



FECTO CEMENT LIMITED
ANNUAL REPORT 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRPERSON

Mrs. Zubeda Bai

CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

DIRECTORS

Mr. Mohammed Asad Fecto

Mr. Ijaz Ali

Mr. Safdar Abbas Morawala

Mr. Altaf A. Hussain

Mr. Aamir Ghani

Mr. Mohammed Anwar Habib

Mr. Rohail Ajmal {Nominee of Saudi Pak
Industrial & Agricultural Investment Co. Ltd.}

AUDIT COMMITTEE

Chairman: Mr. Mohammed Anwar Habib

Members: Mr. Mohammed Asad Fecto
Mr. Safdar Abbas Morawala
Mr. Altaf A. Hussain

HUMAN RESOURCE & REMUNERATION COMMITTEE

Chairman: Mr. Mohammed Asad Fecto

Members: Mr. Aamir Ghani
Mr. Mohammed Anwar Habib

SECRETARY

Mr. Abdul Samad, FCA

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Nisar Law Associates
51, Mozang Road, Lahore

REGISTERED OFFICE

35-Darulaman Housing Society
Block 7/8, Shahra-e-Faisal, Karachi
Website <http://www.fectogroup.com>

FACTORY

Sangjani, Islamabad

MARKETING OFFICE

House # 13, Najam Shaheed Street
Atta ul Haq Road, Westridge-1, Rawalpindi

SHARE REGISTRAR

Technology Trade (Private) Limited
241-C, Block 2, P.E.C.H.S., Karachi

MISSION STATEMENT

To manage and operate the company in a manner that allows growth and profitability without high risk for stakeholders and the company by offering quality product to our customers, while striving to improve our product to meet our customers needs.

VISION STATEMENT

To compete in tough and competitive market, focusing on “Satisfaction” of customers, and stakeholders with challenging spirit and flexibility, striving hard to make profit, creating value for our customers and to continue as a successful Company.

CORPORATE STRATEGY

Our Corporate Strategy and objectives for the future are to find new and improved means of cost reduction, fuel economy and to acquire advanced manufacturing capabilities to support our product development efforts and product line expansion and stand ready to leverage our debts and be responsive to the changing economic scenario. We believe in harnessing the inherent strengths of available human resource and materials to the utmost and a commitment for building a solid foundation poised for sustainable growth for the long-term benefit of our shareholders and our employees.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi on Monday, October 28, 2013 at 12.00 noon to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2013 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of final cash dividend @ 15% (Rs. 1.50 per share) for the financial year ended June 30, 2013 as recommended by the Board of Directors.
3. To appoint auditors for the year ending June 30, 2014 and to fix their remuneration. Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible have offered themselves for the re-appointment. Audit Committee of the Board has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2014. The Board of Directors of the Company has also endorsed the recommendations of the Audit Committee.

SPECIAL BUSINESS

4. To approve the remuneration payable to the Chief Executive and one Working Director, as recommended by the Board of Directors, and in this respect pass with or without modification, following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT commencing November 01, 2013 the monthly remuneration of Chief Executive and one Working Director be fixed at Rs. 1,000,000 each plus all other benefits available to executives in accordance with Company's Rules.
5. To transact any other business with the permission of the Chair.

By Order of the Board



(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 26, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, October 19, 2013 to Monday, October 28, 2013 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Friday, October 18, 2013 will be considered in time for the entitlement of transferee.
2. A member of the Company entitled to attend and vote at this meeting may appoint another member as a proxy to attend, speak and vote instead of him/her. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time of holding the Meeting. The proxy shall produce his/her original National Identity Card or passport to prove his/her identity.
3. Members are requested to notify any change in their address immediately.
4. Securities and Exchange Commission of Pakistan (SECP) vide notifications dated August 18, 2011 and July 05, 2012 made it mandatory that dividend warrants should bear CNIC number of the registered member, therefore, members who have not yet submitted photocopy of their valid Computerized National Identity Card to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws. Failure to provide the same would constrain the Company to withhold dispatch of dividend warrants.
5. As directed by SECP vide Circular No. 18 of 2012 dated August 18, 2012, we have already given opportunity to shareholders to authorize the Company to directly credit in his / their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrant, please provide the relevant details.
6. CDC Account Holders will have to further follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

STATEMENT UNDER SECTION 160(b) OF THE COMPANIES ORDINANCE, 1984

Salary of Chief Executive and full time Working Director was last raised by the shareholders in 2006 and since then no increase has been made. Existing monthly remuneration of Chief Executive and full time working Director is Rs. 500,000/= each plus all other benefits available to executives in accordance with Company's rules. The Chief Executive and one full time Working Director will be interested in the business of fixing their remuneration to the extent of remuneration payable to them.

DIRECTORS' REPORT TO THE MEMBERS

Dear Members

The Board of Directors has pleasure in presenting the annual report together with Audited Financial Statements of the Company for the year ended June 30, 2013.

OVERVIEW

During the year under review overall dispatches of cement industry witnessed growth of 2.82% with total sales volume of 33.433 million tons as against the total sales volume of 32.515 million tons of last year. Local sales volume of the industry increased by 4.64% with dispatches of 25.059 million tons as against the sales volume of 23.947 million tons of last year whereas exports of the industry witnessed negative growth of 2.27% with sales volume of 8.374 million tons as against the exports sales volume of 8.569 million tons of last year. As against the overall growth of 4.64% in local sales volume and negative growth of 2.27% in exports, plants located in northern part of the country witnessed growth of 5.05% and negative growth of 2.56% in local and exports sales volumes respectively.

Over the last few years, local demand of cement has not reached to optimal level forcing the industry to rely on exports to attain maximum capacity utilization. This trend is expected to continue in foreseeable future until Government is able to create fiscal space to utilize the budget earmarked for Public Sector Development Projects (PSDP) specially for housing and infrastructure.

OPERATING PERFORMANCE

Production and dispatches of the Company for the year under review were as follows:

	2013	2012	CHANGE IN
	TONS		%
Production			
Clinker	689,937	785,345	(12.13)
Cement	708,346	791,937	(10.55)
Dispatches			
Local	475,509	455,521	4.38
Export	233,952	337,076	(30.59)
Total	<u>709,461</u>	<u>792,597</u>	(10.49)

Production of clinker and cement of the Company reduced by 12.13% and 10.55% respectively whereas capacity utilization achieved was of 88.45% and 86.49% for clinker and cement respectively.

Local sales volume of the Company during the year under review witnessed a growth of 4.38% in line with the industry however, exports reduced by 30.59% mainly due to reduced exports to Afghanistan and India.

FINANCIAL PERFORMANCE

Following is the comparison of financial results of the Company for the year under review with last year.

	Rupees in 000	
	2013	2012
Net sale	4,588,064	4,342,634
Cost of sales	3,333,514	3,376,972
Gross Profit	1,254,550	965,662
Profit before taxation	705,968	296,532
Profit after taxation	583,150	346,729
Earning Per Share(Rupees)	11.63	6.91

SALES REVENUE

During the year under review, despite reduction in sales volume overall sales revenue of the Company increased by 5.65% as compared to last year. Main reason for such increase was improved local sales volume coupled with better retention in both local and export markets.

Net local sales revenue of the Company increased by 12.93% out of which 4.38% was due to increase in volume whereas remaining 8.55% was achieved on account of improvement in retention price which was increased by Rs. 485 per ton. Export sales revenue of the Company reduced by 6.25% as against the reduction in export sales volume by 30.59% which was result of improved prices in Afghanistan. Export Price per ton of cement increased by 35.06%, however, after adjustment of commission paid to export dealers it increased by 25%.

PROFITABILITY

Cost of sales of the Company during the year under review reduced by 1.29% as against the reduction in volume by 10.59% due to escalation in prices of input material. Cost per ton of cement increased by 9.81% mainly due to increase in excavation cost because of higher prices of diesel and increase in royalty on lime stone. Fuel and power cost comprising coal and electricity, major components of cost of production though reduced due to less production. It, however, increased in term of cost per ton due to increased electricity rates prices of coal on the other hand reduced internationally. Consumption of store and spares also increased because of replacement of brick linings. Salaries and wages increased due to increments.

