/2014, before the Sindh Labour Court No. VI at Hyderabad being the Court of appropriate jurisdiction. After dismissal of the said appeal, a revision application has been filed before the Sindh Labour Appellate Tribunal, Karachi. The Tribunal also dismissed the appeal and hence C.P. no. D - 2636 has been filed on November 2, 2015 before the Honourable High Court of Sindh at Hyderabad wherein stay has been granted by the High Court. The matter is pending for disposal. In view of the Holding Company's legal counsel, no definite outcome can be anticipated but the Holding Company has a good case.
- 25.1.10** An ex-employee of the former holding company had filed CP # 86/2013 on May 21, 2013 for recovery of Rs. 2.10 million out of which an amount of Rs. 0.248 million has been claimed on account of 60 days gratuity and numerous other false and fabricated claims of short payments of Rs. 1.86 million. In view of the Holding Company's legal counsel, the Holding Company has a good case whereas no definite outcome can be estimated.
- 25.1.11** Ex-workers of Labour Contractor had filed applications against the Holding Company before the Labour Court at Hyderabad for reinstatement of their services which were not maintainable therefore, dismissed by the Court. The decision has been challenged vide Appeal no. Hyd-25/2016, Hyd-26/2016, Hyd-27/2016 and Hyd-28/2016 before the Sindh Labour Appellate Tribunal in Karachi. During the year ended June 30, 2018, Sindh Labour Appellate Tribunal has disposed of the appeals filed by ex-workers of contractor by awarding them the compensation instead of reinstatement of their services. The Holding Company has challenged the said decision on January 5, 2018 before the High Court of Sindh, Hyderabad. In view of the Holding Company's legal counsel, the Holding Company has a good case whereas no definite outcome can be estimated.

- 25.1.12** During the year ended June 30, 2017, an ex-employee of the Holding Company had filed a Suit no. 51/2017 for recovery of damages, salaries and mesne profit of Rs. 197 million in the High Court of Sindh. The said ex- employee was dismissed from the Holding Company's service on November 1, 1999 due to involvement in serious acts of misconduct. The said person has challenged the dismissal before different forums including High Court of Sindh, Federal Services Tribunal and the Supreme Court of Pakistan and lost all the cases. In view of Holding Company's legal counsel, this litigation will also lead to the same fate as detailed above.
- 25.1.13** Two cement dealers had filed Suit no. 150/2001 & 151/2001 against the Holding Company for Rs. 6.5 million and Rs. 1.5 million respectively being value of trucks which were handed over to the Holding Company in lieu of outstanding dues from these dealers. The matter is pending for adjudication. In view of the Holding Company's legal counsel, no unfavourable outcome can be estimated.
- 25.1.14** The Subsidiary Company entered into a Power Purchase Agreement (PPA) with HESCO on May 14, 2011 to sell electricity at rates agreed in the said agreement. The agreement was executed in accordance with the Policy Framework for New - Captive Power Producers (N-CPPs). Subsequently, National Electric Power Regulatory Authority (NEPRA) issued an order revising the tariff formula resulting in reduced tariff. In view of the said order, HESCO intimated to pay its dues for electricity purchased as per the reduced tariff formula. In response, the Subsidiary Company filed a petition before the High Court of Sindh against HESCO on the grounds that HESCO failed to pay the dues to the Subsidiary Company as per PPA. The High Court of Sindh disposed off the petition filed by the Subsidiary Company with the direction to HESCO to pay the Subsidiary Company against purchase of electricity as per the rates stipulated in PPA until February 01, 2012 and thereafter on the rates determined by NEPRA. In view of the adverse order and according to the advice of the legal counsel, the Subsidiary Company has filed an appeal on October 28, 2015 before the Supreme Court of Pakistan against the order passed by the High Court of Sindh. Consequently HESCO & NEPRA have also filed appeals before the Supreme Court of Pakistan against the same order, which are pending for adjudication.
- 25.1.15** As per clause 132 of Second Schedule of the Income Tax Ordinance, 2001, business income of Subsidiary Company is exempt from Income Tax. On such basis the Subsidiary Company filed an income tax return for the Tax Year 2013, while claiming exemption from business income and paid income tax only on interest income. This exemption was challenged by Commissioner Income Tax, Hyderabad and subsequently he raised a tax demand of Rs 154 million rejecting basic income tax exemption and also increased Subsidiary Company's taxable income based on certain unreasonable grounds. The aforesaid order was challenged by the Subsidiary Company before Commissioner Inland Revenue – Appeals (CIR- A) and an interim stay from High Court was also obtained to refrain tax department to initiate recovery proceedings. However, CIR-A has passed the order against the Subsidiary Company. The Subsidiary Company has filed an appeal before ATIR against the adverse order of CIR-A. Moreover, tax department has also issued a show cause notice for Tax Year 2014 rejecting the claim of income tax exemption on the same basis.

