FECTO CEMENT LIMITED

ANNUAL REPORT 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	**CHAIRPERSON** Mrs. Zubeda Bai **CHIEF EXECUTIVE** Mr. Mohammed Yasin Fecto **DIRECTORS** Mr. Mohammed Asad Fecto Mr. Ijaz Ali Mr. Safdar Abbas Morawala Mr. Altaf A. Hussain Mr. Aamir Ghani Mr. Mohammed Anwar Habib Mr. Rohail Ajmal { Nominee of Saudi Pak Industrial & Agricultural Investment Co. Ltd.}
AUDIT COMMITTEE	**Chairman:** Mr. Mohammed Anwar Habib **Members:** Mr. Mohammed Asad Fecto Mr. Safdar Abbas Morawala Mr. Altaf A. Hussain
HUMAN RESOURCE & REMUNERATION COMMITTEE	**Chairman:** Mr. Mohammed Asad Fecto **Members:** Mr. Aamir Ghani Mr. Mohammed Anwar Habib
SECRETARY	Mr. Abdul Samad, FCA
AUDITORS	KPMG Taseer Hadi & Co. Chartered Accountants
LEGAL ADVISOR	Nisar Law Associates 51, Mozang Road, Lahore
REGISTERED OFFICE	35-Darulaman Housing Society Block 7/8, Shahra-e-Faisal, Karachi Website http://www.fectogroup.com
FACTORY	Sangjani, Islamabad
MARKETING OFFICE	House # 13, Najam Shaheed Street Atta ul Haq Road, Westridge-1, Rawalpindi
SHARE REGISTRAR	Technology Trade (Private) Limited 241-C, Block 2, P.E.C.H.S.,Karachi

Mission Statement

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

Vision Statement

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

Corporate Strategy

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the Members of the Company will be held at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi on Tuesday, October 28, 2014 at 12.00 noon to transact the following businesses:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

2. To consider and if deemed fit, approve the payment of final cash dividend @ 15% (Rs. 1.50 per share) for the financial year ended June 30, 2014 as recommended by the Board of Directors. This is in addition to interim cash dividend of 10% (Re. 1.00 per share) already paid during the year.

3. To appoint Auditors for the year ending June 30, 2015 and to fix their remuneration. Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retires and being eligible have offered themselves for the re-appointment. Audit Committee of the Board has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2015.

4. **SPECIAL BUSINESS**

   To consider, approve and authorize the Company to issue Corporate Guarantee / Undertaking on behalf of the associated undertaking / related party namely Frontier Paper Products (Pvt.) Limited in favour of local lenders to the extent of Rs. 350 million to provide cover against the amount financed by the lenders for setting up of fully integrated Polypropylene Cement Bags Manufacturing Plant to be set up in Haripur, Hattar, and pass the following Special Resolution with or without modification, in terms of Section 208 of the Companies Ordinance, 1984 subject to the approval of shareholders:

   a) RESOVLED that the company be and is hereby authorized to issue Corporate Guarantee / Undertaking on behalf of the associated undertaking / related party namely Frontier Paper Products (Pvt.) Limited in favour of local lenders to the extent of Rs. 350 million to provide cover against the amount financed by the lenders for setting up of fully integrated Polypropylene Cement Bags Manufacturing Plant to be set up in Haripur, Hattar..

   b) FURTHER RESOLVED THAT the Chief Executive and /or director of the Company be and are hereby authorized to take any and all actions as may be required from time to time in this regard"

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

By Order of the Board

(ABDUL SAMAD)
COMPANY SECRETARY

Karachi: September 23, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from Saturday, October 18, 2014 to Tuesday, October 28, 2014 (both days inclusive). Transfers received in order by our Shares Registrar at the close of business on Friday, October 17, 2014 will be considered in time for the entitlement of transferee.

2. A member of the Company entitled to attend and vote at this meeting may appoint another member as a proxy to attend, speak and vote instead of him/her. An instrument appointing a proxy must be received at the Registered Office of the Company not later than forty eight hours before the time of holding the Meeting. The proxy shall produce his/her original National Identity Card or passport to prove his/her identity.

3. Members are requested to notify any change in their address as immediately.

4. Securities and Exchange Commission of Pakistan (SECP) vide notifications dated August 18, 2011 and July 05, 2012 made it mandatory that dividend warrants should bear CNIC number of the registered member, therefore, members who have not yet submitted photocopy of their valid Computerized National Identity Cards to the Company are requested to send the same at the earliest to enable the Company to comply with relevant laws. Failure to provide the same would constrain the Company to withhold dispatch of dividend warrants.

