



ANNUAL REPORT
June 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr. Mohammed Asad Fecto

CHIEF EXECUTIVE

Mr. Mohammed Yasin Fecto

DIRECTORS

Mrs. Zubeda Bai
 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 Asad Fecto
Members: Mr. Safdar Abbas Morawala
 Mr. Mohammed Anwar Habib

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.pectogroup.com>

FACTORY

Sangjani, Islamabad

MARKETING OFFICE

2nd Floor, Majeed Plaza
 Bank Road, Saddar
 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 31st Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shakra-e-Faisal, Karachi on Thursday, October 25, 2012 at 5.00 p.m. to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2012 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of final cash dividend @ 10% (Re. 1.00 per share) for the financial year ended June 30, 2012 as recommended by the Board of Directors.
3. To appoint auditors for the year ending June 30, 2013 and to fix their remuneration. Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants 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, 2013. The Board of Directors of the Company has also endorsed the recommendations of the Audit Committee.
4. To elect eight (8) directors as fixed by the Board of Directors of the Company in accordance with the provisions of Section 178 (1) of the Companies Ordinance, 1984 for the next three years term commencing November 01, 2012.

Names of retiring directors are as follows:

Mrs. Zubeda Bai	Mr. Mohammed Yasin Fecto
Mr. Mohammed Asad Fecto	Mr. Muhammad Anwar Habib
Mr. Safdar Abbas Morawala	Mr. Aamir Ghani
Mr. Ijaz Ali	Mr. Altaf A Hussain

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

By Order of the Board



(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 27, 2012

Notes:

1. The Share Transfer Book of the Company will remain closed from Thursday, October 18, 2012 to Thursday, October 25, 2012 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Wednesday, October 17, 2012 will be considered in time for the entitlement of transferee.
2. Any member of the Company who seeks to contest the election of the office of the director shall file with the Company at its registered office not later than fourteen days before the date of above said meeting his/her intention to offer himself/herself for the election of office of the director in term of Section 178(3) of the Companies Ordinance 1984 together with consent in form 28 and declaration as required by the Code of Corporate Governance (CCG) of listing regulations of stock exchanges where the Company is listed.
3. 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 Computerized National Identity Card or passport to prove his/her identity.
4. Members are requested to notify any change in their address immediately.
5. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws.
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.

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, 2012.

OVERVIEW

During the year under review overall dispatches of cement industry witnessed growth of 3.46% with total sales volume of 32.52 million tons as against the total sales volume of 31.43 million tons of last year. Local sales volume of the industry increased by 8.86% with dispatches of 23.95 million tons as against the sales volume of 22.00 million tons of last year whereas exports of the industry witnessed negative growth of 9.12% with sales volume of 8.57 million tons as against the exports sales volume of 9.43 million tons of last year. As against the overall growth of 8.86% in local sales volume and negative growth of 9.12% of exports, plants located in northern part of the country witnessed growth of 8.07% and negative growth of 6.31% in local and exports sales volume respectively. Main reason for the increase in local demand was due to rehabilitation activities in the areas affected by last year's flood. Exports by sea continuously reduced during the year under review in line with last two years, however, exports to Afghanistan continued with the same pace with improved prices whereas exports to India also picked up momentum after renewal of licenses of Pakistani cement manufactures by the Indian Bureau of Standards.

OPERATING PERFORMANCE

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

	2012	2011	CHANGE IN
	TONS		%
Production			
Clinker	785,345	718,322	9.33
Cement	791,937	757,424	4.56
Dispatches			
Local	455,521	463,845	(1.79)
Export	337,076	292,984	15.05
Total	<u>792,597</u>	<u>756,829</u>	4.73

Production of clinker and cement of the Company increased by 9.33% and 4.56% respectively, plant achieved capacity utilization of 96.70% which is one of the highest in the industry.

Local sales volume of the Company during the year under review witnessed a nominal negative growth of 1.79% as against the positive growth of the industry, but that was mitigated with handsome growth in exports of the Company by 15.05% as against the negative growth witnessed by the cement industry as a whole.

FINANCIAL PERFORMANCE

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

	Rupees in 000	
	2012	2011
Net sale	4,342,634	3,304,272
Cost of sales	3,376,972	2,698,348
Gross Profit	965,662	605,924
Profit before taxation	296,532	91,960
Profit after taxation	346,729	65,433
Earning Per Share(Rupees)	6.91	1.3

During the year under review, overall sale revenue of the Company increased by 31.42% as compared to last year. This increase was a combination of volume which was increased by 4.73% whereas remaining 26.69% was achieved due to improved prices. Net local sales revenue of the Company increased by 28.75% whereas export sales was increased by 35.49%, however, after adjustment of commission paid to export dealers export sales increased by 27.59%. Prices remained better during the year as compared to last year mainly because of increase in prices of all input cost.

Cost of sales of the Company during the year under review was increased by 25.15% due to increase in production volume of cement by 4.56% and escalation in prices of input cost material resulting increase in cost per ton of cement by 19.70%. Fuel and power cost comprising coal and electricity, major components of cost of production increased by 34.33% due to increase in prices of coal in international market coupled with increase in power tariff. Excavation cost, other raw material and packing material cost also increased due to frequent increase in diesel prices by OGRA.

Gross profit of the Company was increased to 22.24% of net sales as against the 18.34% of last year whereas gross profit increased by 59.37% as compared to last year.

Overall distribution cost remained almost same, however, commission expenses and export expenses increased in line with increased export sales volume. Administrative expenses remained same as compared to last year.

Finance cost of the Company increased to Rs. 205.71 million as against Rs.149.68 million of last year mainly because of increase in finance cost of long term financing, increased utilization of running finance and loss of Rs. 7.78 million on cross currency swap as against the gain of Rs. 20.04 million of last year due to depreciation of Pak Rupee against US\$.