The Subsidiary Company filed a petition before the Honorable High Court of Sindh in respect of show cause notice issued by FBR and High Court of Sindh granted the stay in respect of show cause notice issued by FBR to refrain tax department to issue assessment order and initiate recovery proceedings there against. Subsequently, the High Court of Sindh has vacated the stay of demand and ordered the Appellate Tribunal Inland Revenue (ATIR) to decide the case within two months from the date of the order. The ATIR has issued an order set aside the appeal of the Subsidiary Company for exemption under clause (132) of Second Schedule of the Income Tax

Ordinance, 2001, while accepting the Subsidiary Company's argument in principle. Moreover, tax consultant suggested to file a Miscellaneous Application (MA) before the ATIR requesting to decide the matter in favour of the Subsidiary Company instead of set aside the appeal. The hearing of the appeal was held and a favorable order was passed by ATIR, thereby allowing the Subsidiary Company to claim exemption under clause 132 of Second Schedule of the Income Tax Ordinance, 2001. Thereafter, Commissioner Inland Revenue has filed an appeal on August 29, 2017 against the order passed by ATIR in the High Court of Sindh which is pending for adjudication.

25.1.16 Sales tax audit of the Subsidiary Company for the tax period June 2012 to August 2013 was initiated by FBR and an adverse opinion was issued raising a demand of Rs. 10.645 million by disallowing certain input sales tax claimed. An appeal was filed against the order before CIR-Appeals who has passed the favorable order thereby allowing input sales tax claimed by the Subsidiary Company to the extent of Rs. 10.513 million. Subsequently, FBR has filed an appeal on March 2, 2016 before the Appellate Tribunal Inland Revenue (Appeals) against the order passed by CIR-A, which is pending for adjudication.

25.2 Commitments

25.2.1 Guarantees given by commercial banks to Sui Southern Gas Company Limited on behalf of the Group amount to Rs. 351 million (2017: Rs. 351 million).

25.2.2 Other outstanding guarantees given on behalf of the Group by banks amount to Rs. 15.784 million (2017: Rs. 25.204 million).

25.2.3 Irrevocable letter of credit under revenue & capital expenditure as on balance sheet date were Nil (2017: Rs. 155.597 million) & Rs. 883.206 million (2017: Rs. 66.284 million) respectively.

		2018	2017
		----- Rupees in thousands -----	
26	SALES - NET		
Gross Sales	- Local	5,118,818	5,186,064
	- Export	-	6,027
		5,118,818	5,192,091
Less:	- Federal Excise Duty	519,271	549,322
	- Sales tax	805,672	818,247
		1,324,943	1,367,569
		3,793,875	3,824,522

		2018	2017
		----- Rupees in thousands -----	
27	COST OF SALES	Note	
	Raw material consumed	27.1	185,191 274,470
	Manufacturing expenses		
	Packing material consumed	27.2	128,636 164,701
	Stores, spare parts and loose tools consumed		181,975 142,734
	Fuel and power		1,736,523 1,347,277
	Salaries, wages and other benefits	27.3	318,910 356,218
	Insurance		23,496 25,487
	Repairs, operations and maintenance		40,194 50,764
	Depreciation	5.2	165,935 172,899
	Vehicle hire, running and maintenance		10,622 11,634
	Communication		1,901 1,990
	Entertainment		2,329 2,278
	Reversal of provision for slow moving & obsolete stores and impairment of major stores & spares	5.5 & 8.2	(5,317) (839)
	Other production overheads		4,894 7,145
			2,610,098 2,282,288
	Cost of production		2,795,289 2,556,758
	Work-in-process		
	Opening balance		203,356 114,614
	Closing balance	9	(384,911) (203,356)
			(181,555) (88,742)
	Cost of goods manufactured		2,613,734 2,468,016
	Finished goods		
	Opening balance		35,558 33,767
	Closing balance	9	(41,545) (35,558)
			(5,987) (1,791)
			2,607,747 2,466,225
27.1	Raw material consumed		
	Opening balance		87,604 66,476
	Purchases		144,559 295,598
			232,163 362,074
	Closing balance	9	(46,972) (87,604)
		27.1.1	185,191 274,470
27.1.1	It includes royalty amounting to Rs. 7.593 million (2017: Rs. 9.143 million) relating to Lime Stone and Clay Shale, payable to Director General Mines & Mineral Department, Government of Sindh.		
27.2	Packing material consumed		
	Opening balance		27,452 23,550
	Purchases		131,795 168,603
			159,247 192,153
	Closing balance	9	(30,611) (27,452)
			128,636 164,701

- 27.3 This includes employees' retirement benefits amounting to Rs. 17.239 million (2017: Rs. 15.290 million).

