

Quarterly Report  
July to September  
2008

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**COMPANY INFORMATION**

Board of Directors	Mr. Bernard Le Bras Chairman Mr. Ahmad Said Heshmat Hassan Chief Executive Mr. Jean Desazars Mrs. Amal Tantawi Mr. Ashraf Abouelkheir Mr. Ahmed Shebl Tolba Daabes Mr. Amr Ali Reda Mr. Samy Ahmed Abdelkader Mr. Bilal Hamid Javaid Khawaja Mohammad Naveed Mr. Shahid Anwar (Nominee NIT)
Audit Committee	Mr. Bernard Le Bras Chairman Mr. Jean Desazars Mrs. Amal Tantawi Mr. Ashraf Abouelkheir Mr. Samy Ahmed Abdelkader
Company Secretary	Mr. Muhammad Anwar Sheikh M. Com., FCMA
Chief Financial Officer	Mr. Bilal Hamid Javaid
Auditors	M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Bankers	MCB Bank Limited Citibank N.A. Habib Bank Limited Allied Bank Limited United Bank Limited NIB Bank Limited Royal Bank of Scotland Askari Bank Limited Soneri Bank Limited Standard Chartered Bank Limited Habib Metropolitan Bank Limited
Legal Advisors	Haidermota & Co. Barristers at Law & Corporate Counsellors, Islamabad.
Registered Office	PCCL Plaza, Plot # 18-B, Kaghan Road, F-8 Markaz, Islamabad.
Plant Site	UAN: (051) 111 111 722, Fax: (051) 2817300 Choi Mallot Road, Tehsil Kalar Kahar, Distt. Chakwal-Pakistan.

**Directors' Review to the Members**

The directors are pleased to submit before you the accounts for the third quarter ended on September 30, 2008 for Pakistan Cement Company Limited.

During the 3<sup>rd</sup> quarter of current year, cement industry dispatched 7.2 million tons which was 1% higher than the same period last year. While exports grew by 54%, domestic demand showed negative growth of 14% as compared with the same period last year. The domestic drop is due to the faltering economic situation which is cause of concern for the industry. Export opportunities kept the industry afloat inspite of depressed overall environment.

Even under these adverse conditions the Company posted operating profit of Rs. 261.6 million; however, the company was unable to absorb increasing borrowing costs in the local market along with the drastic devaluation of rupee, thereby suffering net loss after tax of Rs. 208.2 million during the quarter. This was only possible after initiating certain cost saving measures which the Company intends reinforcing in the future. With the success of these initiatives the management is optimistic about the future performance of the Company.

The directors would like to thank its shareholders, government and financial institutions for their continued guidance and support.

For and on behalf of the Board



**Bilal Hamid Javaid**  
Director



**Samy Ahmed Abdelkader**  
Director

Islamabad:  
October 27, 2008

**INTERIM CONDENSED BALANCE SHEET**

	(Unaudited) Note 30 September, 2008 Rupees	(Audited) 31 December, 2007 Rupees
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	13,126,444,880	11,345,149,360
Capital reserve	195,820,588	195,820,588
Accumulated losses	<u>(2,084,597,316)</u>	<u>(1,040,014,420)</u>
	<b>11,237,668,152</b>	<b>10,500,955,528</b>
<b>NON - CURRENT LIABILITIES</b>		
Shareholder's loan	-	1,543,430,000
Long term financing	6 4,388,800,389	5,702,368,717
Liabilities against assets subject to finance leases	24,740,169	32,812,682
Other long term liabilities	997,004,161	597,972,122
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,859,155,163	1,537,746,095
Interest accrued	91,309,250	260,091,008
Short term running finances	2,132,639,228	-
Current portions of:		
long term financing	1,313,568,513	1,313,568,513
liabilities against assets subject to finance leases	12,308,929	10,883,569
	6,408,981,083	3,122,289,185
<b>CONTINGENCIES AND COMMITMENTS</b>	7 -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>23,057,193,954</u></b>	<b><u>21,499,828,234</u></b>

The annexed notes from 1 to 10 form an integral part of these interim condensed financial statements.

**STATEMENT UNDER SECTION 241 (2) OF COMPANIES ORDINANCE , 1984**

The Chief Executive of the company is presently out of the country on a business travel and, hence, these interim condensed financial statements have been signed by two directors, as required under Section 241(2) of the Companies Ordinance, 1984.