The Company earned profit before taxation of Rs. 296.53 million as against profit before taxation of Rs. 91.96 million of last year.

Earning per share (EPS) of your Company for the year under review was Rs. 6.91 per share as against the earning per share of Rs. 1.30 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 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 which is expected to be utilized by the Government due to up coming elections. Better support price for different agriculture crops by the Government increasing the income of farmer community coupled with increased remittances by the overseas Pakistanies are also expected to increase cement demand in local market. The present momentum of exports to Afghanistan and India is expected to continue this year as well which will continue providing opportunity to the industry to operate on optimal capacity.

Prices of coal in international market have witnessed downward trend in last quarter of year under review, whereas interest rates have been also reduced by the SBP which will ease some cost pressure, however, availability of energy at affordable and competitive rates is critical for the smooth operation of the industry.

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 including the requirements of revised Code of Corporate Governance 2012 issued on April 10, 2012 where ever applicable.

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, 2011 was Rs. 115.00 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 four (4) meetings of the Board of Directors were held. Attendance by each Director is given below:

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

Directors who could not attend the meeting due to illness or some other engagements were granted Leave of absence. During the year one casual vacancy occurred in the Board which, was duly filled in by the Board and all required formalities duly complied with.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

Board of Directors of your Company had already establish Audit Committee in compliance with the CCG 2002 comprising three members, two of whom are independent director whereas Chairman of the Committee is a working director. Composition of the Committee will be made in line with requirements of CCG 2012 after next election of directors. 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. Mohammed Asad Fecto	3
Mr. Safdar Abbass Morawala	4
Mr. Mohammad Anwar Habib	4

HUMAN RESOURCE AND REMUNEARTION COMMITTE

In compliance with the requirements of CCG 2012, The Board of Directors has established this Committee during the year under review comprising three members two of whom are independent directors whereas chairman of the Committee is a working 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. Mohammad 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 your company will take the requisite steps to comply with the requirements of this clause as per the time specified in the CCG, however, your directors are 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.

CORPORATE SOCIAL RESPONSIBILITY

Your Company being a responsible corporate citizen has been 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. Following are few of the highlights of the activities undertaken by the company during the year under review in this direction:

Energy Conservation

- ¥ The areas where energy conservation can be achieved are identified.
- ¥ Pneumatic transport has been changed with rubber belt bucket elevator.
- ¥ Rotary blade air compressor replaced with screw type.
- ¥ Efficient energy saving lights fixtures installed.
- ¥ Plant power management plan introduced to switch off some major equipment in evening to reduce power available at higher rate.
- ¥ Fixed speed fans replaced with variable speed fans.

Environment Protection Measures

- ¥ The plant is equipped with state of art PTFE lined membrane bag filters. The emission level of less than 50 mg/Nm³ is achieved against the NEQS level of 300 mg/Nm³.
- ¥ Waste heat is being used to generate electric power. 35% of plant power requirement is covered through green energy.
- ¥ Every year several hundred trees and shrubs are being planted within plant.
- ¥ Quarry area which has been abandoned is being rehabilitated with plantation.

Community Development and Welfare Schemes

- ¥ Financed the expansion of a school in nearby village.
- ¥ Continuous repair and maintenance of two schools (one boy's and one girl's) in same village.
- ¥ Allocation of a portion of land for use as approach road to village Jori to and from G. T. Road.
- ¥ Provided carpeting in mosques in the same village.
- ¥ Drinking water supply to the village. A second water supply scheme is under implementation.
- ¥ Donated cement bags to the environment division of CDA to construct a small dam in the Union Council area.
- ¥ Planted about 50,000 sapling in the Margalla hills as its contribution towards better environment.
- ¥ In addition to the above, many locals have been employed in FECTO Cement limited.

Special Persons

At present company have in its employment three special persons.

Contribution to National Exchequer

Your company contributed around Rs. 697.45 million in national exchequers as sales tax, and Federal excise duty of Rs. 776.36 million of last year. Company also brought in foreign exchange of around US\$ 18 million in the country by exporting cement and made contribution to national exchequer on account of income tax and 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, 2013 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, 2012 required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed.

APPROPRIATION

The Board of Directors has proposed payment of final cash dividend @ 10% (Re. 1.00 per share) for the financial year ended June 30, 2012. The appropriation approved by the Board is as follows:

	Rupees in 000
Profit after taxation	346,729
Un appropriated profit brought forward	477,735
Available for appropriation	<u>824,464</u>
Subsequent effects	
Proposed dividend for the year ended June 30, 2012 @10% (Re.1.00 per share)	50,160
Transfer to General Reserve	500,000
	<u>550,160</u>
Un appropriated profit carried forward	<u><u>274,304</u></u>


ELECTION OF DIRECTORS

Term of existing Board is going to be completed on October 31, 2012 and accordingly election of directors will be held in ensuing Annual General Meeting scheduled to be held on October 25, 2012 for the next term. The Board has fixed the number of elected directors as Eight (8).