Gross profit of the Company was increased to 27.34% of net sales as against the 22.24% of last year whereas gross profit for the year increased by 29.91% as compared to last year.

Overall administrative expenses increased due to normal inflationary impact whereas distribution cost reduced in line with reduction in export sales volume.

Finance cost of the Company reduced to Rs. 143.328 million as against Rs. 205.71 million of last year mainly because of repayment of long term loans and reduced utilization of short term borrowings.

The Company earned profit before taxation of Rs. 705.968 million as against profit before taxation of Rs. 296.532 million of last year.

Earning per share (EPS) of your Company for the year under review was Rs. 11.63 per share as against the earning per share of Rs. 6.91 of last year.

DEBT OBLIGATION

By the grace of Almighty Allah the company continues to meet its financial commitments and debt obligations on time.

FUTURE PROSPECTS

Demand of cement in local market improved slightly during the year and it is expected that this trend will continue in the current financial year, considering the fact that substantial budget is allocated for public sector development projects by the new Government, however, full utilization of allocated budget would be a challenge as after approaching IMF again, growth in GDP would be a key challenge. Furthermore new Government has to tackle energy crises, poverty and deteriorating law and order hampering overall industrial growth. Proper and efficient utilization of allocated development budget would help cement sector to grow. The momentum of exports to Afghanistan has also slowed down due to arrival of cheap Iranian cement resulting reduction in prices whereas prices in India are already very low and depreciation of Indian rupee against dollar would further reduce cement prices in India.

On cost side prices of coal in international market have reduced but exorbitant increase in electricity tariff coupled with interruption in supply is critical for the survival of industry. In order to mitigate the impact of higher electricity rates, your Company is seriously considering to Invest in fuel cost cutting projects in order to reduce cost and remain competitive in the market.

CORPORATE GOVERNANCE

The Directors are pleased to inform that the company has fully complied with the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges where the Company is listed.

In compliance with the Code of Corporate Governance, the Directors are pleased to state that:

1. The financial statements, prepared by the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
2. Proper books of account have been maintained by the company;
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
5. The system of internal control is sound in design and has been effectively implemented and monitored;
6. There are no significant doubts upon the company's ability to continue as a going concern;
7. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2012 was Rs. 176.046 million.
8. There is no outstanding statutory payment due on account of taxes, levies and charges except normal and routine nature.

Key operating and financial data for the last six years is annexed.

During the year five (5) meetings of the Board of Directors were held. Attendance by each Director is given below:

	Attended
Mrs. Zubeda Bai	1
Mr. Mohammed Yasin Fecto	3
Mr. Mohammed Asad Fecto	4
Mr. Altaf A Hussain	5
Mr. Aamir Ghani	2
Mr. Rohail Ajmal	5
Mr. Safdar Abbas Morawala	4
Mr. Ijaz Ali	2
Mr. Mohammed Anwar Habib	5

Directors who could not attend the meeting due to illness or some other engagements were granted Leave of absence.

COMMITTEES OF THE BOARD**AUDIT COMMITTEE**

Board of Directors of your Company has established Audit Committee of the Board in compliance with the requirements of CCG 2012. Term of reference of the Committee was duly communicated to the members by the Board.

During the year four (4) meetings of the Committee were held. Attendance by each member is given below:

	Attended
Mr. Muhammad Anwar Habib Chairman/Independent Director	4
Mr. Mohammed Asad Fecto Executive Director	3
Mr. Safdar Abbass Morawala Independent Director	3
Mr. Altaf A Hussain Independent Director	2

HUMAN RESOURCE AND REMUNEARTION COMMITTEE

In compliance with the requirements of CCG 2012, The Board of Directors has established this Committee comprising three members, one of whom is independent director whereas chairman of the Committee is an Executive Director. Term of reference of the Committee was duly communicated to the members by the Board. Following are the members of the Committee.

Mr. Mohammed Asad Fecto	Chairman
Mr. Aamir Ghani	Member
Mr. Muhammad Anwar Habib	Member

TRAINING PROGRAM OF DIRECTORS

Clause (XI) of the CCG 2012 requires every listed company to make appropriate arrangements to carry out orientation courses for their directors. The Board of Directors is pleased to report that three of the existing directors are exempted from the directors training program as they have minimum of 14 years of education and have experience of 15 years on the board of your company. Two (2) directors namely Mr. Rohail Ajamal and Mr. Mohammed Anwar Habib attended the Directors' Training Program conducted by the Institute of Chartered Accountants of Pakistan during the year.

CORPORATE SOCIAL RESPONSIBILITY

Your Company being a responsible corporate citizen always conscious to discharge its obligations towards the people who work for it day and night, people around its work place and to the society as a whole. Few of the highlights of the initiatives undertaken by the Company during the year were provision of clean water to nearby village for which a reservoir and pipe line were constructed by the Company. Company has also installed an electric pump for smooth supply of water. Company also undertook renovation of a girl school which includes construction of boundary wall and complete plastering and white wash of whole school building.

Contribution to National Exchequers

Your company contributed around Rs. 716.34 million in national exchequers as sales tax and Federal excise duty compared to Rs 697.45 million of last year. Company also brought in foreign exchange of around US\$ 15 million in the country by exporting cement and made contribution to national exchequer on account of income tax, royalty payment and also collected and deposited income tax on behalf of FBR from its suppliers and staff.

Industrial Relations

Company believes that its best assets are the one who work for it and constant efforts are made to provide them all facilities. Hence, management employee relations have always been very cordial and no industrial unrest has ever been witnessed in the company.

AUDITORS

Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their appointment as Statutory Auditors of the Company for the year ending June 30, 2014 and Board would also like to endorse the recommendation of the Audit Committee.

PATTERN OF SHAREHOLDING

Statements showing the pattern of shareholding as at June 30, 2013 required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed.

APPROPRIATION

The Board of Directors has proposed payment of final dividend of 15% i.e. Rs. 1.50 per share for the financial year ended June 30, 2013. The appropriations approved by the Board are as follows:

	Rupees in 000
Profit after taxation	583,150
Un appropriated profit brought forward	824,464
	<u>1,407,614</u>
 Appropriation for the year ended June 30, 2012	
Transferred to General Reserve	500,000
Dividend for the year ended June 30, 2012 @ 10% i.e. Re. 1/= per share	50,160
	<u>550,160</u>
Available for appropriation	857,454
 Subsequent effect	
Proposed dividend for the year ended June 30, 2013 @ 15% i.e. Rs. 1.50 per share	75,240
	<u>782,214</u>
Un appropriated profit carried forward	<u><u>782,214</u></u>

ACKNOWLEDGMENT

The Directors would like to place on record their appreciation for the strenuous efforts and dedicated work of the staff and workers and for the efforts made by the dealers in giving full support to our marketing policies. We would also like to express our sincere thanks to all the financial institutions and banks for their continued support and co-operation.

On behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 26, 2013

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2013

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
254	1	100	4,663
413	101	500	118,492
806	501	1000	505,853
431	1001	5000	1,013,770
94	5001	10000	747,555
39	10001	15000	519,850
14	15001	20000	252,090
19	20001	25000	440,550
6	25001	30000	177,750
5	30001	35000	164,000
9	35001	40000	342,570
1	40001	45000	44,000
6	45001	50000	297,796
2	50001	55000	104,010
6	55001	60000	349,631
2	60001	65000	127,500
4	65001	70000	275,750
3	75001	80000	231,500
1	85001	90000	85,530
2	90001	95000	184,150
2	95001	100000	196,500
1	100001	105000	105,000
1	105001	110000	106,000
1	110001	115000	113,000
1	115001	120000	118,000
1	120001	125000	120,500
2	125001	130000	258,000
2	135001	140000	275,700
1	145001	150000	149,600
2	150001	155000	309,000
2	155001	160000	313,037
1	170001	175000	171,600
1	200001	205000	201,000
1	205001	210000	206,500
1	245001	250000	250,000
1	250001	255000	250,800
2	270001	275000	549,670
3	275001	280000	831,370
1	305001	310000	308,000
1	310001	315000	313,500
1	320001	325000	324,500
1	325001	330000	330,000
2	355001	360000	715,000
1	360001	365000	363,000
1	365001	370000	368,500
1	370001	375000	374,000
2	375001	380000	759,000
1	380001	385000	385,000
1	400001	405000	401,500
4	410001	415000	1,650,000
1	435001	440000	438,020
1	460001	465000	462,000
1	495001	500000	500,000
2	710001	715000	1,426,150
1	880001	885000	880,337
1	1095001	1100000	1,099,230
1	1220001	1225000	1,221,000
1	1420001	1425000	1,421,970
1	1485001	1490000	1,485,253
1	1725001	1730000	1,727,655
2	2080001	2085000	4,169,916
1	8370001	8375000	8,371,146
1	10150001	10155000	10,153,036
2,175			50,160,000

CATEGORIES OF SHAREHOLDER AS AT 30 JUNE 2013

Shareholders' Category	Number of Shareholders	Number of Shares held
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	-	-
NIT & ICP	4	1,731,835
DIRECTORS		
Mrs. Zubeda Bai	1	5,500
Mr. Mohammed Yasin Fecto	1	10,153,036
Mr. Mohammed Asad Fecto	1	8,371,146
Mr. Altaf A. Hussain	1	2,750
Mr. Safdar Abbas Morawala	1	2,750
Mr. Ijaz Ali	1	2,750
Mr. Aamir Ghani	1	2,750
Mr. Mohammad Anwar Habib	1	2,750
	8	18,543,432
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE AND MODARBAS	13	2,253,508
MUTUAL FUNDS		
CDC- Trustee Pakistan Stock Market Fund	1	92,850
CDC- Trustee NAF Stock Fund	1	40,000
CDC- Trustee MCB Dynamic Stock Fund	1	57,416
CDC- Trustee KASB Assets Allocation Fund	1	206,500
CDC- Trustee IGI Stock Fund	1	279,500
CDC- Trustee ABL Stock Fund	1	120,500
CDC- Trustee Lakson Equity Fund	1	54,000
CDC- Trustee Crosby Dragon Fund	1	118,000
CDC- Trustee Pakistan Premier Fund	1	57,975
	9	1,026,741
OTHERS		
Foreign	3	77,750
Institutions	36	1,093,790
Individuals - Local	2,102	25,432,944
	2,141	26,604,484
TOTAL	2,175	50,160,000

Shareholders holding 5% or more voting interest		
Mr. Mohammed Yasin Fecto	1	10,153,036
Mr. Mohammed Asad Fecto	1	8,371,146

There were no share trading in shares by any Director, CEO, Chief Financial Officer, Company Secretary and their Spouse and Minor Children during the year.

SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year ended June 30	2013	2012	2011	2010	2009	2008
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PRODUCTION SUMMARY

(Tonnes)

Clinker production	689,937	785,345	718,322	772,940	740,330	763,478
Cement production	708,346	791,937	757,424	841,904	764,119	790,518
Cement despatches	709,461	792,597	756,829	841,822	763,468	792,506

(Rupees in thousand unless stated otherwise)

PROFIT & LOSS SUMMARY

Turnover (net)	4,588,064	4,342,634	3,304,272	2,902,684	3,455,706	2,409,364
Gross profit	1,254,550	965,662	605,924	152,731	913,403	279,548
Profit / (Loss) before taxation	705,968	296,532	91,960	(291,434)	396,289	(118,435)

BALANCE SHEET SUMMARY

Paid up capital	501,600	501,600	501,600	501,600	456,000	456,000
General Reserve	550,000	50,000	50,000	50,000	50,000	50,000
Accumulated Profit	857,454	824,464	477,735	412,302	666,160	351,810
Long term loan and lease finance	125,000	254,648	456,418	684,048	292,074	394,018
Deferred liabilities	117,979	25,809	119,406	138,560	196,252	180,335
Operating assets	2,051,702	2,136,402	2,162,168	1,316,405	1,339,752	1,151,827

MISCELLANEOUS

Contribution to national exchequer	716,343	697,453	776,363	759,579	991,662	943,407
Earnings per share (Rs.)	11.63	6.91	1.34	(4.15)	*6.27	(1.80)
Break up value per share (Rs.)	38.06	27.43	20.52	19.22	25.71	18.81
Current ratio	01:0.94	*01:1.44	01:1.66	01:1.42	01:0.90	01:0.80
Debt/equity ratio	6:94	16:84	31:69	42:58	20:80	31:69
Dividend declared	***15%	10%	-	-	**10%	-

* Revised

** Bonus

*** Subject to approval by the members in ensuing AGM.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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

The Company has applied the principles contained in the Code in the following manner:

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

Category	Names
Independent Directors	Ijaz Ali, Safdar Abbas Morawala, Altaf A Hussain and Muhammed Anwar Habib
Executive Directors	Mohammed Yasin Fecto and Mohammed Asad Fecto
Non-Executive Directors	Aamir Ghani, Rohail Ajmal and Zubeda Bai

The independent directors meet the criteria of independence under clause I (b) of the CCG.

2. The Directors have confirmed that none of them is serving as director in more than 07 listed companies including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange. None of the directors and their spouses has been involved in the business of stock brokerage.
4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2013.
5. The Company has prepared a "Code of Conduct" and ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The Board of Directors and Members have approved appointment and determination of remuneration and terms and conditions of employment of the present CEO, other executive directors and non-executive directors.

8. The meetings of the Board were presided over by the Chairman and in his absence one of the directors elected for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of Articles and Memorandum of Associations and are aware of their duties and responsibilities. However, in order to apprise them of material changes, if any, in relevant laws same were placed in Board meetings. Moreover, in accordance with the criteria specified in clause (xi) of CCG three (3) of the directors are exempted from the requirement of directors training program whereas 2 (Two) directors attended training program arranged by Institute of Chartered Accountants of Pakistan and obtained certificates during the year.
10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year. The Board has however, approved appointment of Chief Financial Officer (CFO). Company Secretary and Head of Internal Audit, including terms and conditions of appointment as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors. The Chairman of the Committee is a non- Executive Director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed a HR and Remuneration Committee. It comprises three members, of whom two are independent directors and the chairman of the committee is an executive director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The “closed period” prior to the announcement of interim/final results, and business decision, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges(s).
23. We confirm that all other material principles contained in the CCG have been complied with.

On behalf of the Board



MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 26, 2013

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Facto Cement Limited** ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Amir Jamil Abbasi

Karachi: September 26, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Fecto Cement Limited** ("the Company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Karachi: September 26, 2013

BALANCE SHEET

	Note	2013 (Rupees in '000)	2012
SHARE CAPITAL			
Authorised			
75,000,000 (2012: 75,000,000) ordinary shares of Rs. 10/- each	5	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up 50,160,000 (2012: 50,160,000) ordinary shares of Rs. 10/- each	5	501,600	501,600
GENERAL RESERVE		550,000	50,000
ACCUMULATED PROFIT		<u>857,454</u>	<u>824,464</u>
		1,909,054	1,376,064
NON-CURRENT LIABILITIES			
Long term financing	6	125,000	250,000
Liabilities against assets subject to finance lease	7	-	4,648
Deferred taxation	8	117,979	25,809
		242,979	280,457
CURRENT LIABILITIES			
Short term borrowings	9	463,847	695,072
Current maturity of long term liabilities	10	125,000	201,932
Trade and other payables	11	618,142	755,244
		1,206,989	1,652,248
CONTINGENCIES AND COMMITMENTS	12		
		<u>3,359,022</u>	<u>3,308,769</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