		2018	2017
	Note	----- Rupees in thousands -----	
28 SELLING AND DISTRIBUTION COST			
Salaries, wages and other benefits	28.1	24,987	31,253
Vehicle running expenses		1,143	751
Travelling and conveyance		306	346
Communication		333	385
Printing and stationery		240	117
Entertainment		194	232
Repair and maintenance		238	258
Rent, rates and taxes		1,894	1,558
Utilities		285	248
Advertisements		139	152
Sales promotion expense		1,969	1,236
Freight charges - local sale		1,808	1,093
Export logistics and related charges		-	102
Commission		26,412	52,788
Depreciation	5.2	1,366	1,686
Marking fee expense		2,032	2,419
Miscellaneous		6,910	6,407
		70,256	101,031

- 28.1 This includes employees' retirement benefits amounting to Rs. 1.595 million (2017: Rs. 1.758 million).

29 ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	29.1	74,804	95,688
Board, Audit and HR Committee meeting fees		4,950	3,525
Vehicle running expenses		2,772	2,926
Travelling and conveyance		523	991
Advertisements		1,981	214
Communication, postage, telegram		1,967	1,887
Printing and stationery		2,285	2,205
Rent, rates and taxes		3,597	3,003
Entertainment		879	1,122
Legal and professional charges		6,443	7,595
Insurance		380	405
Repairs and maintenance		4,064	4,672
Utilities		1,856	1,859
Fees and subscription		2,656	2,902
Corporate expenses		916	604
Charity and donation	29.2	1,604	1,724
Auditors' remuneration	29.3	1,314	1,165
Other auditors' remuneration	29.4	1,675	2,000
Depreciation	5.2	4,260	4,298
Amortization		2,993	3,211
Education expenses		5,505	5,535
Fixed assets written off	5.1.1	528	4,769
Miscellaneous		293	622
		128,245	152,922

- 29.1 This includes employees' retirement benefits amounting to Rs. 6.637 million (2017: Rs. 6.961 million).
- 29.2 None of the directors or their spouses have any interest in any donee's fund to which donation was made.

	2018	2017
Note	----- Rupees in thousands -----	

29.3 Auditor's remuneration

Annual audit fee	1,038	869
Half yearly review fee	74	67
Audit fee for consolidated financial statements	36	33
Fee for other services	36	60
Out of pocket expenses	130	136
	<u>1,314</u>	<u>1,165</u>

29.4 Other auditors' remuneration

Cost audit fee	(130)	273
Out of pocket expenses	-	12
	<u>(130)</u>	<u>285</u>
Internal audit fee	1,567	1,515
Out of pocket expenses	238	200
	<u>1,805</u>	<u>1,715</u>
	<u>1,675</u>	<u>2,000</u>

30 OTHER OPERATING EXPENSES

Workers' Welfare Fund (WWF)		8,970	6,286
Workers' Profit Participation Fund (WPPF)	22.3 & 22.4	26,650	45,347
Brokerage & other charges		-	3,153
Exchange loss		16,715	-
		<u>52,335</u>	<u>54,786</u>

31 FINANCE COST

Mark-up on long term financing		63,479	113,165
Mark-up on short term borrowings		24,949	7,973
Mark-up on Workers' Profit Participation Fund	22.3	1,620	1,014
Bank charges and commission		7,120	6,234
		<u>97,168</u>	<u>128,386</u>

	2018	2017
Note	----- Rupees in thousands -----	
32 OTHER INCOME		
Income from financial assets		
Interest on term deposit / bank accounts	32.1 22,766	24,313
Gain on disposal of available-for-sale investment	-	34,874
	22,766	59,187
Income from non-financial assets		
Scrap sales	15,951	8,472
Rental income	1,257	1,246
Gain on disposal of property, plant & equipment	4,405	746
Gain on sale of store items	-	1,377
Others	2,586	1,010
	24,199	12,851
	46,965	72,038