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 ASAD FECTO
 CHAIRMAN

Karachi: September 27, 2012

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2012

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
210	1	100	4,473
353	101	500	82,017
771	501	1000	456,186
404	1001	5000	883,386
86	5001	10000	646,986
33	10001	15000	404,306
20	15001	20000	363,769
10	20001	25000	240,650
3	25001	30000	83,509
5	30001	35000	163,790
4	35001	40000	147,081
3	40001	45000	125,024
5	45001	50000	241,226
3	55001	60000	172,932
3	65001	70000	203,445
1	80001	85000	82,555
2	85001	90000	175,530
1	90001	95000	91,300
1	95001	100000	97,350
1	115001	120000	118,183
1	135001	140000	139,700
1	145001	150000	149,600
1	150001	155000	154,000
1	155001	160000	155,100
1	160001	165000	164,450
1	170001	175000	171,600
1	175001	180000	178,585
1	200001	205000	200,500
1	250001	255000	250,800
2	270001	275000	549,670
2	275001	280000	551,870
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
2	710001	715000	1,426,150
1	880001	885000	880,337
1	1095001	1100000	1,099,230
1	1280001	1285000	1,283,714
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	3495001	3500000	3,500,000
1	8370001	8375000	8,371,146
1	10150001	10155000	10,153,036
1,964			50,160,000

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2012

Categories of Shareholders	Number of Shareholders	Number of Shares held
Associated companies, undertakings and related parties	-	-
NIT and ICP	5	1,776,321
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. Ejaz Ali	1	2,750
Mr. Aamir Ghani	1	2,750
Mr. Mohammad Anwar Habib	1	2,750
Banks, Development Financial Institutions, Non Banking Finance Companies, Insurance Companies, Modarabas and Pension Funds	12	4,635,387
Others	24	371,214
General public.	1,915	24,833,646
Total	1,964	50,160,000

Shareholders holding 5% or more voting interest	
Mr. Mohammed Yasin Fecto	10,153,036
Mr. Mohammed Asad Fecto	8,371,146
M/s. Saudi Pak Industrial and Agricultural Investment Company Ltd.	3,500,000
There were no trading in shares by any Director, CEO, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouse and minor children during the year.	

SIX YEARS KEY OPERATING AND FINANCIAL DATA

Year ended June 30	2012	2011	2010	2009	2008	2007
PRODUCTION SUMMARY			(Tonnes)			
Clinker production	785,345	718,322	772,940	740,330	763,478	729,599
Cement production	791,937	757,424	841,904	764,119	790,518	750,400
Cement despatches	792,597	756,829	841,822	763,468	792,506	741,727
(Rupees in thousand unless stated otherwise)						
PROFIT & LOSS SUMMARY						
Turnover (net)	4,342,634	3,304,272	2,902,684	3,455,706	2,409,364	2,226,545
Gross profit	965,662	605,924	152,731	913,403	279,548	234,524
Profit/ (loss) before taxation	296,532	91,960	(291,434)	396,289	(118,435)	29,104
BALANCE SHEET SUMMARY						
Paid up capital	501,600	501,600	501,600	456,000	456,000	456,000
Reserve	50,000	50,000	50,000	50,000	50,000	50,000
Accumulated profit	824,464	477,735	412,302	666,160	351,810	433,753
Long term loans and lease finance	254,648	456,418	684,048	292,074	394,018	489,604
Deferred liabilities	25,809	119,406	138,560	196,252	180,335	220,287
Operating assets	2,136,402	2,162,168	1,316,405	1,339,752	1,151,827	953,943
MISCELLANEOUS						
Contribution to national exchequer	697,453	776,363	759,579	991,662	943,407	956,726
Earnings / (loss) per share (Rs.)	6.91	1.30	(4.15)	6.27	(1.80)	0.42
Break up value per share (Rs.)	27.43	20.52	19.26	25.7	18.81	20.61
Current ratio	01:1.45	01:1.66	01:1.42	01:0.9	01:0.8	01:0.5
Debt/equity ratio	16:84	31:69	42:58	20:80	31:69	34:66
Dividend declared	**10%	-	-	*10%	-	-

* 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, 2012

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, Aamir Ghani, Altaf A Hussain and Mohammed Anwar Habib
Executive Directors	Mohammed Yasin Fecto and Mohammed Asad Fecto
Non-Executive Directors	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 10 listed companies including this company. Compliance of clause II of CCG 2012 requiring that a person shall not be elected or nominated as a director of more than seven listed companies will be made at the time of election of directors for the next three years term.
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. A casual vacancy occurring on the board on September 06, 2011 was filled up by the directors within 14 days.
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. More ever, 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 and rest of the directors to be trained within specified time.
10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit after the CCG 2012 became effective. 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 three members, of whom two are non-executive directors. The Chairman of the Committee is an Executive Director. The condition of clause XXIV of the CCG in relation to composition of audit committee will be complied with at the time of election of next board of directors of the company.
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 exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the CCG have been complied with.

On behalf of the Board



MOHAMMED ASAD FECTO
CHAIRMAN

Karachi: September 27, 2012

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 **Fecto Cement Limited** ("the Company") to comply with the Listing Regulations of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 transaction 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 2012.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.

Chartered Accountants

Mazhar Saleem

Date: September 27, 2012
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fecto Cement Limited ("the Company") as at 30 June 2012 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 2012 and of the profit, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Date: September 27, 2012
Karachi

BALANCE SHEET

	Note	2012 (Rupees in '000)	2011
SHARE CAPITAL			
Authorised			
75,000,000 (2011: 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 (2011: 50,160,000) ordinary shares of Rs. 10/- each	5	501,600	501,600
GENERAL RESERVE		50,000	50,000
ACCUMULATED PROFIT		<u>824,464</u> 1,376,064	<u>477,735</u> 1,029,335
NON-CURRENT LIABILITIES			
Long term financing	6	250,000	450,000
Liabilities against assets subject to finance lease	7	4,648	6,418
Deferred taxation	8	25,809	119,406
		280,457	575,824
CURRENT LIABILITIES			
Short term borrowings	9	695,072	628,964
Current maturity of long term liabilities	10	201,932	235,725
Trade and other payables	11	755,244	638,250
		1,652,248	1,502,939
CONTINGENCIES AND COMMITMENTS	12		
		<u>3,308,769</u>	<u>3,108,098</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