AS AT 30 JUNE 2013

	Note	2013 (Rupees in '000)	2012
PROPERTY, PLANT AND EQUIPMENTS			
Operating assets	13	2,051,702	2,136,402
Capital work in progress	14	-	1,092
		<u>2,051,702</u>	<u>2,137,494</u>
LONG TERM LOANS AND DEPOSITS			
	15	19,730	23,924
CURRENT ASSETS			
Stores and spares	16	874,058	796,805
Stock-in-trade	17	308,566	227,499
Trade debts - considered good		15,125	25,734
Loans, advances, deposits, prepayments and accrued mark-up	18	41,460	55,508
Cash and bank balances	19	48,381	41,805
		<u>1,287,590</u>	<u>1,147,351</u>
		<u><u>3,359,022</u></u>	<u><u>3,308,769</u></u>


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 (Rupees in '000)	2012
Sales - net	20	4,588,064	4,342,634
Cost of sales	21	(3,333,514)	(3,376,972)
Gross profit		1,254,550	965,662
Administrative expenses	22	(143,032)	(127,347)
Distribution cost	23	(230,577)	(321,972)
Finance cost	24	(143,328)	(205,707)
Other income	25	20,678	7,873
		(496,259)	(647,153)
		758,291	318,509
Workers' funds	26	(52,323)	(21,977)
Profit before taxation		705,968	296,532
Provision for taxation	27		
- Current		(30,648)	(43,401)
- Deferred		(92,170)	93,598
		(122,818)	50,197
Profit after taxation		583,150	346,729
		(Rupees)	
Earnings per share - basic & diluted	28	11.63	6.91

The annexed notes 1 to 36 form an integral part of these financial statements.


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Net profit after taxation	583,150	346,729
Other comprehensive income	-	-
Total comprehensive income for the year	<u>583,150</u>	<u>346,729</u>

The annexed notes 1 to 36 form an integral part of these financial statements.


(MOHAMMED YASIN FECTO)
Chief Executive


(ROHAIL AJMAL)
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	(Rupees in '000)	
Profit before taxation	705,968	296,532
Adjustments for:		
- Depreciation	107,207	104,577
- Gain on disposal of operating assets	(5,859)	(3,290)
- Provision against slow moving and obsolete spares	15,000	-
- Finance cost	143,328	205,707
Operating profit before working capital changes	965,644	603,526
Increase in stores and spares	(92,253)	(77,463)
Increase in stock-in-trade	(81,067)	(117,817)
Decrease / (increase) in trade debts	10,609	(7,022)
Decrease / (increase) in loans, advances, deposits, prepayments and accrued mark-up	21,295	(10,844)
(Decrease) / increase in trade and other payables	(60,999)	151,034
Cash generated from operations	763,229	541,414
Income tax paid / deducted at source	(39,597)	(41,828)
Long term loans and deposits	4,194	4,286
Net cash generated from operating activities	727,826	503,872
Cash flows from investing activities		
Fixed capital expenditure	(23,444)	(79,409)
Sale proceeds of operating assets	7,888	3,933
Net cash used in investing activities	(15,556)	(75,476)
Cash flows from financing activities		
Repayment of long term financing	(200,000)	(200,000)
Finance cost paid	(209,869)	(241,309)
Repayment of lease finance	(6,580)	(35,563)
Dividend paid	(58,020)	(10)
Net cash used in financing activities	(474,469)	(476,882)
Net decrease in cash and cash equivalents	237,801	(48,486)
Cash and cash equivalents as at 01 July	(253,267)	(204,781)
Cash and cash equivalents as at 30 June	(15,466)	(253,267)
Cash and cash equivalent:		
Cash and bank balances	48,381	41,805
Short term running finance	(63,847)	(295,072)
	(15,466)	(253,267)

The annexed notes 1 to 36 form an integral part of these financial statements.


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director

STATEMENT CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Share capital	General reserve	Accumulated profit	Total
----- (Rupees in '000) -----				
Balance as at 30 June 2011	501,600	50,000	477,735	1,029,335
Total comprehensive income for the year				
Profit for the year ended 30 June 2012	-	-	346,729	346,729
Balance as at 30 June 2012	<u>501,600</u>	<u>50,000</u>	<u>824,464</u>	<u>1,376,064</u>
Total comprehensive income for the year				
Profit for the year ended 30 June 2013	-	-	583,150	583,150
Transferred to General Reserve	-	500,000	(500,000)	-
Final Cash Dividend @ 10% for the year ended June 30, 2012	-	-	(50,160)	(50,160)
Balance as at 30 June 2013	<u><u>501,600</u></u>	<u><u>550,000</u></u>	<u><u>857,454</u></u>	<u><u>1,909,054</u></u>

The annexed notes 1 to 36 form an integral part of these financial statements.


(MOHAMMED YASIN FECTO)
 Chief Executive


(ROHAIL AJMAL)
 Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 28 February 1981 as a public limited company with its Registered Office situated at 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi, Sindh. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in production and sale of cement.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

3.1 Accounting Convention

These financial statements are prepared under the historical cost convention.

3.2 Standards, amendments and interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards, IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of “currently has a legally enforceable right of set-off”; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. Management is currently undertaking a comprehensive exercise to assess the spares, standby equipment and servicing equipment that would qualify for recognition as property, plant and equipment. The amount of reclassification of stores and spares to property, plant and equipment, if any, has not been quantified to date.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

Except for the effect of amendment in IAS 16, if any, that has not yet been quantified, the other amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow- scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees which is the Company's functional currency. All financial information presented in Pak Rupees have been rounded to nearest thousand.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements are as follows:

3.4.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

3.4.2 Property, plant and equipment

The Company's management determines the estimated useful lives, residual value and related depreciation charge for its plant and equipment. The Company 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.

3.4.3 Stock-in-trade and stores and spares

The Company's management reviews the net realisable value (NRV) and impairment of stock-in-trade and stores and spares respectively, to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, would be recognised in the future years.

3.4.4 Trade debts and other debts

Impairment loss against doubtful trade and other debts is made on judgemental basis, for which provision may differ in the future years based on the actual experience. The difference in provision if any, would be recognised in the future years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

4.1 Property, plant and equipments

Owned

- i) Operating assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation and impairment losses, if any, except free hold land which is stated at cost. Depreciation on additions is charged for the month the asset is put to use and no depreciation is charged in the month of disposal.
- ii) Maintenance and repairs are charged to profit and loss as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets, if any, are included in income currently.
- iii) Depreciation is charged to profit and loss applying the straight line method at the rate specified below:

Items	Useful lives (Years)	Residual Values (% of cost)
Factory building	22.5 - 23.5	-
Non-factory building	23.5	-
Plant, machinery and equipments	9 - 23.5	5
Quarry transport equipments	1 - 10	5
Furniture, fixtures and equipments	1 - 10	1 - 5
Motor vehicles	1 - 5	10

- iv) Useful lives, depreciation methods and residual values are reassessed annually and change, if any, are applied prospectively.

Leased

- i) Assets subject to finance lease are accounted for by recording the assets and related liabilities. These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease at the inception of lease. Assets acquired under the finance lease are depreciated over the useful life of the assets in the same manner as the owned assets.
- ii) Finance charge under the lease agreements is allocated over the periods during lease term so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

4.2 Capital work in progress

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

4.3 Staff benefits

- i) The Company operates a defined contribution plan, Provident Fund, for all its regular permanent employees. Contributions are made equally by the Company and the employees as per the rules of the Fund.
- ii) The liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences are earned.

4.4 Stores and spares

These are valued under the moving average cost method (less impairment loss if any) other than stores and spares in transit which are valued at cost comprising invoice value plus other charges paid thereon less impairment loss if any. Adequate provision is also made for slow moving items.

4.5 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realisable value. Cost signifies in relation to:

Raw Material produced / excavated by the Company	At average cost comprising of excavation cost, labour and appropriate overheads.
Other Raw Material and Packing Material	At cost determined on first-in-first-out basis.
Work-in-process and Finished Goods	At average cost comprising direct material, labour and appropriate manufacturing overheads.

Net realizable value signifies the selling price less cost necessary to be incurred in order to make the sale.