**Bilal Hamid Javaid**

Director

**Quarterly Report Jul - Sep 2008**

**AS AT SEPTEMBER 30, 2008**

	Note	(Unaudited) 30 September, 2008 Rupees	(Audited) 31 December, 2007 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	17,429,986,796	17,962,218,515
Intangibles	5	4,792,626	7,148,514
Long term advances		82,636,000	92,965,500
Long term deposits		43,945,430	42,429,872
Deferred taxation		749,347,229	542,157,959
<b>CURRENT ASSETS</b>			
Stores, spares and supplies		3,708,841,211	1,249,318,008
Stock in trade		368,497,149	498,784,914
Trade debts - considered good		67,842,720	74,358,911
Advances		215,561,146	28,461,448
Short term prepayments and balance with statutory authority		152,565,677	192,099,355
Interest accrued		1,555,192	1,177,958
Other receivables		127,772,024	80,198,975
Taxation - net		64,806,886	50,083,625
Cash and bank balances		39,043,868	678,424,680
		4,746,485,873	2,852,907,874
<b>TOTAL ASSETS</b>		<b>23,057,193,954</b>	<b>21,499,828,234</b>

  
**Samy Ahmed Abdelkader**  
 Director



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

	Quarter Ended		Nine Months Ended	
	30, Sep. 2008 (Rupees)	30, Sep. 2007 (Rupees)	30, Sep. 2008 (Rupees)	30, Sep. 2007 (Rupees)
<b>Sales - net</b>	<b>2,146,142,463</b>	1,297,742,539	<b>5,395,057,079</b>	2,942,913,259
Cost of sales	<b>(1,761,493,438)</b>	(1,436,656,896)	<b>(5,054,527,090)</b>	(3,369,327,575)
<b>GROSS PROFIT / (LOSS)</b>	<b>384,649,025</b>	(138,914,357)	<b>340,529,989</b>	(426,414,316)
Selling, general and administrative expenses	<b>(124,837,228)</b>	(86,267,681)	<b>(328,038,932)</b>	(246,110,713)
Other operating expenses	<b>(505,073)</b>	(935,800)	<b>(3,437,764)</b>	(1,285,800)
Other operating income	<b>2,316,165</b>	7,477,832	<b>10,820,359</b>	32,108,832
<b>PROFIT / (LOSS) FROM OPERATIONS</b>	<b>261,622,889</b>	(218,640,006)	<b>19,873,652</b>	(641,701,997)
Finance costs	<b>(442,080,891)</b>	(228,570,682)	<b>(1,243,902,205)</b>	(562,534,021)
<b>LOSS BEFORE TAXATION</b>	<b>(180,458,002)</b>	(447,210,688)	<b>(1,224,028,553)</b>	(1,204,236,018)
<b>TAXATION</b>				
Current	<b>(27,743,614)</b>	-	<b>(27,743,614)</b>	-
Deferred	-	153,011,126	<b>207,189,271</b>	415,851,429
	<b>(27,743,614)</b>	153,011,126	<b>179,445,657</b>	415,851,429
<b>NET LOSS FOR THE PERIOD</b>	<b>(208,201,616)</b>	(294,199,562)	<b>(1,044,582,896)</b>	(788,384,589)
Loss per share - Basic and diluted	<b>(0.17)</b>	(0.34)	<b>(0.87)</b>	(0.91)

The annexed notes from 1 to 10 form an integral part of these interim condensed financial statements.