AS AT 30 JUNE 2012

	Note	2012 (Rupees in '000)	2011
PROPERTY, PLANT AND EQUIPMENTS			
Operating assets	13	2,136,402	2,162,168
Capital work in progress	14	1,092	1,137
		2,137,494	2,163,305
LONG TERM LOANS AND DEPOSITS			
	15	34,924	39,210
CURRENT ASSETS			
Stores and spares	16	796,805	719,342
Stock-in-trade	17	227,499	109,682
Trade debts - considered good		25,734	18,712
Loans, advances, deposits, prepayments and accrued mark-up	18	44,508	33,664
Cash and bank balances	19	41,805	24,183
		1,136,351	905,583
		3,308,769	3,108,098

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


(MOHAMMED ASAD FECTO)
 Director


(ROHAIL AJMAL)
 Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 (Rupees in '000)	2011
Sales - net	20	4,342,634	3,304,272
Cost of sales	21	(3,376,972)	(2,698,348)
Gross profit		965,662	605,924
Administrative expenses	22	(127,347)	(128,492)
Distribution cost	23	(321,972)	(242,034)
Finance cost	24	(205,707)	(149,681)
Other income	25	7,873	13,059
		(647,153)	(507,148)
		318,509	98,776
Workers' funds	26	(21,977)	(6,816)
Profit before taxation		296,532	91,960
Provision for taxation	27		
- Current		(43,401)	(34,620)
- Prior		-	(11,061)
- Deferred		93,598	19,154
		50,197	(26,527)
Profit after taxation		346,729	65,433
Earnings per share - basic & diluted	28	6.91	1.30

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

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(MOHAMMED ASAD FECTO)
Director


(ROHAIL AJMAL)
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	(Rupees in '000)	
Net profit after taxation	346,729	65,433
Other comprehensive income	-	-
Total comprehensive income for the year	<u>346,729</u>	<u>65,433</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


(MOHAMMED ASAD FECTO)
Director


(ROHAIL AJMAL)
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	(Rupees in '000)	
Cash flows from operating activities		
Profit before taxation	296,532	91,960
Adjustments for:		
- Depreciation	104,577	87,266
- Gain on disposal of operating assets	(3,290)	(226)
- Finance cost	205,707	149,681
Operating profit before working capital changes	603,526	328,681
Increase in stores and spares	(77,463)	(47,794)
Increase in stock-in-trade	(117,817)	(964)
Increase in trade debts	(7,022)	(7,820)
(Increase) / decrease in loans, advances, deposits, prepayments and accrued mark-up	(10,844)	20,058
Increase / (decrease) in trade and other payables	151,034	(7,056)
Cash generated from operations	541,414	285,105
Income tax paid / deducted at source	(41,828)	29,980
Long term loans and deposits	4,286	18,689
Net cash generated from operating activities	503,872	333,774
Cash flows from investing activities		
Fixed capital expenditure	(79,409)	(126,349)
Sale proceeds of operating assets	3,933	637
Net cash used in investing activities	(75,476)	(125,712)
Cash flows from financing activities		
Repayment of long term financing	(200,000)	(75,000)
Finance cost paid	(241,309)	(206,074)
Disbursement of lease finance	-	9,059
Repayment of lease finance	(35,563)	(33,907)
Dividend paid	(10)	(1)
Net cash used in financing activities	(476,882)	(305,923)
Net decrease in cash and cash equivalents	(48,486)	(97,861)
Cash and cash equivalents as at 01 July	(604,781)	(506,920)
Cash and cash equivalents as at 30 June	(653,267)	(604,781)
Cash and cash equivalent:		
Cash and bank balances	41,805	24,183
Short term running finance	(695,072)	(628,964)
	653,267	(604,781)

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


(MOHAMMED ASAD FECTO)
 Director


(ROHAIL AJMAL)
 Director

STATEMENT CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	General reserve	Accumulated profit	Total
	----- (Rupees in '000) -----			
Balance as at 30 June 2010	501,600	50,000	412,302	963,902
Total comprehensive income for the year				
Profit for the year ended 30 June 2011	-	-	65,433	65,433
Balance as at 30 June 2011	<u>501,600</u>	<u>50,000</u>	<u>477,735</u>	<u>1,029,335</u>
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><u>501,600</u></u>	<u><u>50,000</u></u>	<u><u>824,464</u></u>	<u><u>1,376,064</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


(MOHAMMED ASAD FECTO)
Director


(ROHAIL AJMAL)
Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2012

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, Shakra-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, except for the derivative financial instruments which are stated at the fair value.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

New / revised accounting standards, amendments to published accounting standards, and interpretations that are 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 2012:

- Amendments to IAS 12 — deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.
- 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.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. 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 five standards, with consequential amendments to other standards and interpretations:
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period — which is the preceding period — is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
 - 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.
 - 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.
- 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.

3.3 Functional and presentation currency

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 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 and estimates with a significant risk of material adjustments in the future years 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.

3.4.5 Fair value of derivatives financial instrument

The management reviews the changes in fair values of cross currency swap at each reporting date based on the valuations received from the contracting bank. These valuations represent estimated fluctuations in the relevant currencies and interest rate over the reporting period.

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 income 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 income applying the straight line method at the rate specified below:

Items	Useful lives (Years)	Residual Values (% of cost)
Factory building	22.5 - 23.5	0
Non-factory building	23.5	0
Plant, machinery and equipments	9 - 23.5	5
Quarry transport equipments	0 - 10	5
Furniture, fixtures and equipments	0 - 10	0 - 5
Motor vehicles	0 - 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 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

2012 (Number of shares)	2011		2012 (Rupees in '000)	2011
Authorised				
<u>75,000,000</u>	<u>75,000,000</u>	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	50,000
Saudi Pak Syndicate	6.2 & 6.3	50,000	100,000
Diminishing musharaka	6.4	375,000	500,000
		<u>450,000</u>	<u>650,000</u>
Less: Current Maturity	10	<u>200,000</u>	<u>200,000</u>
		<u>250,000</u>	<u>450,000</u>