4.6 Financial assets other than derivatives

Financial assets include trade debts, loans, deposits, accrued mark-up and cash and bank balances. These are recognised initially at fair-value plus attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest method less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

4.7 Financial liabilities other than derivatives

Financial liabilities include long term finance, liabilities against assets subject to finance lease, short term borrowing and trade and other payables. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised cost using effective interest rate method.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost or fair value as applicable. Cash and cash equivalents comprises cash and bank balances. Short term running finances that are repayable on demand and form an integral part of the Company's cash management policy are also included as a component of cash equivalents for the purpose of the statement of cash flows.

4.9 Foreign currency translation

Transactions in foreign currencies are converted into Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date. All exchange differences arising on transaction are charged to profit and loss account currently.

4.10 Derivative financial instruments

The Company uses derivative financial instruments such as interest rate swaps and cross currency swaps to cover its risk associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account.

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation enacted or substantively enacted at the balance sheet date after taking into account available tax credits, rebates and any adjustment to tax payable in respect of previous years, if any.

Deferred

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax asset is recognised for deductible temporary differences only to the extent it is probable that future taxable profits will be available and the credits can be utilised.

4.12 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.13 Revenue recognition

Sale of goods

Revenue from sale of goods is measured at fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably, and there is no continuing management involvement of the Company with the goods. The Company recognises revenue from the sale of goods (including export sales) on despatch of goods to its customers.

Profit on term deposits and long term advances

Profit on term deposits is accounted for on time proportion basis on the principal outstanding at the rates applicable.

4.14 Borrowing cost

Borrowing cost incurred upto the date the qualifying asset is ready for use and that is directly attributable to the acquisition or construction of related property, plant and equipment is capitalised as part of cost of the relevant asset. All other mark-up, interest and other related charges are charged to income currently.

4.15 Impairment

The carrying amount of all assets not carried as fair value, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. Impairment loss is recognised in profit and loss account whenever carrying amount of an assets exceeds its recoverable amount.

4.16 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle liability simultaneously.

4.17 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recognised as liability in the Company's financial statements in the period / year in which these are approved.

4.18 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognised as intangible assets when it is probable that the development project will be a success and certain criteria, including commercial and technological feasibility have been met.

5. SHARE CAPITAL

2013 (Number of shares)	2012		2013 (Rupees in '000)	2012 (Rupees in '000)
Authorised				
<u>75,000,000</u>	75,000,000	Ordinary shares of Rs. 10 each	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid up				
45,600,000	45,600,000	Ordinary shares of Rs. 10 each fully paid in cash	456,000	456,000
4,560,000	4,560,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	45,600	45,600
<u>50,160,000</u>	<u>50,160,000</u>		<u>501,600</u>	<u>501,600</u>

6. LONG TERM FINANCING - secured

Standard Chartered Bank Limited	6.1& 6.3	-	25,000
Saudi Pak Syndicate	6.2& 6.3	-	50,000
Diminishing Musharaka	6.4	250,000	375,000
		<u>250,000</u>	<u>450,000</u>
Less: Current maturity	10	125,000	200,000
		<u>125,000</u>	<u>250,000</u>

6.1 This represents finance facility of Rs. 150 million (2012: Rs. 150 million) obtained from Standard Chartered Bank (Pakistan) Limited. The amount was payable in 12 equal semi annual instalments which commenced from 24 July 2007 and the same has been settled during the current year. The facility carried mark-up @ 3 months KIBOR plus 2.75% with a floor of 6.5%. The loan was secured by way of a first pari passu charge on all movable and immovable properties of the Company and personal guarantee of sponsoring directors.

6.2 This represents the syndicated term finance facility of Rs. 300 million (2012: Rs. 300 million) obtained from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited and NIB Bank Limited (formerly PICIC Commercial Bank Limited). The amount was payable in 12 equal semi annual installments which commenced from 31 December 2007 and the same has been settled during the current year. The facility carried mark-up @ 6 months KIBOR plus 2.5% to be set on the first day of each quarter. The loan was secured by way of a first pari passu charge on all movable and immovable properties of the Company and personal guarantee of sponsoring directors.

6.3 The Company entered into cross currency interest rate swaps against these long term finances for a notional amount of Rs. 437.5 million (2012: Rs. 437.5 million), maturing upto 28 June 2013. Under the swap arrangement the principal payable amount of Rs. 437.500 million was swapped with US \$ at Rs. 60.59 per US \$ making the loan amount to US \$ 7.22 million (2012: US \$ 7.22 million). Besides the swap of the principal amount to US\$, the Company also received 6 months KIBOR rates in local currency and paid 8.6% fixed in US\$ as per the arrangements, which were settled semi annually.

6.4 This represents a long term financing of Rs. 500 million obtained under the diminishing Musharaka basis from a syndicate led by Standard Chartered Bank (Pakistan) Limited to finance imported plant and machineries of Waste Heat Recovery Power Plant. The amount is repayable in eight equal semi annual instalments commenced from 23 Aug 2011. Mark-up is payable semi annually at 6 months KIBOR plus 3% at the date of disbursement and will subsequently be revised on each instalment dates. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the company up to Rs. 667 million.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		2013	2012
		(Rupees in '000)	
Opening balance		6,580	42,143
Repayments during the year		(6,580)	(35,563)
		<u>-</u>	<u>6,580</u>
Current maturity	10	-	(1,932)
		<u>-</u>	<u>4,648</u>

Lease payments due are as under:

	2013			2012		
	Principal	Finance charges allocated to future years	Total lease rentals	Principal	Finance charges allocated to future years	Total lease rentals
	----- (Rupees in '000) -----					
Not later than one year	-	-	-	1,932	779	2,711
Later than one year but not later than five years	-	-	-	4,648	323	4,971
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,580</u>	<u>1,102</u>	<u>7,682</u>

7.1 This represents lease arrangements for vehicles, repayable latest by 30 December 2014. Financing rate @ 6 months KIBOR plus 3% - 3.15% per annum has been used as discounting factor. Overdue rentals are subject to additional charge up to 3% per month. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. The lessee exercised pre-mature purchase option by paying the outstanding principal and adjusting security deposit of Rs. 0.905 million for lease.

8. DEFERRED TAXATION		2013	2012
		(Rupees in '000)	
Taxable temporary differences arising in respect of :			
- Accelerated tax depreciation		448,400	387,451
- Finance lease arrangements		-	(21)
		<u>448,400</u>	<u>387,430</u>
Deductible temporary difference arising in respect of:			
- Provision against slow moving and obsolete spares		(3,570)	-
- Available tax losses		(326,851)	(361,621)
		<u>117,979</u>	<u>25,809</u>

		2013	2012
		(Rupees in '000)	
9.	SHORT TERM BORROWINGS - secured		
	Short term running finances	63,847	295,072
	Export Refinance	400,000	400,000
		463,847	695,072
9.1	During the year the company has arranged additional Running Finance facility of Rs. 200 million and Finance against Imported Material of Rs. 300 million from a commercial bank under the same terms and condition at a mark-up rate of 3 months KIBOR plus 1.75% per annum. The company has a total finance facility of Rs. 1,470 million (2012: Rs. 970 million) which includes Running Finance of Rs. 520 million, Export Refinance of Rs. 400 million and Finance Against Imported Material of Rs. 550 million from various banks. These arrangements are secured by way of first pari passu charge over all the Company's movable and immovable properties and hypothecation of Company's stock-in-trade, stores and spares, book debts, machinery, pledge of coal and personal guarantee of sponsoring directors of the Company. The rate of mark-up ranges from 3 months KIBOR plus 1.75% - 3% (2012: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 9.4% (2012: 11%.) The facilities are available for various periods expiring upto 31 December 2013.		
10.	CURRENT MATURITY OF LONG TERM LIABILITIES		
	Long term financing	6	125,000
	Liabilities against assets subject to finance lease	7	-
			125,000
			200,000
			1,932
			201,932
11.	Trade and other payables		
	Creditors for Goods:		
	- Other creditors		22,662
	- Associated company		62,552
	Bills payable		26,470
	Accrued expenses		54,479
	Workers' funds	11.1	206,104
	Accrued mark-up - secured	11.2	280,098
	Advances from customers		171,808
	Deposits from dealers, contractors and suppliers		117,696
	Royalty payable		60,252
	Income tax less provision		23,854
	Excise duty payable		25,652
	Sales tax payable		44,960
	Income tax Payable		27,768
	Unclaimed dividend		27,787
	Unpaid dividend		10,582
	Fair value of derivative	6.3	11,214
	Other liabilities		1,206
			2,359
			-
			1,702
			16,058
			22,007
			26,594
			5,059
			1,770
			747
			3,225
			11,092
			264
			257
			-
			47,233
			17,727
			42,148
			618,142
			755,244