32.1 Income earned from bank deposits are under interest / mark-up arrangements with conventional banking system.

33 TAXATION

Current	126,074	261,055
Prior year	(300)	(137)
Deferred	17,414	13,511
	143,188	274,429

33.1 The comparison of provision as per accounts versus as per tax return is as under:

	2017	2016	2015
	----- Rupees in thousands -----		
Tax provision as per accounts - adjusted	261,055	880	129,595
Tax payable/paid as per tax return	260,755	1,017	129,622

33.2 Relationship between tax expense and accounting profit:

	2018	2017
	----- Rupees in thousands -----	
Profit before tax	885,089	993,210
Tax at 30% / 31%	265,526	307,895
Tax effect of		
- admissible/inadmissible expenses in determining taxable income - net	(17,357)	(14,320)
- unrealized profit	4,797	1,887
- income charged at different rates	-	(11,063)
Exempt income	(118,393)	(43,247)
Tax Credit under section 65B	(8,498)	(4,346)
Super tax under section 4B	-	24,249
Prior year's tax reversal	(300)	(137)
Tax effect on taxable temporary differences - net	17,414	13,511
	143,188	274,429

33.3 The returns of income of the Holding Company have been filed upto and including Tax Year 2017 (corresponding to financial year ended June 30, 2017) while income tax assessments have been finalized upto and including Tax Year 2015 except for Tax Year 2008, 2012 and 2014. However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the Holding Company respectively.

The return of income of the Subsidiary Company have been filed upto and including Tax Year 2017 (corresponding to financial year ended June 30, 2017). However, the return may be selected for audit or amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued or treated to have been issued for that tax year to the Subsidiary Company respectively.

34 EARNINGS PER SHARE - BASIC AND DILUTED

34.1 Basic earnings per share

	2018	2017
	----- Rupees in thousands -----	
Profit for the year attributable to the owners of the Holding Company	597,241	667,390
	----- Number -----	
Weighted average number of ordinary shares	99,718,125	99,718,125
	----- Rupees -----	
Earnings per share - basic and diluted	5.99	6.69

34.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Holding Company did not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

	2018	2017
Note	----- Rupees in thousands -----	

35 CASH AND CASH EQUIVALENTS

Cash and bank balances	16	147,878	154,478
Short term borrowings	24	(364,489)	(191,047)
		<u>(216,611)</u>	<u>(36,569)</u>

36 CAPACITY AND ACTUAL PRODUCTION

36.1 Thatta Cement Company Limited

	2018	2017
Note		

Production capacity - clinker (tons)		510,000	510,000
Actual production - clinker (tons)	36.1.1	405,885	512,789
Actual production - cement (tons)	36.1.2	393,748	411,856

36.1.1 The production capacity utilization of clinker during the year has remained at 79.59% (2017: 100.55%).

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

36.2 Thatta Power (Private) Limited

Installed capacity - kWh	202,356,000	202,356,000
Total output - kWh	127,187,300	70,013,300
Load factor	62.85%	34.60%

36.2.1 Installed capacity has been computed on the basis of 8,760 hours (2017: 8,760 hours).

37 RELATED PARTY TRANSACTIONS

Related parties comprises of associated undertakings and related group companies, directors of the Group, key management personnel and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) is made as per the terms of employment and Trust Deed and contribution to the defined benefit plan (gratuity scheme) is in accordance with the actuarial advice. Details of transactions during the year ended / outstanding balances with related parties are as follows:

	2018	2017
Note	----- Rupees in thousands -----	

37.1 Transactions with related parties

37.1.1 Key management personnel

Salaries and benefits (2017: Restated)	38	92,589	112,936
Sale of vehicles		664	935

	2018	2017
Note	----- Rupees in thousands -----	

37.1.2 Other related parties

Contribution to employees' Gratuity Fund	22.1.4	14,326	14,465
Contribution to employees' Provident Fund		9,511	9,035
Education expenses - Model Terbiat School	29	5,231	5,535

37.2 Balances with related parties

37.2.1 Other related parties

Payable to Gratuity Fund	22.1.4	19,984	14,326
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37.3 There are no transactions with key management personnel other than under their terms of employment.

38 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2018			2017		
	Chief Executive Officer (note: 38.3)	Executive Director	Executives	Chief Executive Officer	Executive Director	Executives
	----- Rupees in thousands -----					
	----- Restated -----					
Managerial remuneration	13,967	5,760	37,047	15,922	7,245	33,391
LFA	131	393	2,273	1,327	604	2,782
Bonus	3,225	2,705	16,966	11,681	5,197	24,027
Retirement benefits	2,129	999	6,353	3,927	1,090	4,821
Other benefits	322	35	284	587	60	276
	19,774	9,892	62,923	33,444	14,196	65,297
Number of person(s)	2	1	11	1	1	9

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

38.2 An aggregate amount of Rs. 4.950 million (2017: Rs. 3.525 million) was paid to Non-Executive Directors during the year on account of Board, Audit Committee and HR & Remuneration Committee meeting fee.