6.1 This represents finance facility of Rs. 150 million (2011: Rs. 150 million) obtained from Standard Chartered Bank (Pakistan) Limited. The amount is payable in 12 equal semi annual instalments commenced from 24 July 2007. The facility carries mark-up @ 3 months KIBOR plus 2.75% with a floor of 6.5% and will

be set on the first day of each quarter. The loan is 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 (2011: Rs. 300 million) obtained from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited and NIB Bank Limited (formerly PICIC Commercial Bank Limited). The amount is payable in 12 equal semi annual instalments commenced from 31 December 2007. The facility carries mark-up @ 6 months KIBOR plus 2.5% and will be set on the first day of each quarter. The loan is 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 has entered into cross currency interest rate swaps against these long term finances for a notional amount of Rs. 437.5 million (2011: Rs. 437.5 million), maturing upto 28 June 2013. Under the swap arrangement the principal payable amount of Rs. 437.500 million is swapped with US \$ at Rs. 60.59 per US \$ making the loan amount to US \$ 7.22 million (2011: US \$ 7.22 million). Besides the swap of the principal amount to US\$, the Company would receive 6 months KIBOR rates in local currency and pay 8.6% fixed in US\$ as per the arrangements, which will be settled semi annually. As at the balance sheet date, the net fair value of these interest rates and cross currency swaps was Rs. 47.233 million unfavourable (2011: Rs. 76.807 million unfavourable). This change in fair value after adjustment of settled amount has been recognised in profit and loss account. These swap arrangements have exposed the Company to foreign currency exchange rate fluctuation risk on the US \$ value converted at the agreement date while interest rate variability risk due to change in KIBOR rates has been covered.
- 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. Principal 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

		2012 (Rupees in '000)	2011 (Rupees in '000)
Opening balance		42,143	66,991
Lease during the year		-	9,059
Repayments during the year		<u>(35,563)</u>	<u>(33,907)</u>
		6,580	42,143
Current maturity	10	<u>(1,932)</u>	<u>(35,725)</u>
		4,648	6,418

Lease payments due are as under:

	2012			2011		
	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	35,725	2,038	37,763
Later than one year but not later than five years	<u>4,648</u>	<u>323</u>	<u>4,971</u>	<u>6,418</u>	<u>1,434</u>	<u>7,852</u>
	6,580	1,102	7,682	42,143	3,472	45,615

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 can exercise purchase option at the end of the lease term by adjusting security deposit of Rs. 0.905 million (2011: Rs. 15.668 million) for lease.

8. DEFERRED TAXATION

	2012	2011
	(Rupees in '000)	
Taxable temporary differences arising in respect of :		
- Accelerated tax depreciation	387,451	271,218
- Finance lease arrangements	(21)	20,194
	387,430	291,412
Deductible temporary difference arising in respect of carried forward losses	(361,621)	(172,006)
	25,809	119,406

9. SHORT TERM BORROWINGS - secured

The Company has a total finance facility of Rs. 970 million (2011: Rs. 870 million) which includes Running Finance of Rs. 320 million, Export Refinance of Rs. 400 million and Finance against imported material of Rs. 250 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% (2011: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 11%. The facilities are available for various periods expiring upto 31 January 2013.

10. CURRENT MATURITY OF LONG TERM LIABILITIES

		2012	2011
		(Rupees in '000)	
Long term financing	6	200,000	200,000
Liabilities against assets subject to finance lease	7	1,932	35,725
		201,932	235,725

11. Trade and other payables

Creditors for Goods:			
- Other creditors		62,552	29,934
- Associated Company		54,479	36,252
Bills payable		280,098	146,429
Accrued expenses		117,696	69,507
Workers' Funds	11.1	23,854	6,816
Accrued mark-up - secured	11.2	44,960	50,988
Advances from customers		27,787	126,552
Deposits from dealers, contractors and suppliers		11,214	10,319
Royalty payable		2,359	79
Income tax less provision		1,702	129
Excise duty payable		22,007	31,944
Sales tax payable		5,059	3,863
Income tax withheld		747	2,732
Unclaimed dividend		11,092	11,102
Unpaid dividend		257	257
Fair value of derivative	6.3	47,233	76,807
Other liabilities		42,148	34,540
		755,244	638,250

11.1 Workers' Funds		2012	2011
		(Rupees in '000)	
Workers' profit participation fund			
Opening balance		4,939	-
Charge for the year	26	15,925	4,939
		20,864	4,939
Less: Payment during the year		4,939	-
		15,925	4,939
Workers' welfare fund			
Opening balance		1,877	-
Charge for the year	26	6,052	1,877
		7,929	1,877
		23,854	6,816
11.2 Accrued mark-up - secured			
Long term loans		20,509	30,892
Lease finance		13	192
Running finance		24,438	19,904
		44,960	50,988

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 2009, 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		2012	2011
		(Rupees in '000)	
Outstanding letters of credit		31,986	153,214

13. OPERATING ASSETS

Items	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

Items	2011								Written down value as at 30 June 2011
	Cost				Accumulated depreciation				
	As at 01 July 2010	Additions	Disposals	As at 30 June 2011	As at 01 July 2010	Charge for the year	Disposals	As at 30 June 2011	
----- (Rupees in '000) -----									
Owned									
Freehold land	160,356	-	-	160,356	-	-	-	-	160,356
Factory building on freehold land	294,903	21,029	-	315,932	221,161	4,303	-	225,464	90,468
Non-factory building on freehold land	120,999	2,923	-	123,922	69,217	2,677	-	71,894	52,028
Plant, machinery and equipments	2,135,099	897,417	-	3,032,516	1,313,185	60,769	-	1,373,954	1,658,562
Quarry transport equipments	122,552	-	-	122,552	75,664	5,784	-	81,448	41,104
Furniture, fixtures and equipments	42,249	2,248	-	44,497	35,922	2,099	-	38,021	6,476
Motor vehicles	65,588	764	(1,295)	65,057	38,991	6,596	(884)	44,703	20,354
	2,941,746	924,381	(1,295)	3,864,832	1,754,140	82,228	(884)	1,835,484	2,029,348
Leased									
Plant, machinery and equipments	144,622	-	-	144,622	18,319	3,233	-	21,552	123,070
Motor vehicles	4,800	9,059	-	13,859	2,304	1,805	-	4,109	9,750
	149,422	9,059	-	158,481	20,623	5,038	-	25,661	132,820
	3,091,168	933,440	(1,295)	4,023,313	1,774,763	87,266	(884)	1,861,145	2,162,168