5. As directed by SECP vide Circular No. 18 of 2012 dated June 05, 2012 and notification No. 8(h)/SM/CDC-2008 dated April 05, 2013, we have already given opportunity to shareholders to authorize the Company to directly credit in their bank account with cash dividend, if any, declared by the Company in future. If you still wish that the cash dividend, if declared by the Company be directly creddited in to your bank account, instead of issuing a dividend warrant, please provide the relevant details, as mentioned in the standardized dividend mandate form attached with the above mentioned circular.

   (i) in case of book entry securities in CDS, to CDC participants; and
   (ii) in case of physical securities to the Company's Share Registrar.

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.

Deduction of Income Tax from dividend under Section 150 of the Income Tax Ordinance 2001

Through the Finance Act 2014 rates of withholding tax from payment of dividend effective July 01, 2014 have been revised whereby rate of tax deduction for non filer of income tax returns is increased to 15% as against the 10% for filers of income tax returns.

In order to enable the Company to ascertain the status of shareholders as filer or non filer all shareholders of the Company who holds shares in physical form are requested to send a copy of valid CNIC together with NTN certificate to share registrar of the Company. Shareholders holding shares in Central Depository System (CDS) of Central Depository Company Pakistan Limited (CDC) are requested to send their copies of valid CNIC and NTN certificate to CDC Participants/CDC Investor Account Service. Non submission of requested documents by any shareholder will result in deduction of tax at higher rate.

A statement under section 160(I)(b) of the Companies Ordinance, 1984 pertaining to the special Business is appended below:

Item no. 4 - Special Business

The Directors in their board meeting held on September 23, 2014 have recommended issuance of Corporate Guarantee / Undertaking on behalf of the associated undertaking / related party namely Frontier Paper Products (Pvt.) Limited in favour of local lenders to the extent of Rs. 350 million to provide cover against the amount financed by the lenders for setting up of fully integrated Polypropylene Cement Bags Manufacturing Plant to be set up in Haripur, Hattar.

According to S.R.O 27(I)/2012 dated January 16, 2012, the following information is required to be annexed with the Special Resolution for approval on investment in an associated undertaking for the purpose of section 208 of the Companies Ordinance, 1984 and information required under Regulation 3(I)(a) of the Companies (Investment in Associated Undertakings) Regulations, 2012:

Sr. No.	Description	Information Required
(i) (ii)	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Frontier Paper Products (Pvt.) Limited (Associated company based on common directorship)
(iii)	Amount of loans or advances	Corporate Guarantee up to Rs. 350 million
	Purpose of loans or advance and benefits likely to accrue to the investing company and its members from such loans or advances	Frontier Paper Products (Pvt.) Limited (FPPL) was incorporated back in 1986 as a private limited company.. FPPL is currently involved in the production and marketing of Kraft Sack Paper Bags for Cement with an existing production capacity of 8.75 million bags per annum on single shift basis and has achieved 77% capacity utilization in 2014. FPPL enjoys advantage from its sister concern Fecto Cement Limited and its 100% sales has been procured by Fecto Cement Limited Being the common directorship of the associated company, Fecto Cement Limited may be required to issue Corporate Guarantee / Undertaking in favour of project lenders as a security for provision of long term finance for the project. Fecto Cement Limited will enjoys advantage from its sister concern Frontier Paper Products (Pvt.) Limited and its 33% sales from the proposed project is expected to be procured from them, currently buying from other sources.

Sr. No.	Description	Information Required
(iv)	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof.	Not applicable
(v)	Financial position, including main items of balance sheet and profit and loss account of the associated undertaking on the basis of its latest financial statements.	Un-Audited Financial Information as on June 30, 2014 Rs. In '000 **Balance Sheet** Share Capital and Reserves 95,333 Deferred Liabilites 9,546 Creditors and Accrued Expenses 3,329 Operating Assets 2,367 Stock in Trade 28,232 Advances 18,807 Trade Debts 40,457 Cash and Bank Balance 13,784 **Profit & Loss Account** Sales 136,073 Cost of Sales 127,521 Profit Before Taxation 2,692 Profit After Taxation 1,835
(vi)	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period.	Not applicable
(Vii)	Rate of profit, mark up, profit, fees or commission etc. to be charged	Not applicable
(Viii)	Sources of funds from where loans or advances will be given	Not applicable
(ix)	Where loans or advance are being granted using borrowed funds;	Not applicable
	i. Justification for granting loan or advances out of borrowed funds	Not applicable
	ii. Details of guarantee / assets pledged for obtaining such funds, if any.	Not applicable
	iii. Repayment schedule of borrowing of the investing company.	Not applicable
(x)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	Not applicable
(xi)	Repayment schedule and terms of loans or advances to be given to the investing company	Not applicable
(xii)	Salient feature of all agreement entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not applicable