**Bilal Hamid Javaid**  
Director


**Samy Ahmed Abdelkader**  
Director

**INTERIM CONDENSED CASH FLOW STATEMENT (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

	Nine Months Ended	
	30, Sep. 2008 (Rupees)	30, Sep. 2007 (Rupees)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,224,028,553)	(1,204,236,018)
<b>Adjustments for non cash items:</b>		
Depreciation of property, plant and equipment	686,348,018	530,664,098
Amortization of intangible assets	2,355,888	440,612
Finance costs	1,243,902,205	562,534,021
Income on financial assets	(5,180,955)	(27,391,460)
Loss on disposal of assets	1,677,249	-
	<b>1,929,102,405</b>	<b>1,066,247,271</b>
<b>Operating profit before working capital changes</b>	<b>705,073,852</b>	<b>(137,988,747)</b>
<b>Changes in working capital:</b>		
(Increase)/decrease in advances	(187,099,698)	15,348,424
Increase in stores, spares and supplies	(2,459,523,203)	(470,454,470)
(Increase)/decrease in stock in trade	130,287,765	(234,943,555)
(Increase)/decrease in short term prepayments and balance with statutory authority	39,533,678	(39,057,952)
Increase in other receivables	(15,950,323)	(47,957,137)
(Increase)/decrease in Trade debts	6,516,191	(184,200,756)
(Increase)/decrease in trade and other payables	1,321,409,068	(188,503,880)
	<b>(1,164,826,522)</b>	<b>(1,149,769,326)</b>
<b>Cash generated from operations</b>	<b>(459,752,670)</b>	<b>(1,287,758,073)</b>
Staff retirement benefits paid	-	1,116,985
Taxes paid	(42,466,873)	(23,014,374)
<b>Net cash used in operating activities</b>	<b>(502,219,543)</b>	<b>(1,309,655,462)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(186,080,306)	(908,073,846)
Long term advances	10,329,500	-
Interest received on financial assets	4,803,721	26,576,396
Long term deposits	(1,515,558)	(526,653)
<b>Net cash used in investing activities</b>	<b>(172,462,643)</b>	<b>(882,024,103)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short term borrowings	-	(1,837,939,235)
Increase in equity	-	4,557,752,386
Shareholder's loan	-	1,520,380,000
Proceeds from short term borrowings	2,132,639,228	-
Repayments of long term loan	(1,313,568,328)	-
Increase in other long term liabilities	636,897,559	248,751,130
Lease rentals paid	(7,983,121)	-
Finance cost paid	(1,412,683,964)	(1,182,313,257)
<b>Net cash from financing activities</b>	<b>35,301,374</b>	<b>3,306,631,024</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(639,380,812)</b>	<b>1,114,951,459</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>678,424,680</b>	<b>41,909,797</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>39,043,868</b>	<b>1,156,861,256</b>

The annexed notes from 1 to 10 form an integral part of these interim condensed financial statements.

  
**Bilal Hamid Javaid**  
Director

  
**Samy Ahmed Abdelkader**  
Director



## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY(Un-audited) FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	Share capital Rupees	Capital reserve - Share premium Rupees	Accumulated losses Rupees	Sub Total Rupees	Shareholders' Loan Rupees	Total Rupees
<b>Balance as on 01, January 2007</b>	6,768,378,870	214,838,692	(518,917,520)	6,464,300,042	-	6,464,300,042
Rights issue	3,045,770,490	-	-	3,045,770,490	-	3,045,770,490
Direct equity injection	1,531,000,000	-	-	1,531,000,000	-	1,531,000,000
Shareholders' loan	-	-	-	-	1,520,380,000	1,520,380,000
Expenses for issuance of shares	-	(19,018,104)	-	(19,018,104)	-	(19,018,104)
Net loss for the nine months ended 30, September 2007	-	-	(788,384,589)	(788,384,589)	-	(788,384,589)
<b>Balance as on 30, September 2007</b>	<b>11,345,149,360</b>	<b>195,820,588</b>	<b>(1,307,302,109)</b>	<b>10,233,667,839</b>	<b>1,520,380,000</b>	<b>11,754,047,839</b>
<b>Balance as on 01 January 2008</b>	11,345,149,360	195,820,588	(1,040,014,420)	10,500,955,528	-	10,500,955,528
Conversion of Shareholders' loan into equity	1,781,295,520	-	-	1,781,295,520	-	1,781,295,520
Net loss for the nine months ended 30 September 2008	-	-	(1,044,582,896)	(1,044,582,896)	-	(1,044,582,896)
<b>Balance as on 30 September 2008</b>	<b>13,126,444,880</b>	<b>195,820,588</b>	<b>(2,084,597,316)</b>	<b>11,237,668,152</b>	-	<b>11,237,668,152</b>

The annexed notes from 1 to 10 form an integral part of these interim condensed financial statements.