	2012 (Rupees in '000)	2011
13.1 Allocation of depreciation		
Excavation cost	20,672	17,669
Manufacturing cost	76,037	61,973
Administrative expenses	5,814	5,629
Distribution cost	2,054	1,995
	<u>104,577</u>	<u>87,266</u>

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)-----						
Motor vehicles						
Honda Accord AJT-904	2,100	1,890	210	1,300	Negotiation	Mr. Zubair Bawany House # 51/2/1, Street#26, Khayabane-e-Janbaz, DHA, Phase V, Karachi
Toyota Corolla AGS-381	849	764	85	700	Negotiation	Mr. Muhammad Jawad Shehzada, House # B72 KDA Officer Housing Society, Block-A, Karachi Block # 13D/1,
Toyota Corolla AJE-008	1,309	1,178	131	400	Negotiation	Mr. Waseem Ahmed, House # 60/2. 23rd Lane, Khayaban-e-Badban, Phase VII, DHA, Karachi Hilal, House # 1, Ferozabad Thana Block 6, PECHS, Karachi
Suzuki Baleno IDM-6288	739	665	74	522	Insurance Claim	EFU Insurance Company Limited
Suzuki Cultus ALF-528	600	540	60	514	Negotiation	Mr. Muhammad Zubair Mehboob, House # L-166, Sector-5-A/3, North Karachi
Honda Citi ADA-034	835	752	83	480	Negotiation	Mr. Khalid Ahmed, Flat # a-603, Block-A, Al Khalei Garden, Shoe Market, Karachi
Computers	3,223	3,223	-	17	Negotiation	Various staff members
Computers	3,721	3,721	-	-	Scrapped	N/A
	13,376	12,733	643	3,933		

14. CAPITAL WORK IN PROGRESS	2012	2011
	(Rupees in '000)	
Building		
Opening balance	1,137	19,092
Expenditure incurred during the year	24	3,063
Transferred to operating assets	(69)	(21,018)
	1,092	1,137
Plant, machinery and equipments		
Opening balance	-	789,136
Expenditure incurred during the year	-	71,891
Transferred to operating assets	-	(861,027)
	-	-
	1,092	1,137
15. LONG TERM LOANS AND DEPOSITS		
Long term deposits	15.1	16,193
Long term loan - unsecured, considered good		
- Employees - interest free	15.2	5,276
- Executives - interest free	15.2	1,029
- Sui Northern Gas Pipelines Limited	15.3	19,177
		25,482
Current portion	18	(6,751)
		18,731
		34,924
		30,842
		5,697
		1,730
		22,379
		29,806
		(21,438)
		8,368
		39,210

15.1 This includes Rs. 11 million (2011: Rs. 11 million) margin given to Silkbank Limited against the bank guarantee of Rs. 110 million (2011: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

15.2 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.658million (2011: Rs. 2.269 million). The loan to executives and employees are in accordance with the terms of their employment.

15.3 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.

	2012	2011
	(Rupees in '000)	
16. STORES AND SPARES		
Stores	193,697	83,076
Spares	504,465	500,773
Stores in transit	98,643	135,493
	<u>796,805</u>	<u>719,342</u>
17. STOCK-IN-TRADE		
Finished goods	37,025	32,217
Work-in-process	154,007	28,926
Raw material	15,134	13,440
Packing material	21,333	35,099
	<u>227,499</u>	<u>109,682</u>
18. LOANS, ADVANCES, DEPOSITS PREPAYMENTS AND ACCRUED MARK-UP		
Current portion of long term loans and deposits-unsecured, considered good	15 6,751	21,438
Advances to Suppliers and contractors - unsecured, considered good	2,309	2,796
Advance sales tax	31,010	4,930
Deposits	9	-
Prepayments	4,407	4,275
Accrued mark-up	22	225
	<u>44,508</u>	<u>33,664</u>
19. CASH AND BANK BALANCES		
In hand	631	615
With banks in current accounts	41,174	23,568
	<u>41,805</u>	<u>24,183</u>

		2012	2011
		(Rupees in '000)	
20.	SALES - net		
	Sales - Local	3,398,377	2,874,053
	- Export	1,634,564	1,206,365
		<u>5,032,941</u>	<u>4,080,418</u>
	Less:		
	- Excise duty	227,760	357,890
	- Sales tax	469,693	418,473
	- Export rebate	(7,146)	(217)
		<u>690,307</u>	<u>776,146</u>
		<u>4,342,634</u>	<u>3,304,272</u>
21.	COST OF SALES		
	Raw and packing material consumed:		
	- Opening stock	48,539	46,588
	- Purchases	369,413	325,476
	- Excavation cost	21.1 255,858	178,531
		<u>673,810</u>	<u>550,595</u>
	Closing stock	<u>(36,467)</u>	<u>(48,539)</u>
		637,343	502,056
	Fuel and power	2,437,912	1,814,926
	Stores and spares consumed	72,774	59,297
	Salaries, wages and benefits	21.2 207,986	189,788
	Insurance	26,508	26,299
	Repairs and maintenance	4,569	3,515
	Depreciation	13.1 76,037	61,973
	Other manufacturing overheads	43,732	39,507
		<u>3,506,861</u>	<u>2,697,361</u>
	Opening work-in-process	28,926	33,456
	Closing work-in-process	<u>(154,007)</u>	<u>(28,926)</u>
	Cost of goods manufactured	3,381,780	2,701,891
	Opening finished goods	32,217	28,674
	Closing finished goods	<u>(37,025)</u>	<u>(32,217)</u>
		<u>3,376,972</u>	<u>2,698,348</u>

21.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 15.46 million (2011: Rs. 14.443 million) and Rs. 0.45 million (2011: Rs. 0.42 million) respectively.