Sr. No.	Description	Information Required
(xiii)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any in the associated company or associated undertaking or the transaction under consideration	Mr. Mohammed Asad Fecto and Mr. Mohammed Yasin Fecto are directors of the associated company, however no directors, sponsors, majority shareholders and their relatives, have any direct or indirect interest except shareholding in the associated company.
(xiv)	any others important details necessary for the members to understand the transaction	Frontier Paper Products (Pvt) Limited (FPPL) is currently planning to install a Poly Propylene Bags Manufacturing plant with annual capacity of 30m cement bags. The plant is expected to be installed by June 2015. Total Project cost is expected to be Rs. 450 million with debts of Rs. 350 million. Corporate Guarantee from Fecto cement Ltd. Is one of the conditions to secure debt financing. Funds raised from the proposed Facility would be utilized by FPPL to finance the installation of Plant.
(xv)	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operation, in additions to the information referred to above, the following further information, is required, namely:	Not applicable
	i. A description of the project and its history since conceptualizations	Not applicable
	ii. Starting and expected date of completion of work	Not applicable
	iii. Time by which such project, shall become commercially operational	Not applicable
	iv. Expected return on total capital employed in the project	Not applicable
	v. Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts.	Not applicable

As per the disclosure requirement of Para 4(I) of the Companies (Investment in Associated Undertakings) Regulations 2012, it is informed that the following directors of the company are also the directors in the investee company: however, they have no direct or indirect interest except to the extent of shareholding in the investee company;

1) MR. MOHAMMAD ASAD FECTO
2) MR. MOHAMMAD YASIN FECTO

DIRECTORS' REPORT TO THE MEMBERS

Dear Members

The Board of Directors has pleasure in presenting before you the annual report together with Audited Financial Statements of the Company for the year ended June 30, 2014.

OVERVIEW

During the year under review overall dispatches of cement industry witnessed growth of 2.54% with total sales volume of 34.28 million tons as against the total sales volume of 33.43 million tons of last year. Local sales volume of the industry increased by 4.33 % with sales volume of 26.14 million tons as against the sales volume of 25.05 million tons of last year whereas exports of the industry witnessed a negative growth of 2.84% with sales volume of 8.14 million tons as against the exports sales volume of 8.37 million tons of last year. As against the overall growth of 4.33 % in local sales volume and negative growth of 2.84% in exports, plants located in northern part of the country witnessed growth of 6.56% and negative growth of 11.26 % in local and exports sales volumes respectively.

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

OPERATING PERFORMANCE

Production and dispatches of the Company for the year under review with comparison to last year were as follows:

	2014	2013	CHANGE IN
	TONS		%
Production			
Clinker	**640,825**	689,937	(7.12)
Cement	**680,919**	708,346	(3.87)
Dispatches			
Local	**488,705**	475,509	2.78
Export	**193.343**	233,952	(17.38)
Total	**682,048**	709,461	(3.86)

Production of clinker and cement of the Company reduced by 7.12% and 3.87% respectively whereas capacity utilization achieved was of 82.15% and 83.14% for clinker and cement respectively.

Local sales volume of the Company during the year under review witnessed a growth of 2.78% however, exports reduced by 17.38% mainly due to reduced exports to Afghanistan and India. Reduction in exports resulted overall decline in sales volume of the Company by 3.86% as compared to last year.

FINANCIAL PERFORMANCE

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

	Rupees in 000	
	2014	**2013**
Net sale	**4,723,814**	4,588,064
Cost of sales	**3,446,595**	3,333,514
Gross Profit	**1,277,219**	1,254,550
Profit before taxation	**769,895**	705,968
Profit after taxation	**595,341**	583,150
Earning Per Share (Rupees)	**11.87**	11.63

SALES REVENUE

During the year under review, despite reduction in sales volume overall sales revenue of the Company increased by 2.96% as compared to last year. Main reason for such increase was improved local sales volume coupled with better retention.

Net local sales revenue of the Company increased by 15.12% out of which 2.78% was due to increase in volume whereas remaining 12.34% was achieved on account of improvement in retention price. Export sales revenue of the Company reduced by 21.15% as against the reduction in export sales volume by 17.38%. Export prices to Afghanistan remained depressed during the year under review due to lesser demand and influx of cheaper Iranian cement to Afghanistan.