**Bilal Hamid Javaid**  
Director

**Samy Ahmed Abdelkader**  
Director

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Un-audited)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

**1 THE COMPANY AND ITS OPERATIONS**

Pakistan Cement Company Limited ("the Company") was Incorporated in Pakistan on 23 May 1993 as a Private Limited Company and subsequently converted into a Public Limited Company on 18 October 1994 under the Companies Ordinance, 1984. The Company is listed on all the three Stock Exchanges of Pakistan. The principal activity of the Company is to manufacture and sell cement. The Company is a subsidiary of Pakistan Cement Holding Limited whereas the ultimate Parent Company of the entity is Lafarge S.A., France.

The registered office of the Company is situated at plot # 18-B, F-8 Markaz, Islamabad.

**2 BASIS OF PREPARATION**

These interim condensed financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) - 34 "Interim Financial Reporting", as applicable in Pakistan. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2007.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and methods of computation followed for the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2007.

	Note	(Unaudited) 30, Sep. 2008 (Rupees)	(Audited) 31, Dec. 2007 (Rupees)
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating Fixed Assets - at written down value	4.1	16,514,029,783	17,157,384,852
Capital Work in Progress - at cost	4.2	915,957,013	804,833,663
		<u>17,429,986,796</u>	<u>17,962,218,515</u>
<b>4.1</b>		<b>17,157,384,852</b>	<b>13,657,352,888</b>
Opening written down value		83,377,632	4,236,906,255
Additions during the period / year	4.1.1	(40,385,498)	-
Disposals during the period / year	4.1.2	(686,347,203)	(736,874,291)
Depreciation for the period / year		<u>16,514,029,783</u>	<u>17,157,384,852</u>
<b>4.1.1 Additions during the period / year</b>			
Freehold land		463,127	129,675
Building		-	126,155,588
Plant and machinery		56,572,128	3,948,406,604
Furniture & Fixtures		82	428
Office equipments		1,650,121	926
Workshop equipment		146,747	85,658,247
Laboratory equipment		1,014,605	4,666,425
Vehicles - owned		3,140,900	4,195,545
Vehicles - leased		1,335,968	49,049,227
Computers		19,053,954	18,643,590
		<u>83,377,632</u>	<u>4,236,906,255</u>
<b>4.1.2 Disposals during the period / year</b>			
Plant and Machinery		40,385,498	-
		<u>40,385,498</u>	<u>-</u>
Disposals include plant and machinery, having a written down value of Rs. 31,095,682, damaged during the period against which an insurance claim, aggregating to Rs. 31,622,726, has been filed and accrued in these financial statements			
<b>4.2 CAPITAL WORK IN PROGRESS</b>		<b>804,833,663</b>	<b>3,338,554,219</b>
Opening balance		165,628,684	1,565,431,565
Additions during the period / year		(54,505,334)	(4,099,152,121)
Transfers during the period / year		<u>915,957,013</u>	<u>804,833,663</u>
<b>5 INTANGIBLES</b>		<b>7,148,514</b>	<b>-</b>
Opening written down value		-	8,279,047
Additions during the period / year		(2,355,888)	(1,130,533)
Amortization		<u>4,792,626</u>	<u>7,148,514</u>
<b>6 LONG TERM FINANCING - Secured</b>		<b>7,015,937,230</b>	<b>7,015,937,230</b>
Opening balance		(1,313,568,328)	-
Repayments made during the period		5,702,368,902	7,015,937,230
		<u>(1,313,568,513)</u>	<u>(1,313,568,513)</u>
Less: current portion shown under current liabilities		<u>4,388,800,389</u>	<u>5,702,368,717</u>



## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Contingencies

- 7.1.1** The Company has issued post dated cheques, aggregating to Rs. 86.007 million (December 31 2007: Rs. 51.082 million) in favour of the Collector of Customs against the import duty of polypropylene sacks.
- 7.1.2** The Company has issued a bank guarantee of Rs. 72.387 million in favour of the Collector of Sales Tax, LTU, Islamabad, for the issuance of refunds in respect of tax periods, February 2005 to June 2005 and August 2005 to March 2006. The said refunds have been claimed under SRO465(I) dated, 09 June 2007, and are currently under process in the LTU, Islamabad.
- 7.1.3** The Company has issued bank guarantee of Rs. 436.642 million in favour of Sui Northern Gas Pipelines Limited for supply of natural gas at plant.
- 7.1.4** The Revenue Officer, District Chakwal, raised a demand of Rs. 269.59 million being short fall in stamp duty and penalty in respect of land mortgaged against foreign long term financing. During the course of a appellate procedures, the Chief Revenue Authority, Board of Revenue, Punjab reiterated the demand and the Company finally filed a revision petition with the Lahore High Court, Rawalpindi Bench which was dismissed by an order dated 15 April 2008. The Company has filed petition for leave to appeal against the said order in Supreme Court of Pakistan, which is pending adjudication. No provision has been made in the financial statements as the Company and its legal counsel are of the opinion that the matter is expected to be decided in favour of the Company.
- 7.1.5** Income tax authorities have finalized tax assessments of the Company up to and including assessment year 2002 - 2003 (year ended 30 June 2002). Tax returns for tax years 2003 to 2007 were filed and stand assessed in terms of section 120 of the Income Tax Ordinance, 2001. However, the taxation authorities are empowered to open the assessments at any time within five years of date of filing of returns.
- 7.1.6** A civil suit has been filed against the Company by Design & Engineering Systems (DES) claiming a sum of Rs. 100 million for the loss in terms of reputation, loss of business, mental torture and agony. The Company has filed an application under section 34 of the Arbitration act, 1940 for the stay of the suit in view of the fact that the parties had entered into arbitration agreement and the matter had been referred to arbitration.
- The Company has also referred the matter to arbitration against Design & Engineering Systems claiming breach of contract, delay in completion of contract, poor quality performance and securities provided by DES.
- The Company holds performance and bank guarantees, aggregating to Rs. 24.5 million, and post dated cheques, aggregating to Rs. 20 million, as security from Design & Engineering Systems. Further, a sum of Rs. 4.989 million due to Design & Engineering Systems as retention money is also outstanding as at 30 September 2008.
- 7.2 Commitments**
- 7.2.1** Commitments in respect of capital expenditure contracted for at the end of the period were Rs. 194.100 million (31 December 2007: Rs. 414.592 million)
- 7.2.2** Commitments in respect of quarry lease of 1,337 kanals and 58.8 kanals at the period end were Rs. 91.002 million and Rs. 4.472 million, respectively (31 December 2007: Rs. 91.771 million and Rs. 4.506 million respectively).

**8 TRANSACTIONS WITH RELATED PARTIES**

Pakistan Cement Holding Limited (PCH) holds 51.55% and Camden Holding PTE Limited (CHL) holds 21.67% shares of the Company at the end of the period. Therefore, all related parties of PCH, CHL, and Lafarge S.A., France are related parties of the Company.

<b>Related parties by virtue of group holding Transactions</b>	<b>Un - audited 30, Sep. 2008 (Rupees)</b>	<b>Un - audited 30, Sep. 2007 (Rupees)</b>
- Services purchased during the period	<b>323,707,673</b>	177,481,247
- Services provided during the period	<b>24,221,507</b>	16,720,203
- Amount received against services provided	<b>5,310,375</b>	-
- Royalty accrued to a related party	<b>80,920,558</b>	44,143,699
- Shareholder's loan converted to equity (Interest Plus Principle)	<b>1,781,295,519</b>	1,520,380,000
- Sales	<b>453,108,498</b>	319,923,426
	<b>Un - audited 30, Sep. 2008 (Rupees)</b>	<b>Audited 31 Dec. 2007 (Rupees)</b>
<b>Balances</b>		
- Balance payable in respect of royalty and technical assistance fee	<b>1,005,521,876</b>	597,972,122
- Balance receivable in respect of expenses incurred of behalf of related parties	<b>42,149,509</b>	21,138,172
	<b>Un - audited 30, Sep. 2008 (Rupees)</b>	<b>Un - audited 30, Sep. 2007 (Rupees)</b>
<b>Other Related Parties</b>		
- Remuneration including benefits and perquisites of Directors and other executives Number of Persons 2008: 2 and 34 respectively (2007: 2 and 23 respectively)	<b>69,738,813</b>	38,569,983
- Employer contributions to provident fund	<b>8,500,029</b>	6,648,258
- Amount Receivable/(Payable) from/to Employees Provident Fund	<b>406,000</b>	(2,140,135)

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

**9 DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements have been authorized for issue by the Board of Directors of the Company on October 27, 2008.

**10 GENERAL**

Figures have been rounded off to the nearest Rupee.

  
**Bilal Hamid Javaid**  
Director

  
**Samy Ahmed Abdelkader**  
Director