38.3 This includes remuneration paid to former Chief Executive Officer who resigned during the year.

39 OPERATING SEGMENTS

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

Cement	Engaged in manufacturing and marketing of cement.
Power	Engaged in generation and sale of electric power.

39.1 Revenues

	Cement		Power		Intra group adjustment		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
----- Rupees in thousands -----								
Sales - net	2,842,538	3,656,723	1,555,794	843,298	(604,457)	(675,499)	3,793,875	3,824,522
Cost of sales	(2,086,534)	(2,493,694)	(1,110,671)	(642,596)	589,458	670,065	(2,607,747)	(2,466,225)
Gross profit	756,004	1,163,029	445,123	200,702	(14,999)	(5,434)	1,186,128	1,358,297
Selling and distribution cost	(70,256)	(101,031)	-	-	-	-	(70,256)	(101,031)
Administrative expenses	(122,546)	(148,312)	(23,268)	(20,582)	17,569	15,972	(128,245)	(152,922)
	(192,802)	(249,343)	(23,268)	(20,582)	17,569	15,972	(198,501)	(253,953)
Operating profit	563,202	913,686	421,855	180,120	2,570	10,538	987,627	1,104,344
Other operating expenses	(52,335)	(54,786)	-	-	-	-	(52,335)	(54,786)
Finance cost	(64,727)	(87,723)	(39,688)	(56,203)	7,247	15,540	(97,168)	(128,386)
	(117,062)	(142,509)	(39,688)	(56,203)	7,247	15,540	(149,503)	(183,172)
Other income	51,231	84,129	21,536	20,074	(25,802)	(32,165)	46,965	72,038
Segment results	497,371	855,306	403,703	143,991	(15,985)	(6,087)	885,089	993,210
Unallocated expenditures	-	-	-	-	-	-	-	-
Profit before taxation	497,371	855,306	403,703	143,991	(15,985)	(6,087)	885,089	993,210
Taxation	(140,511)	(273,313)	(2,677)	(1,116)	-	-	(143,188)	(274,429)
Profit for the year	356,860	581,993	401,026	142,875	(15,985)	(6,087)	741,901	718,781

39.2 Other information

	Cement		Power		Intra group adjustment		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
----- Rupees in thousands -----								
Segment assets	4,139,695	3,895,326	2,208,773	1,978,100	(396,305)	(494,976)	5,952,163	5,378,450
Unallocated corporate assets	-	-	-	-	-	-	-	-
Total assets	4,139,695	3,895,326	2,208,773	1,978,100	(396,305)	(494,976)	5,952,163	5,378,450
Segment liabilities	1,582,905	1,454,706	412,620	582,973	(70,856)	(185,512)	1,924,669	1,852,167
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Total liabilities	1,582,905	1,454,706	412,620	582,973	(70,856)	(185,512)	1,924,669	1,852,167
Capital expenditure	267,641	34,055	32,610	13,451	-	-	300,251	47,506
Depreciation	124,146	143,669	47,415	35,214	-	-	171,561	178,883
Non-cash expenses other than depreciation	(1,796)	7,141	-	-	-	-	(1,796)	7,141

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

Consolidated	
2018	2017
----- Rupees in thousands -----	

39.3.1 Operating revenues

Total revenue of reportable segments	4,398,332	4,500,021
Elimination of intra group revenue	(604,457)	(675,499)
Consolidated revenue	<u>3,793,875</u>	<u>3,824,522</u>

39.3.2 Profit and loss

Total profit before taxation of reportable segments	901,074	999,297
Adjustment of unrealized profit and intra group transactions	(15,985)	(6,087)
Consolidated profit before taxation	<u>885,089</u>	<u>993,210</u>

39.3.3 Assets

Total assets of reportable segments	6,348,468	5,873,426
Elimination of intra group balances	(394,702)	(493,373)
Reclassification for consolidation purposes	(1,603)	(1,603)
Consolidated assets	<u>5,952,163</u>	<u>5,378,450</u>