PROFITABILITY

Cost of sales of the Company during the year under review increased by 3.39% as against the reduction in volume by 3.86% due to escalation in prices of input materials. Main factors for such increase in cost of sales were increase in electricity tariff by around 55%, increase in excavation cost because of higher prices of diesel and increase in royalty on lime stone and inflationary pressure which also pushed the overall cost of other cost components.

Company achieved gross profit rate of 27.04% of net sales as against the 27.34% of last year.

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

Finance cost of the Company reduced to Rs.104.19 million as against Rs.143.33 million of last year mainly because of reduced utilization of short term borrowings.

The Company earned profit before taxation of Rs.769.89 million as against profit before taxation of Rs. 705.97 million of last year.

Earning per share (EPS) of your Company for the year under review was Rs. 11.87 per share as against the earning per share of Rs. 11.63 of last year.

DEBT OBLIGATION

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

FUTURE PROSPECTS

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

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

CORPORATE GOVERNANCE

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

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

1. The financial statements, prepared by the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

2. Proper books of account have been maintained by the company;

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;

5. The system of internal control is sound in design and has been effectively implemented and monitored;

6. There are no significant doubts upon the company's ability to continue as a going concern;

7. The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2013 was Rs. 208.24 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	1
Mr. Mohammed Yasin Fecto	4
Mr. Mohammed Asad Fecto	2
Mr. Altaf A Hussain	4
Mr. Aamir Ghani	3
Mr. Rohail Ajmal	3
Mr. Safdar Abbas Morawala	4
Mr. Ijaz Ali	2
Mr. Mohammed Anwar Habib	4

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

COMMITTES OF THE BOARD

AUDIT COMMITTEE

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

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

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

HUMAN RESOURCE AND REMUNEARTION COMMITTEE

In compliance with the requirements of CCG 2012, The Board of Directors has established this Committee comprising three members, Term of reference of the Committee was duly communicated to the members by the Board. During the year one (1) meeting of the Committee held. Attendance by each member is given below:

		Attended
Mr. Mohammed Asad Fecto	Chairman / Executive Director	1
Mr. Aamir Ghani	Non Executive Director	1
Mr. Muhammad Anwar Habib	Independent Director	1

TRAINING PROGRAM OF DIRECTORS

During the year one director acquired the certification under the Directors' Training Program as required by the Code. Three directors are exempted from the certification whereas two directors acquired the certification in previous year.

CORPORATE SOCIAL RESPONSIBILTY

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

CONTRIBUTION TO NATIONAL EXECHEQURE

Your company contributed around Rs. 900.10 million in national exchequers as sales tax and Federal excise duty compared to Rs. 716.34 million of last year. Company also brought in foreign exchange of around US$ 12 million in the country by exporting cement and made contribution to national exchequer on account of income tax, royalty payment and also collected and deposited income tax on behalf of FBR from its suppliers and staff.

INDUSTRIAL RELATIONS

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

AUDITORS

Present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their appointment as Statutory Auditors of the Company for the year ending June 30, 2015 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, 2014 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 of 15% i.e. Rs. 1.50 per share for the financial year ended June 30, 2014. The appropriations approved by the Board are as follows:

	Rupees in 000
Profit after taxation	595,341
Un appropriated profit brought forward	857,454
	1,452,795
Appropriation:	
Final Cash Dividend for the year ended 30 June 2013 @ 15% i.e. Rs. 1.5/= per share	75,240
Interim Cash Dividend for the year ended 30 June 2014 @ 10% i.e. Re. 1/= per share	50,160
	125,400
Un appropriated profit carried forward	1,327,395

SUBSEQUENT EFFECT

For the year ended June 30, 2014 the Board in its meeting held on September 23, 2014 has proposed a final cash dividend of 15% (Rs.1.50 per share). This will be in addition to interim cash dividend of 10% earlier announced by the Company thus taking the aggregate cash dividend to 25%.