21.2 This includes Company's contribution to provident fund amounting to Rs. 5.854 million (2011: Rs. 5.423 million).

		2012	2011	
		(Rupees in '000)		
22.	ADMINISTRATIVE EXPENSES			
	Salaries, wages and benefits	22.1	74,995	73,487
	Travelling and conveyance		3,415	5,628
	Vehicles running expenses		7,687	7,265
	Communications		3,190	2,660
	Printing and stationery		920	1,056
	Rent, rates and taxes		8,841	9,956
	Utilities		9,545	9,325
	Repairs and maintenance		1,602	1,322
	Legal and professional charges		2,224	3,583
	Auditors' remuneration	22.2	708	552
	Donations	22.3	2,534	2,569
	Depreciation	13.1	5,814	5,629
	Miscellaneous		5,872	5,460
			<u>127,347</u>	<u>128,492</u>

22.1 This includes Company's contribution to provident fund amounting to Rs. 2.53 million (2011: Rs. 2.32 million).

		2012	2011
		(Rupees in '000)	
22.2	Auditors' remuneration		
	Audit fee	500	375
	Half yearly review	75	75
	Other services	60	50
	Out of pocket expenses	73	52
		<u>708</u>	<u>552</u>

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	24,907	24,001
	Commission		202,980	166,005
	Export expenses		75,214	34,403
	Travelling and conveyance		120	832
	Vehicles running expenses		3,304	2,551
	Communications		928	935
	Rent, rates and taxes		1,566	2,228
	Repairs and maintenance		1,264	527
	Advertisement		2,541	2,457
	Marking fee		4,390	3,353
	Depreciation	13.1	2,054	1,995
	Miscellaneous		2,705	2,747
			<u>321,972</u>	<u>242,034</u>

23.1 This includes Company's contribution to provident fund amounting to Rs. 0.962 million (2011: Rs. 0.924 million).

		2012	2011
		(Rupees in '000)	
24.	FINANCE COST		
	Mark-up on:		
	- Long term loans	86,705	71,129
	- Lease finance	2,160	6,363
	- Running finance	105,018	89,648
	Exchange gain	(349)	(5)
	Legal documentation fee	510	763
	Bank commission and charges	3,884	1,823
	Loss / (gain) on derivative financial instrument	7,779	(20,040)
		<u>205,707</u>	<u>149,681</u>
	24.1 Movement in the fair value of cross currency swap	(29,575)	(60,843)
	Settled during the year - unfavourable	<u>37,354</u>	<u>40,803</u>
		<u>7,779</u>	<u>(20,040)</u>
25.	OTHER INCOME		
	Mark-up on bank deposits	1,102	967
	Mark-up on long term advance	197	430
	Accretion of discount	1,245	1,421
	Gain on sale of operating assets	3,290	226
	Scrap sales	1,926	10,014
	Miscellaneous	113	1
		<u>7,873</u>	<u>13,059</u>
26.	WORKERS' FUNDS		
	Workers' profit participation fund	15,925	4,939
	Workers' welfare fund	6,052	1,877
		<u>21,977</u>	<u>6,816</u>
27.	TAXATION		
	Relationship between income tax expense and accounting profit before taxation	<u>296,532</u>	<u>91,960</u>
	Tax at the applicable rate of 35% (2011: 35%)	103,786	32,186
	Net tax effect of export sales taxed at different rate	(17,333)	105,564
	Tax effect of inadmissible expenses	887	899
	Tax effect of prior years	-	11,061
	Tax effect of assessed loss	(189,615)	(138,585)
	Tax effect of items taxed at different rates	52,078	22,028
	Others	-	(6,626)
	Net tax charge for the year	<u>(50,197)</u>	<u>26,527</u>

The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2011.

	2012 (Rupees in '000)	2011 (Rupees in '000)
28. EARNINGS PER SHARE - Basic and Diluted		
Earning after taxation	<u>346,729</u>	<u>65,433</u>
	(Number in '000)	
Weighted average number of ordinary shares	<u>50,160</u>	<u>50,160</u>
	(Rupees)	
Earnings per share	<u>6.91</u>	<u>1.30</u>

29. OPERATING SEGMENTS

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

29.1 Revenue from sale of cement represents 100% (2011 : 100%) of the total revenue of the Company.

29.2 68% (2011: 70%) gross sales of the Company relates to customers in Pakistan.

29.3 All non-current assets of the Company at 30 June 2012 are located in Pakistan.

29.4 The Company does not have any customer having sales of 10% or more during the year ended 30 June 2012.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	5,274	5,274	66,555	5,274	5,274	59,799
Bonus	605	605	5,411	908	908	6,160
Retirement benefits	-	-	4,402	-	-	3,945
Reimbursable perquisites	726	726	4,050	726	726	3,796
Meeting fee	-	55	-	-	80	-
	<u>6,605</u>	<u>6,660</u>	<u>80,418</u>	<u>6,908</u>	<u>6,988</u>	<u>73,700</u>
	----- (Number) -----					
Number of key executives	<u>1</u>	<u>1</u>	<u>38</u>	<u>1</u>	<u>1</u>	<u>36</u>
Number of non-executive directors	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</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 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 with related parties during the period other than those disclosed elsewhere in the financial statements were as follows:

	2012 (Rupees in '000)	2011
Associated Company		
Purchases (Frontier Paper Products (Private) Ltd.)	142,730	118,420
Others		
Disbursement of advances to key management personnel	170	500
Repayment of advances by key management personnel	891	871

Balance with related parties are disclosed in note 11 and 15.