39.3.4 Liabilities

Total liabilities of reportable segments	1,995,525	2,037,679
Elimination of intra group balances	(70,856)	(185,512)
Consolidated liabilities	<u>1,924,669</u>	<u>1,852,167</u>

39.4 Geographical segment analysis

	Revenue		Total Assets		Net Assets	
	2018	2017	2018	2017	2018	2017
----- Rupees in thousands -----						
Pakistan	3,793,875	3,818,495	5,952,163	5,378,450	4,027,494	3,526,283
Export Processing Zone	-	6,027	-	-	-	-
	<u>3,793,875</u>	<u>3,824,522</u>	<u>5,952,163</u>	<u>5,378,450</u>	<u>4,027,494</u>	<u>3,526,283</u>

39.5 Information about major customers

Major customers for cement segment are various individual dealers, builders & developers whereas major customer for power segment is Hyderabad Electric Supply Company (HESCO).

40 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

		2018	2017
Note		----- Rupees in thousands -----	
Financial assets			
Long term deposits	7	1,096	1,096
Trade debts	10	512,967	404,434
Short term investments - held to maturity	11	306,000	306,000
Trade deposits	13	1,346	1,380
Other receivables and accrued interest	14	105,726	166,274
Cash and bank balances	16	147,878	154,478
		<u>1,075,013</u>	<u>1,033,662</u>
Financial liabilities			
Long term financing	18	548,182	881,640
Long term deposits	19	3,477	2,834
Trade and other payables	22	631,152	453,076
Accrued mark-up	23	10,328	6,108
Short term borrowings	24	364,489	191,047
		<u>1,557,628</u>	<u>1,534,705</u>

Financial instruments and related disclosures

Financial risk management objectives

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

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

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

a) Credit risk

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

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

	2018		2017	
	Rupees in thousands	%	Rupees in thousands	%
Banks	452,645	42%	459,488	43%
Others	621,135	58%	609,748	57%
	<u>1,073,780</u>	<u>100%</u>	<u>1,069,236</u>	<u>100%</u>

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

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

	Note	2018	2017
		----- Rupees in thousands -----	
Long term deposits	7	1,096	1,096
Trade debts	10	512,967	404,434
Short term investments	11	306,000	306,000
Trade deposits	13	1,346	1,380
Other receivables and accrued interest	14	105,726	166,274
Bank balances	16	146,645	153,488
		<u>1,073,780</u>	<u>1,032,672</u>

40.1.1 Financial assets that are neither past due nor impaired

The credit quality of assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings or to historical counterparty default rates. As at June 30, 2018 trade debts of Rs. 340.062 million (2017: Rs. 285.897 million) were past due but not impaired. These relates to a number of independent customers for whom there is no recent history of default except for HESCO. As at June 30, 2018, trade debts includes Rs. 329.363 million receivable from HESCO. The risk attributable to trade debt receivable from HESCO is secured to the extent of Rs. 286.71 million through Standby Letter of Credit obtained from HESCO under the Power Purchase Agreement (PPA). The aging analysis of these trade debts is as follows:

	Note	2018	2017
		----- Rupees in thousands -----	
- within 30 days		126,121	118,537
- 31 to 90 days		378,080	124,180
- 91 to 180 days		8,076	72,441
- over 180 days		2,116	89,276
	10	<u>514,393</u>	<u>404,434</u>

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

	2018	2017
Note	----- Rupees in thousands -----	
Rating		
A1 +	143,828	152,088
A1	2,786	1,369
A2	31	31
16	<u>146,645</u>	<u>153,488</u>

Rating - Short term investments

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

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

Financial assets that are past due or impaired

The credit quality of financial assets that are past due or impaired can be assessed by reference to note 10.3. The aging analysis of these impaired trade debts is as follows:

	2018	2017
	----- Rupees in thousands -----	
Over ten years	<u>72,028</u>	<u>72,028</u>

b) Liquidity risk and management

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

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

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

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 except for supply of electricity to HESCO, Public Utility Company, in accordance with Power Purchase Agreement.