ACKNOWLEDGMENT

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

On behalf of the Board

MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 23, 2014

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2014

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
303	1	100	5,911
401	101	500	114,803
764	501	1000	478,314
395	1001	5000	934,493
77	5001	10000	582,531
30	10001	15000	393,741
16	15001	20000	296,060
10	20001	25000	230,276
6	25001	30000	171,500
6	30001	35000	199,500
4	35001	40000	149,741
2	40001	45000	90,000
4	45001	50000	195,500
4	50001	55000	215,000
6	55001	60000	344,740
1	60001	65000	64,000
4	70001	75000	292,570
4	75001	80000	312,000
1	85001	90000	85,530
1	90001	95000	91,300
3	95001	100000	294,500
1	100001	105000	101,500
1	120001	125000	125,000
1	135001	140000	139,700
1	145001	150000	149,600
2	150001	155000	305,000
2	155001	160000	313,037
2	170001	175000	346,600
1	200001	205000	203,000
1	230001	235000	231,000
1	235001	240000	238,500
1	240001	245000	243,000
1	250001	255000	250,800
2	270001	275000	549,670
2	275001	280000	551,870
1	305001	310000	308,000
2	310001	315000	627,000
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	395001	400000	400,000
1	400001	405000	401,500
4	410001	415000	1,650,000
1	435001	440000	438,020
1	460001	465000	462,000
1	465001	470000	469,500
1	495001	500000	500,000
1	640001	645000	640,337
2	710001	715000	1,426,150
1	1095001	1100000	1,099,230
1	1420001	1425000	1,421,970
1	1485001	1490000	1,485,253
1	1495001	1500000	1,500,000
1	1725001	1730000	1,727,655
2	2080001	2085000	4,169,916
1	8370001	8375000	8,371,146
1	10150001	10155000	10,153,036
2,096			50,160,00

CATEGORIES OF SHAREHOLDERS
AS AT 30 JUNE 2014

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	–	–
NIT and ICP	4	1,731,835
Directors		
Mrs. Zubeda Bai	1	5,500
Mr. Mohammed Yasin Fecto	1	10,153,036
Mr. Mohammed Asad Fecto	1	8,371,146
Mr. Altaf A. Hussain	1	2,750
Mr. Safdar Abbas Morawala	1	2,750
Mr. Ijaz Ali	1	2,750
Mr. Aamir Ghani	1	2,750
Mr. Mohammad Anwar Habib	1	2,750
	8	18,543,432
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance and Modarabas	12	1,186,508
Mutual Funds		
CDC Trustee Pakistan Stock Market Fund	1	35,241
CDC Trustee Pakistan Int. Element Islamic AS	1	30,000
CDC Trustee Asset Allocation Fund	1	73,000
CDC Trustee Lakson Equity Fund	1	231,000
CDC Trustee Grosby Dragon Fund	1	96,000
CDC Trustee First Capital Mutual Fund	1	9,000
	6	474,241
OTHERS		
Foreign	3	228,100
Institutions	27	745,859
Individuals - Local	2,036	27,250,025
	2,066	28,223,984
Total	2,096	50,160,000

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

No transaction in the shares of the Company has been reported by any Director(s), Executive(s) and their Spouse(s) and Minor Children during the year.

Six Years Key Operating And Financial Data

Year ended June 30	2014	2013	2012	2011	2010	2009
PRODUCTION SUMMARY			(Tonnes)			
Clinker production	**640,825**	689,937	785,345	718,322	772,940	740,330
Cement production	**680,919**	708,346	791,937	757,424	841,904	764,119
Cement despatches	**682,048**	709,461	792,597	756,829	841,822	763,468
			(Rupees in thousand unless stated otherwise)			
PROFIT & LOSS SUMMARY						
Turnover (net)	**4,723,814**	4,588,064	4,342,634	3,304,272	2,902,684	3,455,706
Gross profit	**1,227,219**	1,254,550	965,662	605,924	152,731	913,403
Profit/ (Loss) before tax	**769,895**	705,968	296,532	91,960	(291,434)	396,289
BALANCE SHEET SUMMARY						
Paid up capital	**501,600**	501,600	501,600	501,600	501,600	456,000
General Reserve	**550,000**	550,000	50,000	50,000	50,000	50,000
Accumulated Profit	**1,327,395**	857,454	824,464	477,735	412,302	666,160
Long term loan and lease finance	**260,000**	125,000	254,648	456,418	684,048	292,074
Deferred liabilities	**245,133**	117,979	25,809	119,406	138,560	196,252
Operating assets	**1,964,768**	2,051,702	2,136,402	2,162,168	1,316,405	1,339,752
MISCELLANEOUS						
Contribution to national exchequer	**900,099**	716,343	697,453	776,363	759,579	991,662
Earnings per share (Rs.)	**11.87**	11.63	6.91	1.34	(4.15)	6.27
Break up value per share (Rs.)	**47.43**	38.06	27.43	20.52	19.22	25.71
Current ratio	**01:0.53**	01:0.94	01:1.44	01:1.66	01:1.42	01:0.90
Debt/equity ratio	**10:90**	6:94	16:84	31:69	42:58	20:80
Dividend	**25%**	15%	10%	-	-	-
Bonus	-	-	-	-	-	10%

Statement Of Compliance With The Code Of Corporate Governance
for the year ended June 30, 2014

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

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

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

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

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

2. The Directors have confirmed that none of them is serving as director in more than 07 listed companies including this company.