11.1 Workers' Funds		2013	2012
		(Rupees in '000)	
Workers' profit participation fund			
Opening balance		15,925	4,939
Charge for the year	26	<u>37,915</u>	<u>15,925</u>
		53,840	20,864
Less: Payment during the year			
		<u>15,925</u>	<u>4,939</u>
		37,915	15,925
Workers' welfare fund			
Opening balance		7,929	1,877
Charge for the year	26	<u>14,408</u>	<u>6,052</u>
		<u>22,337</u>	<u>7,929</u>
		<u>60,252</u>	<u>23,854</u>
11.2 Accrued mark-up - secured			
Long term loans		10,796	20,509
Lease finance		-	13
Running finance		<u>14,856</u>	<u>24,438</u>
		<u>25,652</u>	<u>44,960</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The Competition Commission of Pakistan (the CCP) took Suo Moto action under Competition Commission Ordinance, 2007 and issued a Show Cause Notice on 28 October 2008 for increase in prices of cement across the country. Similar notices were also issued to All Pakistan Cement manufacturers Association (APCMA) and its member cement manufacturers. The Company filed a writ petition before the Honourable Lahore High Court (LHC), the LHC vide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 27 August 2009 and imposed a penalty of Rs. 174.063 million on the company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

During the financial year ended 30 June 2010, the company has filed an appeal before the Honourable Supreme Court of Pakistan and Lahore High Court against the Order of the CCP dated 27 August 2009. The petition filed by the company and other cement manufacturers before the Lahore High Court are also pending for adjudication meanwhile order passed by the Lahore High Court on 31 August 2009 is still operative.

12.2 Commitments		2013	2012
		(Rupees in '000)	
Outstanding letters of credit		<u>121,412</u>	<u>31,986</u>

13. OPERATING ASSETS

Items	2013				2013				Written down value as at 30 June 2013
	Cost				Accumulated depreciation				
	As at 01 July 2012	Additions	Disposals/Transfers*	As at 30 June 2013	As at 01 July 2012	Charge for the year	Disposals/Transfers*	As at 30 June 2013	
----- (Rupees in '000) -----									
Owned									
Freehold land	160,356	-	-	160,356	-	-	-	-	160,356
Factory building on freehold land	317,613	10,102	-	327,715	230,182	5,034	-	235,216	92,499
Non-factory building on freehold land	124,339	-	-	124,339	74,654	2,766	-	77,420	46,919
Plant, machinery and equipments	3,244,392	-	(6,760) *	3,237,632	1,475,727	81,830	-	1,557,557	1,680,075
Quarry transport equipments	127,201	-	(12,475) *	118,631	87,491	6,597	(11,857)	82,231	36,400
	-	-	3,905 *						
Furniture, fixtures and equipments	39,033	2,062	2,855 *	43,950	33,342	2,761	-	36,103	7,847
Motor vehicles	67,398	12,372	(7,139) *	81,690	49,023	6,996	(5,728)	54,084	27,606
	-	-	9,059 *				3,793 *		
	4,080,332	24,536	(10,555)	4,094,313	1,950,419	105,984	(13,792)	2,042,611	2,051,702
Leased									
Plant, machinery and equipments	-	-	-	-	-	-	-	-	-
Motor vehicles	9,059	-	(9,059) *	-	2,570	1,223	(3,793) *	-	-
	9,059	-	(9,059) *	-	2,570	1,223	(3,793) *	-	-
	4,089,391	24,536	(19,614)	4,094,313	1,952,989	107,207	(17,585)	2,042,611	2,051,702

Items	2012				2012				Written down value as at 30 June 2012
	Cost				Accumulated depreciation				
	As at 01 July 2011	Additions	Disposals/Transfers	As at 30 June 2012	As at 01 July 2011	Charge for the year	Disposals/Transfers	As at 30 June 2012	
----- (Rupees in '000) -----									
Owned									
Freehold land	160,356	-	-	160,356	-	-	-	-	160,356
Factory building on freehold land	315,932	1,681	-	317,613	225,464	4,718	-	230,182	87,431
Non-factory building on freehold land	123,922	417	-	124,339	71,894	2,760	-	74,654	49,685
Plant, machinery and equipments	3,032,516	67,254	144,622	3,244,392	1,373,954	71,242	30,531	1,475,727	1,768,665
Quarry transport equipments	122,552	4,649	-	127,201	81,448	6,043	-	87,491	39,710
Furniture, fixtures and equipments	44,497	1,480	(6,944)	39,033	38,021	2,265	(6,944)	33,342	5,691
Motor vehicles	65,057	3,973	(6,432) *	67,398	44,703	6,077	(5,789)	49,023	18,375
			4,800				4,032		
	3,864,832	79,454	136,046	4,080,332	1,835,484	93,105	21,830	1,950,419	2,129,913
Leased									
Plant, machinery and equipments	144,622	-	(144,622)	-	21,552	8,979	(30,531)	-	-
Motor vehicles	13,859	-	(4,800)	9,059	4,109	2,493	(4,032)	2,570	6,489
	158,481	-	(149,422)	9,059	25,661	11,472	(34,563)	2,570	6,489
	4,023,313	79,454	(13,376)	4,089,391	1,861,145	104,577	(12,733)	1,952,989	2,136,402

13.1 Allocation of depreciation	2013	2012
	(Rupees in '000)	
Excavation cost	21,538	20,672
Manufacturing cost	77,699	76,037
Administrative expenses	5,912	5,814
Distribution cost	2,058	2,054
	107,207	104,577

13.2 Disposals

Details of disposals of Operating assets	Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
------(Rupees in '000)-----						
Quarry Transport Equipment						
Hydraulic Excavator	12,475	11,857	618	2,658	Tender	Maqsood & Bros Godown # P33, Baloch Market Faisal Street, Back Side of Anwer Khan Baloch Graveyard, Faisalabad
Vehicles						
Toyota Altis - ARN-251	1,809	1,167	642	1,700	Claim	EFU Insurance Company Ltd.
Toyota Vitz - ASH-577	950	599	351	400	Tender	Wasim Ahmed House # 60/2, 23rd Lane, Khayaban-e-Badban, Phase-VII, DHA, Karachi
Honda City - IDL-4529	784	705	79	575	Tender	Shehzad Saqlain House # 252, Street No 8, Wapda town, sector D2, Lahore
Suzuki Baleno - IDM-7954	739	665	74	500	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
Suzuki Cultus - HC-816	595	536	59	400	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
Mitsubishi Van - IDF-2654	324	312	12	410	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
Suzuki Cultus - ANC-096	600	540	60	485	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
Suzuki Cultus - IDN-1645	555	500	55	360	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
Honda City - IDL-4530	783	704	79	400	Tender	Muhammad Yahya Khan Sadozai House # 5, Main Service Road, E-11, Islamabad
	19,614	17,585	2,029	7,888		

14. CAPITAL WORK IN PROGRESS

2013 **2012**
(Rupees in '000)

Building

Opening balance	1,092	1,137
Expenditure incurred during the year	9,010	24
Transferred to operating assets	(10,102)	(69)
	-	1,092

15. LONG TERM LOANS AND DEPOSITS

Long term deposits		4,287	5,193
Long term loan - unsecured, considered good			
- Employees - interest free	15.1	5,229	5,276
- Executives - interest free	15.1	1,010	1,029
- Sui Northern Gas Pipelines Limited	15.2	15,785	19,177
		22,024	25,482
Current portion	18	(6,581)	(6,751)
		15,443	18,731
		19,730	23,924

15.1 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.323 million (2012: Rs. 1.658 million). The loan to executives and employees are in accordance with the terms of their employment.