40.1.2 Maturity analysis for financial liabilities

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

		2018				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
Note		----- Rupees in thousands -----				
Non-derivative Liabilities						
Long term financing	18	548,182	(686,874)	(190,035)	(181,939)	(314,900)
Long term deposits	19	3,477	(3,477)	-	-	(3,477)
Trade and other payables	22	631,152	(631,152)	(631,152)	-	-
Short term borrowings	24	364,489	(364,489)	(182,245)	(182,244)	-
Accrued mark-up	23	10,328	(10,328)	(10,328)	-	-
		<u>1,557,628</u>	<u>(1,696,320)</u>	<u>(1,013,760)</u>	<u>(364,183)</u>	<u>(318,377)</u>
		2017				
		Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	More than one year
		----- Rupees in thousands -----				
Non-derivative Liabilities						
Long term financing	18	881,640	(1,083,736)	(203,228)	(196,577)	(683,931)
Long term deposits	19	2,834	(2,834)	-	-	(2,834)
Trade and other payables	22	453,076	(453,076)	(453,076)	-	-
Short term borrowings	24	191,047	(191,047)	(95,524)	(95,523)	-
Accrued mark-up	23	6,108	(6,108)	(6,108)	-	-
		<u>1,534,705</u>	<u>(1,736,801)</u>	<u>(757,936)</u>	<u>(292,100)</u>	<u>(686,765)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at reporting date.

c) Market risk

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

d) Interest/Mark-up rate risk management

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

	Carrying amount	
	2018	2017
	----- Rupees in thousands -----	
Fixed rate instruments		
Financial assets	306,000	306,000
Variable rate instruments		
Financial assets	136,956	118,514
Financial liabilities	912,671	1,072,687

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

Financial assets

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, consolidated profit before tax for the year would have been Rs. 1.37 million (2017: Rs 1.185 million) higher / lower, mainly as a result of higher / lower interest income from these consolidated financial assets.

Financial liabilities

If interest rate had fluctuated by $\pm 1\%$ with all other variables held constant, consolidated profit before tax for the year would have been Rs. 9.127 million (2017: Rs. 10.727 million) higher / lower, mainly as a result of higher / lower interest expense of these consolidated financial liabilities.

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

		2018				
		Mark-up / return (%)	Less than six months	Six months to one year	More than one year	Total
Note	----- Rupees in thousands -----					
Assets						
Short term investment						
- held to maturity	11	5.9%	-	306,000	-	306,000
Bank balance in PLS accounts	16	2.5% to 5%	-	-	136,956	136,956
Total assets			-	306,000	136,956	442,956
Liabilities						
Short term borrowings	24	8.14% to 8.50%	(182,245)	(182,244)	-	(364,489)
Long term financing	18	8.14% to 9.14%	(190,035)	(181,939)	(314,900)	(686,874)
Total liabilities			(372,280)	(364,183)	(314,900)	(1,051,363)
On-balance sheet gap			(372,280)	(58,183)	(177,944)	(608,407)
Total interest risk sensitivity gap			(372,280)	(430,463)	(608,407)	(608,407)

		2017				
		Mark-up / return (%)	Less than six months	Six months to one year	More than one year	Total
Note		----- Rupees in thousands -----				
Assets						
Short term investment						
- held to maturity	11	5.9%	-	306,000	-	306,000
Bank balance in PLS accounts	16	3.5% to 5%	-	-	118,514	118,514
Total assets			-	306,000	118,514	424,514
Liabilities						
Short term borrowings	24	8.04% to 8.12%	(95,524)	(95,523)	-	(191,047)
Long term financing	18	8.03% to 9.15%	(203,228)	(196,577)	(683,931)	(1,083,736)
Total liabilities			(298,752)	(292,100)	(683,931)	(1,274,783)
On-balance sheet gap			(298,752)	13,900	(565,417)	(850,269)
Total interest risk sensitivity gap			(298,752)	(284,852)	(850,269)	(850,269)

e) Foreign exchange risk management

Foreign exchange risk is the risk that the value of financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities including amount payable, outstanding letter of credits and bills payable. The Group's exposure to foreign currency risk is as follows:

	2018		2017	
	Rupees	US \$	Rupees	US \$
	----- in thousands -----		----- in thousands -----	
Trade and other payables	216,986	1,787	12,281	117

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

	2018	2017	2018	2017
	Average rate		Balance sheet date rate	
US Dollar to PKR	109.88	104.91	121.45	104.98

Sensitivity analysis

A five percent strengthening / weakening of Pak Rupee against US Dollar on June 30th would have increased / decreased the consolidated equity and consolidated profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis that were used for the year 2017.

2018	2017
----- Rupees in thousands -----	
10,849	614

Effects of US Dollars gain / loss

f) Fair value of financial instruments

Fair value of the financial instrument is the amount for which an asset could be sold or exchanged, or a liability can be settled, between knowledgeable willing parties in an arm's length transaction.