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

4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2014.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The Board of Directors and Members have approved appointment and determination of remuneration and terms and conditions of employment of the present CEO, other executive directors and non-executive directors.

8. The meetings of the Board were presided over by the Chairman and in his absence one of the directors elected for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of Articles and Memorandum of Associations and are aware of their duties and responsibilities. However, in order to apprise them of material changes, if any, in relevant laws same were placed in Board' meetings. Moreover, in accordance with the criteria specified in clause (xi) of CCG three (3) of the directors are exempted from the requirement of directors training program. Two (2) directors attended training program arranged by the Institute of Chartered Accountants of Pakistan last year whereas one (1) director obtained certificate during the year.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year. The Board has however, approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including terms and conditions of appointment as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an audit committee. It comprises four members, of whom three are non-executive directors. The Chairman of the Committee is a non- Executive Director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a HR and Remuneration Committee. It comprises of three members, of whom one is independent director, one is non executive Director wheres the chairman of the committee is an executive director.

18. The Board has set-up an effective internal audit function.

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

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

21. The "closed period" prior to the announcement of interim/final results, and business decision, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges(s).

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

23. The Board has ensured that a mechanism is put in place for an annual evaluation of Board's own performance as required by the Code.

24. The related party transactions have been placed before the Audit Committee and approved by the Board as recommended by the Audit Committee. The transactions were carried out at arm's length price.

25. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

MOHAMMED YASIN FECTO
CHIEF EXECUTIVE

Karachi: September 23, 2014

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Fecto Cement Limited ("the Company") for the year ended 30 June 2014 to comply with the Listing Regulations No 35 of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: September 23, 2014
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of **Fecto Cement Limited** ("the Company") as at 30 June 2014 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 2014 and of the profit, cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was dedected by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Date: September 23, 2014
Karachi

Balance Sheet

	Note	2014	2013
		(Rupees in '000)	
SHARE CAPITAL			
Authorised			
75,000,000 (2013: 75,000,000) ordinary shares of Rs. 10/- each	5	**750,000**	750,000
Issued, subscribed and paid-up 50,160,000 (2013: 50,160,000) ordinary shares of Rs. 10/- each	5	**501,600**	501,600
GENERAL RESERVE		**550,000**	550,000
ACCUMULATED PROFIT		**1,327,395**	857,454
		2,378,995	1,909,054
NON-CURRENT LIABILITIES			
Long term financing	6	**260,000**	125,000
Deferred taxation	7	**245,133**	117,979
		505,133	242,979
CURRENT LIABILITIES			
Short term borrowings	8	**407,643**	463,847
Current maturity of long term liabilities	9	**140,000**	125,000
Trade and other payables	10	**461,480**	618,142
		1,009,123	1,206,989
CONTINGENCIES AND COMMITMENTS	11		
		3,893,251	3,359,022

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

As at 30 June 2014

	Note	2014	2013
		(Rupees in '000)	
PROPERTY, PLANT AND EQUIPMENTS			
Operating assets	12	**1,964,768**	2,051,702
Capital work in progress	13	**348**	-
		1,965,116	2,051,702
LONG TERM LOANS AND DEPOSITS	14	**25,720**	19,730
CURRENT ASSETS			
Stores and spares	15	**955,915**	874,058
Stock-in-trade	16	**637,343**	308,566
Trade debts - considered good		**16,527**	15,125
Loans, advances, deposits, prepayments and accrued mark-up	17	**137,278**	41,460
Cash and bank balances	18	**155, 352**	48,381
		1,902,415	1,287,590
		3,893,251	3,359,022

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		(Rupees in '000)	
Sales - net	19	**4,723,814**	4,588,064
Cost of sales	20	**(3,446,595)**	(3,333,514)
Gross profit		**1,277,219**	1,254,550
Administrative expenses	21	**(169,599)**	(143,032)
Distribution cost	22	**(197,828)**	(230,577)
Finance cost	23	**(104,185)**	(143,328)
Other income	24	**21,348**	20,678
		(450,264)	(496,259)
		826,955	758,291
Workers' funds	25	**(57,060)**	(52,323)
Profit before taxation		**769,895**	705,968
Provision for taxation	26		
- Current		**(47,400)**	(30,648)
- Deferred		**(127,154)**	(92,170)
		(174,554)	(122,818)
Profit after taxation		**595,341**	583,150
Earnings per share - basic & diluted	27	**11.87**	11.63