15.2 This represents the unsecured loan of Rs. 44.48 million given to Sui Northern Gas Pipelines Limited for laying of gas pipeline and is repayable in 10 equal yearly instalments after grace period of two years starting from 7 December 2007. This loan had been measured to its present value using prevailing market rate of mark-up at 8% per annum for a similar instrument, having similar terms and credit risk profile, at the time the loan was granted.

		2013	2012
		(Rupees in '000)	
16.	STORES AND SPARES		
	Stores	294,845	193,697
	Spares	545,908	504,465
	Stores in transit	48,305	98,643
	Provision against slow moving and obsolete spares	(15,000)	-
		874,058	796,805

16.1 During the year Company performed an aging analysis of stores and spares as a result of which certain slow moving and obsolete spares were identified against which a provision of Rs. 15 million was recognized.

17. STOCK-IN-TRADE

	Finished goods	35,338	37,025
	Work-in-process	212,319	154,007
	Raw material	36,461	15,134
	Packing material	24,448	21,333
		308,566	227,499

18. LOANS, ADVANCES, DEPOSITS PREPAYMENTS AND ACCRUED MARK-UP

	Current portion of long term loans and deposits-unsecured, considered good	15	6,581	6,751
	Advances to Suppliers and contractors - unsecured, considered good		9,308	2,309
	Margin against bank guarantee	18.1	11,000	11,000
	Income Tax payments less provisions		7,247	-
	Advance sales tax		-	31,010
	Deposits		60	9
	Prepayments		7,114	4,407
	Accrued mark-up		150	22
			41,460	55,508

18.1 This represents Rs. 11 million (2012: Rs. 11 million) margin given to Silkbank Limited against the bank guarantee of Rs. 110 million (2012: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

19. CASH AND BANK BALANCES	2013 (Rupees in '000)	2012
In hand	1,448	631
With banks in current accounts	46,933	41,174
	<u>48,381</u>	<u>41,805</u>
20. SALES - net		
Sales - Local	3,766,453	3,398,377
- Export	1,532,323	1,634,564
	<u>5,298,776</u>	<u>5,032,941</u>
Less:		
- Excise duty	190,204	227,760
- Sales tax	526,139	469,693
- Export rebate	(5,631)	(7,146)
	<u>710,712</u>	<u>690,307</u>
	<u>4,588,064</u>	<u>4,342,634</u>
21. COST OF SALES		
Raw and packing material consumed:		
- Opening stock	36,467	48,539
- Purchases	344,507	369,413
- Excavation cost	21.1 261,952	255,858
	<u>642,926</u>	<u>673,810</u>
Closing stock	(60,910)	(36,467)
	<u>582,016</u>	<u>637,343</u>
Fuel and power	2,281,917	2,437,912
Stores and spares consumed	122,375	72,774
Salaries, wages and benefits	21.2 233,347	207,986
Insurance	26,138	26,508
Repairs and maintenance	2,831	4,569
Depreciation	13.1 77,699	76,037
Other manufacturing overheads	48,816	43,732
Provision against slow moving and obsolete spares	15,000	-
	<u>3,390,139</u>	<u>3,506,861</u>
Opening work-in-process	154,007	28,926
Closing work-in-process	(212,319)	(154,007)
Cost of goods manufactured	<u>3,331,827</u>	<u>3,381,780</u>
Opening finished goods	37,025	32,217
Closing finished goods	(35,338)	(37,025)
	<u>3,333,514</u>	<u>3,376,972</u>

21.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 16.265 million (2012: Rs. 15.46 million) and Rs. 0.497 million (2012: Rs. 0.45 million) respectively.

21.2 This includes Company's contribution to provident fund amounting to Rs. 6.692 million (2012: Rs. 5.854 million).

22. ADMINISTRATIVE EXPENSES		2013	2012
		(Rupees in '000)	
Salaries, wages and benefits	22.1	83,559	74,995
Travelling and conveyance		4,094	3,415
Vehicles running expenses		8,262	7,687
Communications		3,742	3,190
Printing and stationery		1,058	920
Rent, rates and taxes		9,410	8,841
Utilities		9,749	9,545
Repairs and maintenance		1,847	1,602
Legal and professional charges		3,477	2,224
Auditors' remuneration	22.2	711	708
Donations	22.3	2,760	2,534
Depreciation	13.1	5,912	5,814
Miscellaneous		8,451	5,872
		143,032	127,347

22.1 This includes Company's contribution to provident fund amounting to Rs. 2.876 million (2012: Rs. 2.53 million).

22.2 Auditors' remuneration

Audit fee	500	500
Half yearly review	75	75
Other services	60	60
Out of pocket expenses	76	73
	711	708

22.3 None of the directors or their spouses have any interest in the donee funds.

23. DISTRIBUTION COST

Salaries, wages and benefits	23.1	25,180	24,907
Commission		168,435	202,980
Export expenses		15,977	75,214
Travelling and conveyance		62	120
Vehicles running expenses		2,665	3,304
Communications		808	928
Rent, rates and taxes		1,695	1,566
Repairs and maintenance		1,457	1,264
Advertisement		2,721	2,541
Marking fee		4,619	4,390
Depreciation	13.1	2,058	2,054
Miscellaneous		4,900	2,705
		230,577	321,972

23.1 This includes Company's contribution to provident fund amounting to Rs. 0.788 million (2012: Rs. 0.962 million).

24. FINANCE COST	2013 (Rupees in '000)	2012
Mark-up on:		
- Long term loans	46,454	86,705
- Lease finance	310	2,160
- Running finance	92,571	105,018
Exchange gain	-	(349)
Legal documentation fee	47	510
Bank commission and charges	3,919	3,884
Loss / (gain) on derivative financial instrument	24.1 27	7,779
	<u>143,328</u>	<u>205,707</u>
24.1 Movement in the fair value of cross currency swap	(47,233)	(29,575)
Settled during the year - unfavourable	47,260	37,354
	<u>27</u>	<u>7,779</u>
25. OTHER INCOME		
Mark-up on bank deposits	2,185	1,102
Mark-up on long term advance	462	197
Accretion of discount	1,056	1,245
Gain on sale of operating assets	5,859	3,290
Scrap sales	10,779	1,926
Miscellaneous	337	113
	<u>20,678</u>	<u>7,873</u>
26. WORKERS' FUNDS		
Workers' profit participation fund	37,915	15,925
Workers' welfare fund	14,408	6,052
	<u>52,323</u>	<u>21,977</u>
27. TAXATION		
Relationship between income tax expense and accounting profit before taxation	<u>705,968</u>	<u>296,532</u>
Tax at the applicable rate of 35% (2012: 35%)	247,089	103,786
Net tax effect of items taxed at different rate	(111,195)	(53,672)
Tax effect of inadmissible expenses	966	887
Tax effect of assessed loss	(14,042)	(101,198)
Net tax charge for the year	<u>122,818</u>	<u>(50,197)</u>

The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2012.

	2013 (Rupees in '000)	2012 (Rupees in '000)
28. EARNINGS PER SHARE - Basic and Diluted		
Earning after taxation	<u>583,150</u>	<u>346,729</u>
	(Number in '000)	
Weighted average number of ordinary shares	<u>50,160</u>	<u>50,160</u>
	(Rupees)	
Earnings per share	<u>11.63</u>	<u>6.91</u>

29. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segment.