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

g) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

h) Capital risk management

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

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

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

i) Operational risk

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

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

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

41 CORRESPONDING FIGURES

41.1 Corresponding figure of unclaimed dividend amounting to Rs. 0.632 million appearing under the note no. 22 has now been disclosed as separate line item on the face of consolidated balance sheet to comply with disclosure requirement of 4th schedule to the Companies Act, 2017.

41.2 Corresponding figures for remuneration to Chief Executive, Directors and Executives disclosed in the note no. 38 have been recalculated based on the definition of Executive as per Companies Act, 2017.

42 NUMBER OF EMPLOYEES

The total number of employees as at year end were 530 (2017: 534) out of which 473 (2017: 473) employed at factory and average number of employees were 531 (2017: 543) out of which 472 (2017: 482) employed at factory.

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Holding Company in their meeting held on September 13, 2018 have proposed for the year ended June 30, 2018, final cash dividend of Rs. 1.44 per share i.e. 14.40% (2017: Rs. 2.35 per share i.e. 23.5%) amounting to Rs. 143.594 million (2017: Rs. 234.33 million) for approval by the members of the Holding Company in the Annual General Meeting to be held on October 15, 2018. These consolidated financial statements for the year ended June 30, 2018 do not include the effect of the proposed cash dividend, which will be recognized in the consolidated financial statements for the year ending on June 30, 2019.

44 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on September 13, 2018 by the Board of Directors of the Holding Company.

45 GENERAL

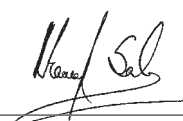
Figures have been rounded off to the nearest thousand of Rupees.



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR

ELECTRONIC CREDIT MANDATE (MANDATORY)

Dear Shareholder,

It is to inform you that under section 242 of Companies Act, 2017(Act), every listed company is required to pay dividend, if any, to their shareholders only through electronic mode, i.e. by transferring the same directly into the bank account provided by the shareholders.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan with effect from November 1, 2017 all dividend payments shall be paid only through electronic mode. Therefore, all shareholders of Thatta Cement Company Limited are required to provide the following information to the Company's Share Registrar i.e. M/s THK Associates (Pvt) Limited as soon as possible but not later than September 30, 2018.

Please provide the following information:

Shareholder's Detail
Name of the Shareholder
Folio No/CDC Participant ID&Sub Account/CDC IAS#
CNIC No./NICOP/Passport/NTN No.(Please attach copy)
Contact No. (Landline/Cell number)
Shareholder's Address
Shareholder's Bank Detail
Title of Bank Account
IBAN (See note 1 below)
Bank's Name
Branch name and Code No.
Branch Address

It is stated that the above mentioned information is correct to the best of my knowledge and I shall keep the Company informed through its Share Registrar in case of any changes in the said particulars in future.

Signature of member/shareholder

Note. Please provide complete 24 digits IBAN after checking with your concerned branch to enable electronic credit directly into your bank account (For e..g PK 80FAYS0110006900115978). The payment of cash dividend will be processed on the basis of the IBAN only. In case of non-receipt of proper details of IBAN, company will not be able to credit the dividend to your bank account and shall withheld the same as directed by SECP till the provision of such information.

The Company is entitled to rely on the IBAN as per your instruction. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay or failure in performance of any of its obligations here which is caused by incorrect payment instructions and /or due to any event beyond the control of the Company.

COPY OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on Tax/Zakat certificate.

Shareholders are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar M/s THK Associates (Pvt) Limited, 1st Floor, 40-C, Block 6, P.E.C.H.S, Karachi-75400. You must mention your folio number on the face of your CNIC copy for identification.

Telephone # : (92-21) 111-000-322
Fax # : (92-21) 34168271
Email : secretariat@thk.com.pk
: info@thk.com.pk
Website : www.thk.com.pk

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

Yours truly
For Thatta Cement Company Limited

Shahid Yaqoob
Company Secretary

FORM OF PROXY

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

Please quote:
 No. of shares held. _____
 Folio No. _____

I / We _____

of _____

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

_____ or failing him/her _____

_____ of _____

as proxy in my / our behalf at the Annual General Meeting of the Company to be held at Beach Luxury Hotel, M.T. Khan Road, Lalazar Karachi, on Monday, October 15, 2018 at 10:30 a.m. and at any adjournment thereof.

As witness my hand this _____ day of _____ 2018 _____

signed by _____

in the presence of _____

Signature

Rupee five
 revenue
 stamp

 Signature of witness

 Signature of witness

Important:

1. This Form of Proxy duly completed must be deposited at our Registered Office, not later than 48 hours before the time of holding the meeting.
2. A Proxy should also be a shareholder of the Company

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