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
Net profit after taxation	**595,341**	583,150
Other comprehensive income	**-**	-
Total comprehensive income for the year	**595,341**	583,150

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

CASH FLOW STATEMENT

For the year ended 30 June 2014

	2014	2013
	(Rupees in '000)	
Profit before taxation	**769,895**	705,968
Adjustments for:		
- Depreciation	**106,529**	107,207
- Gain on disposal of operating assets	**-**	(5,859)
- Provision against slow moving and obsolete spares	**-**	15,000
- Finance cost	**104,185**	143,328
Operating profit before working capital changes	**980,609**	965,644
(Increase) in stores and spares	**(81,857)**	(92,253)
(Increase) in stock-in-trade	**(328,777)**	(81,067)
(Increase) / decrease in trade debts	**(1,402)**	10,609
(Increase) / decrease in loans, advances, deposits, prepayments and accrued mark-up	**(29,135)**	21,295
(Decrease) in trade and other payables	**(186,596)**	(60,999)
Cash generated from operations	**352,842**	763,229
Income tax paid / deducted at source	**(114,083)**	(39,597)
Long term loans and deposits	**(5,990)**	4,194
Net cash generated from operating activities	**232,769**	727,826
Cash flows from investing activities		
Fixed capital expenditure	**(19,943)**	(23,444)
Sale proceeds of operating assets	**-**	7,888
Net cash used in investing activities	**(19,943)**	(15,556)
Cash flows from financing activities		
Repayment of long term financing	**(250,000)**	(200,000)
Disbursement of long term loans	**400,000**	-
Finance cost paid	**(119,613)**	(209,869)
Repayment of lease finance	**-**	(6,580)
Dividend paid	**(80,038)**	(58,020)
Net cash used in financing activities	**(49,651)**	(474,469)
Net increse in cash and cash equivalents	**163,175**	237,801
Cash and cash equivalents as at 01 July	**(15,466)**	(253,267)
Cash and cash equivalents as at 30 June	**147,709**	(15,466)
Cash and cash equivalent:		
Cash and bank balances	**155,352**	48,381
Short term running finance	**(7,643)**	(63,847)
	147,709	(15,466)

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2014

	Share capital	General reserve	Accumulated profit	Total
	---------------------------------- (Rupees in '000) ----------------------------------			
Balance as at 30 June 2012	501,600	50,000	824,464	1,376,064
Total comprehensive income for the year				
Profit for the year ended 30 June 2013	-	-	583,150	583,150
Transferred to general reserve	-	500,000	(500,000)	-
Final cash dividend @ 10% for the year ended June 30, 2012	-	-	(50,160)	(50,160)
Balance as at 30 June 2013	501,600	550,000	857,454	1,909,054
Total comprehensive income for the year				
Profit for the year ended 30 June 2014	-	-	595,341	595,341
Final cash dividend @ 15% for the year ended June 30, 2013	-	-	(75,240)	(75,240)
Interim cash dividend @ 10% for the year ended June 30, 2014	-	-	(50,160)	(50,160)
Balance as at 30 June 2014	501,600	550,000	1,327,395	2.378,995

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

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

NOTES TO THE ACCOUNTS
For the year ended 30 June 2014

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

3.1 Accounting Convention

These financial statements are prepared under the historical cost convention.

3.2 Standards, amendments and interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company’s financial statements.

- 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. The amendments are not likely to have an impact on Company’s financial statements.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

  Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company’s financial statements.

- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.

- IFRS 12 ‘Disclosure of Interest in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

  - Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

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

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

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

3.4.1 Income taxes

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

3.4.2 Property, plant and equipment

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

3.4.3 Stock-in-trade and stores and spares

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

3.4.4 Trade debts and other debts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipments

Owned

i) Operating assets are stated at cost (including where relevant related borrowing cost and exchange difference) less accumulated depreciation and impairment losses, if any, except free hold land which is stated at cost. Depreciation on additions is charged for the month the asset is put to use and no depreciation is charged in the month of disposal.

ii) Maintenance and repairs are charged to profit and loss as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of assets, if any, are included in income currently.

iii) Depreciation is charged to profit and loss applying the straight line method at the rate specified below:

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

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

Leased

i) Assets subject to finance lease are accounted for by recording the assets and related liabilities. These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease at the inception of lease. Assets acquired under the finance lease are depreciated over the useful life of the assets in the same manner as the owned assets.

ii) Finance charge under the lease agreements is allocated over the periods during lease term so as to produce a constant periodic rate of financial charge on the outstanding balance of principal liability of each period.