32. CAPACITY AND PRODUCTION (CLINKER)

	2012	2011
	(Tons)	
Rated Capacity	780,000	780,000
Actual Production	785,345	718,322

33. 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

33.1 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:

	2012		2011	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
----- (Rupees in '000) -----				
Trade debts	25,734	25,734	18,712	18,712
Loans, advances, deposits and accrued mark-up	75,016	43,100	68,599	47,776
Cash and bank balances	41,805	41,174	24,183	23,568
	<u>142,555</u>	<u>110,008</u>	<u>111,494</u>	<u>90,056</u>

Differences in loan, advances deposits and accrued mark-up is due to the fact that advance tax amounting to Rs 31.018 million (2011: Rs. 4.801 million) and lease deposits amounted to Rs 0.906 million (2011: Rs. 15.668 million) are not considered to carry credit risk. Further the difference in cash and bank balances is due to the fact that the amount of Rs. 0.631 million (2011: Rs. 0.615 million) is cash in hand which is also not considered to credit risk.

33.1.1 The maximum exposure to credit risk on trade debts at the balance sheet date by geographic region is as follows:

	2012 (Rupees in '000)	2011 (Rupees in '000)
Domestic (Pakistan)	25,734	18,712
Exports (India and Afghanistan)	-	-

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

Dealer / distributor	25,701	18,663
End-user customers	33	51

33.1.3 Impairment losses

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

	2012		2011	
	Gross (Rupees in '000)	Impairment	Gross (Rupees in '000)	Impairment
Not past due	-	-	-	-
Past due 1-60 days	9,811	-	13,499	-
Past due 61 days -1 year	11,188	-	741	-
More than one year	4,735	-	4,474	-
	<u>25,734</u>	<u>-</u>	<u>18,714</u>	<u>-</u>

33.1.4 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.

33.2 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:

	2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two 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	708,011	683,573	672,359	-	-	11,214
Derivatives						
Cross currency Swap	47,233	47,233	47,233	-	-	-
	1,906,896	2,021,780	1,575,167	129,386	306,013	11,214
	2011					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
------(Rupees in '000)-----						
Non-Derivative						
Financial liabilities						
Long term financing	650,000	1,167,777	191,740	189,312	786,726	-
Liabilities against assets subject to finance lease	42,143	45,615	18,882	18,978	7,852	-
Short-term running finance	628,964	709,600	709,600	-	-	-
Trade and other payables	597,755	597,755	587,436	-	-	10,319
Derivatives						
Cross currency Swap	76,807	76,807	76,807	-	-	-
	1,995,669	2,597,554	1,584,465	208,290	794,578	10,319

33.2.1 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.

33.3 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.

33.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based in notional amount:

	2012		2011	
	Rupees	US Dollars	Rupees	US Dollars
------(in '000)-----				
Trade debts	-	-	-	-
Trade payables	(280,098)	(2,933)	(146,429)	(1,700)
Gross balance sheet exposure	(280,098)	(2,933)	(146,429)	(1,700)
Estimated forecast sales	426,162	4,693	426,162	4,949
Estimated forecast purchases	(224,611)	(2,473)	(224,611)	(2,608)
Gross exposure	201,551	2,220	201,551	2,341
Cross currency and interest rate swap - US Dollars	(118,213)	(1,302)	(213,179)	(2,476)
Net exposure	(196,760)	(2,015)	(158,057)	(1,835)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
US Dollars	90.81	85.86	95.50	86.11

Sensitivity Analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 30 June 2011.

	Profit and loss (Rupees in '000)	Equity
As at 30 June 2012		
Effect in US Dollars	19,676	-
As at 30 June 2011		
Effect in US Dollars	15,806	-

10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

33.3.2 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	
	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	19,177	22,379
Financial liabilities	-	-
	19,177	22,379
Variable rate instruments		
Financial assets	-	-
Financial liabilities	1,151,652	1,321,107
	1,151,652	1,321,107

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 (Rupees in '000)	Equity
As at 30 June 2012		
Cash flow sensitivity - Variable rate instruments	11,517	-
As at 30 June 2011		
Cash flow sensitivity - Variable rate instruments	13,211	-

33.4 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).

As at 30 June 2012, cross currency and interest rate swap was categorised in level 3.

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.

	2012 (Rupees in '000)	2011
Balance as at 01 July 2011	76,807	137,650
Settled during the year - unfavourable	(37,354)	(40,803)
Loss / (gain) on derivative financial instrument	7,779	(20,040)
Balance as at 30 June 2012	<u>47,232</u>	<u>76,807</u>

33.5 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.

34. GENERAL

34.1 Non-adjusting event after the balance sheet date

The Board of Directors in its meeting held on September 27, 2012 has (i) approved the transfer of Rs. 500 million (2011:Nil) from un-appropriated profit to general reserve; and (ii) proposed a Cash Dividend of 10% (2011: Nil) for approval by the members of the company in forthcoming Annual General Meeting. The Financial Statements for the year ended 30 June 2012 do not include the effect of the appropriation and proposed Cash Dividend which will be accounted for in the Financial Statement for the year ending 30 June 2013.

34.2 These financial statements were authorised for issue in the Board of Directors meeting held on 27 September, 2012.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.


(MOHAMMED ASAD FECTO)
Director


(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 31st Annual General Meeting of the Company to be held on Thursday, October 25, 2012 at 5:00 pm at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shakra-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, shakra-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.