- Revenue from sale of cement represents 100% (2012 : 100%) of the total revenue of the company.
- 71% (2012: 68%) gross sales of the Company relates to customers in Pakistan.
- All non-current assets of the Company at 30 June 2013 are located in Pakistan.
- The Company does not have any customer having sales of 10% or more during the year ended 30 June 2013.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	5,274	5,274	75,784	5,274	5,274	66,555
Bonus	908	908	8,270	605	605	5,411
Retirement benefits	-	-	4,941	-	-	4,402
Reimbursable perquisites	726	726	4,482	726	726	4,050
Meeting fee	-	85	-	-	55	-
	<u>6,908</u>	<u>6,993</u>	<u>93,477</u>	<u>6,605</u>	<u>6,660</u>	<u>80,418</u>
	----- (Number) -----					
Number of directors & executives	<u>1</u>	<u>1</u>	<u>41</u>	<u>1</u>	<u>1</u>	<u>38</u>
Number of non-executive directors	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>

The Chief Executive, Director and certain Executives are provided with the use of Company cars and the operating expenses are borne by the Company to the extent of their entitlement.

Executives are employees whose basic salaries exceeds Rs. 500,000 in a financial year.

31. TRANSACTIONS / BALANCES WITH RELATED PARTIES

The related parties comprise of group companies (associated companies), directors, and their close family members, staff provident fund, executives and major shareholders of the Company. Remuneration and benefits to executives of the Company are in accordance with the terms of their employment while contribution to the provident fund is in accordance with the staff service rule. Transactions during the period alongwith balances with related parties other than those disclosed elsewhere in the financial statements were as follows:

	2013 (Rupees in '000)	2012
Associated company (Frontier Paper Products (Private) Ltd.)		
Balance as on 1 July 2012	54,479	36,252
Purchases	155,277	142,730
Payment during the year	(183,286)	(124,503)
Balance as on 30 June 2013	<u>26,470</u>	<u>54,479</u>
Key Management Perosnnel:		
Disbursement of advances to key management personnel	625	170
Repayment of advances by key management personnel	825	891
Outstanding loans to key management personnel as on 30 June 2013	1,010	1,029
Others (Provident Fund)		
Payable to provident fund	1,168	815

32. PROVIDENT FUND RELATED DISCLOSURE

The Company operates approved funded contributory provident funds for both its management and non-management employees. Details of net assets and investments of these funds as per the unaudited accounts as at 30 June 2013 are as follows:

Size of the fund - Net assets	220,073	199,179
Cost of the investment made	208,237	176,046
Percentage of the investment made	95%	88%
Fair value of the investment made	208,237	176,046

The break up of fair value of the investment is :

	2013		2012	
	Amount	%	Amount	%
Bank balances	12,762	6	12,030	7
Government securities	-	0	20,000	11
Term deposit receipts	177,483	85	126,300	72
Mutual funds	17,992	9	17,716	10
	<u>208,237</u>		<u>176,046</u>	

The management, based on the un-audited financial statements of the funds, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
	(Tons)	
33. CAPACITY, PRODUCTION (CLINKER) AND NUMBER OF EMPLOYEES		
Rated Capacity	780,000	780,000
Actual Production	689,937	785,345

The capacity utilization of the company during the current year remained under utilized due to market situation. The average number of employees for the year ended June 30, 2013 were 884 (2012: 879).

34. FINANCIAL INSTRUMENTS

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

34.1 Credit risk

Credit risk is the 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 the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness.

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

	2013		2012	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	----- (Rupees in '000) -----			
Trade debts	15,125	15,125	25,734	25,734
Loans, advances, deposits and accrued mark-up	61,190	37,461	79,432	41,697
Cash and bank balances	48,381	46,933	41,805	41,174
	<u>124,696</u>	<u>99,519</u>	<u>146,971</u>	<u>108,605</u>

34.1.1 The maximum exposure to credit risk on trade debts at the balance sheet date is in Pakistan only.

34.1.2 The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

Dealer / distributor	15,082	25,701
End-user customers	43	33

34.1.3 Impairment losses

The aging of trade debtors at the balance sheet date was:

	<u>2013</u>		<u>2012</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
------(Rupees in '000)-----				
Not past due	-	-	-	-
Past due 1-60 days	7,809	-	9,811	-
Past due 61 days -1 year	1,447	-	11,188	-
More than one year	5,869	-	4,735	-
	<u>15,125</u>	<u>-</u>	<u>25,734</u>	<u>-</u>

34.1.4 Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due upto one year do not require any impairment. None of the other financial assets are either past due or impaired.

34.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing 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. The following are the contractual maturities of financial liabilities, including interest payments:

	2013					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	------(Rupees in '000)-----					
Non-Derivative						
Financial liabilities						
Long term financing	250,000	288,858	77,838	74,325	136,695	-
Short-term running finance	463,847	509,443	-	509,443	-	-
Trade and other payables	485,702	485,702	475,120	-	-	10,582
Derivatives						
Cross currency Swap	-	-	-	-	-	-
	<u>1,199,549</u>	<u>1,284,003</u>	<u>552,958</u>	<u>583,768</u>	<u>136,695</u>	<u>10,582</u>
	2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	------(Rupees in '000)-----					
Non-Derivative						
Financial liabilities						
Long term financing	450,000	563,782	134,710	128,031	301,041	-
Liabilities against assets subject to finance lease	6,580	7,682	1,355	1,355	4,972	-
Short-term running finance	695,072	719,510	719,510	-	-	-
Trade and other payables	674,088	674,088	662,873	-	-	11,214
Derivatives						
Cross currency Swap	47,233	47,233	47,233	-	-	-
	<u>1,872,973</u>	<u>2,012,295</u>	<u>1,565,681</u>	<u>129,386</u>	<u>306,013</u>	<u>11,214</u>

34.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 6, 7 and 9 to these financial statements.

34.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

34.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and term deposits with banks. At the balance sheet date the interest rate profile of the Company’s interest-bearing financial instruments was as follows:

	Carrying amount	
	2013	2012
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	15,785	19,177
Financial liabilities	-	-
	<u>15,785</u>	<u>19,177</u>
Variable rate instruments		
Financial assets	-	-
Financial liabilities	713,847	1,151,652
	<u>713,847</u>	<u>1,151,652</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for current and last year.

	Profit and loss	Equity
	(Rupees in '000)	
As at 30 June 2013		
Cash flow sensitivity - Variable rate instruments	<u>7,138</u>	<u>7,138</u>
As at 30 June 2012		
Cash flow sensitivity - Variable rate instruments	<u>11,517</u>	<u>11,517</u>

34.4 Fair value of financial assets and liabilities

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

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	2013 (Rupees in '000)	2012
Balance as at 1 July 2012	47,233	76,807
Settled during the year - unfavourable	(47,260)	(37,354)
Loss / (gain) on derivative financial instrument	27	7,779
Balance as at 30 June 2013	<u>-</u>	<u>47,232</u>

34.5 Capital risk management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary share holders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not required to maintain any regulatory capital.

35. CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	(Rupees in '000)
Long term loans and deposits	Loans, advances, deposits, prepayments and accrued mark-up	11,000

36. GENERAL

36.1 The Board of Directors in its meeting held on September 26, 2013 has proposed a final Cash Dividend of 15% (2012: 10%) for approval of the members of the company in forthcoming Annual General Meeting. The Financial Statements for the year ended June 30, 2013 do not include the effect of the proposed Cash dividend which will be accounted for in the Financial Statement for the year ending June 30, 2014.

36.2 These financial statements were authorised for issue in the Board of Directors meeting held on Septemebr 26, 2013.


(MOHAMMED YASIN FECTO)
Chief Executive


(ROHAIL AJMAL)
Director

FORM OF PROXY

I/We _____

of _____

being a member of FECTO CEMENT LIMITED hereby appoint _____

_____ **(NAME)** _____

of _____

who is also a member of the Company vide Registration Folio Number _____ as my/our proxy in my/our absence to vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Monday, October 28, 2013 at 12.00 Noon at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Member's Signature

On Rupee Five
Revenue Stamp

Folio No. _____

Shares held (Nos.) _____

Place _____ Date _____

Witness: _____
Signature

Name: _____

Address : _____

Note:

1. Proxies in order to be effective be received at the Company's Registered Office (35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi) no less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
2. Member's signature must agree with the specimen signature registered with the Company.