4.2 Capital work in progress

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

4.3 Staff benefits

i) The Company operates a defined contribution plan, Provident Fund, for all its regular permanent employees. Contributions are made equally by the Company and the employees as per the rules of the Fund.

ii) The liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences are earned.

4.4 Stores and spares

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

4.5 Stock-in-trade

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

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

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

4.6 Financial assets other than derivatives

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

4.7 Financial liabilities other than derivatives

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

4.8 Cash and cash equivalents

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

4.9 Foreign currency translation

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

4.10 Derivative financial instruments

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

4.11 Taxation

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

Current

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

Deferred

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

4.12 Provisions

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

4.13 Revenue recognition

Sale of goods

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

Profit on term deposits and long term advances

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

4.14 Borrowing cost

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

4.15 Impairment

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

4.16 Offsetting

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

4.17 Dividends and appropriations to reserves

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

4.18 Research and development costs

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

5. SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in '000)	
Authorised				
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	**750,000**	750,000
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
50,160,000	50,160,000		**501,600**	501,600

6. LONG TERM FINANCING - secured

Pak Brunei Investment Company Limited	6.1	**200,000**	-
Saudi Pak Industrial and Agricultural Investment Company Limited	6.2	**200,000**	-
Diminishing Musharaka	6.3	**-**	250,000
		400,000	250,000
Less: Current maturity	9	**140,000**	125,000
		260,000	125,000

6.1 This represents finance facility of Rs. 200 million (2013: Rs. Nil) obtained on 31 December 2013 from Pak Brunei Investment Company Limited to meet the requirement of 15 MW coal fired power plant. Initially this will be a bridge finance facility for a period of two years with one year grace period with equal quarterly principal repayment in the second year. This will automatically be converted into seven years facility including two years grace period with equal quarterly principal repayment starting from the third year from the date of disbursement if and when the financial close of Syndicate led by National Bank of Pakistan and Askari Bank Limited is achieved. Mark up is payable quarterly at 3 months KIBOR plus 2.5% at the date of disbursement and will subsequently be revised on each instalment date. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company up to Rs. 267 million. There are certain financial and other covenants associated with the loan. The Company continues to ensure compliance with such covenants.

6.2 This represents finance facility of Rs. 200 million (2013: Rs. Nil) obtained on 15 February 2014 from Saudi Pak Industrial and Agricultural Investment Company Limited to re-profile the Waste Heat Recovery Power Plant diminishing Musharaka loan. This loan is repayable in three years including a grace period of six months in 5 equal semi-annual instalments. Mark up is payable quarterly at 3 months KIBOR plus 2.5% at the date of disbursement and will subsequently be revised on each instalment date. The facility is secured by a registered first pari passu charge on all present and future fixed assets of the Company up to Rs. 267 million. There are certain fianancial and other covenants associated with the loan. The Company continues to ensure compliance with such covenants.

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

7. DEFERRED TAXATION

Taxable temporary differences arising in respect of :

	2014	2013
	(Rupees in '000)	
- Accelerated tax depreciation	**418,909**	448,400
Deductible temporary difference arising in respect of:		
- Provision against slow moving and obsolete spares	**(3,570)**	(3,570)
- Available tax losses	**(170,206)**	(326,851)
	245,133	117,979

8. SHORT TERM BORROWINGS - secured

Short term running finances	**7,643**	63,847
Export Refinance	**400,000**	400,000
	407,643	463,847

8.1 The Company has arranged additional facility of Finance against Imported and Local Material of Rs. 300 million from an Islamic bank at a mark-up of relevant KIBOR plus 1.75% per annum. The Company has a total finance facility of Rs. 1,770 million (2013: Rs. 1,470 million) which includes Running Finance of Rs. 520 million, Export Refinance of Rs. 400 million and Finance Against Imported Material of Rs. 850 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% (2013: 3 months KIBOR plus 1.75% - 3%) per annum except Export Re-Finance on which mark-up rate is 9.4% (2013: 9.4%.) The facilities are available for various periods expiring upto 31 December 2014.

		2014	2013
9. CURRENT MATURITY OF LONG TERM LIABILITIES		(Rupees in '000)	
Long term financing	6	**140,000**	125,000
		140,000	125,000

10. Trade and other payables

		2014	2013
Creditors for goods:			
- Other creditors		**32,231**	22,662
- Associated company		**40,457**	26,470
Bills payable		**-**	206,104
Accrued expenses		**97,218**	171,808
Workers' funds	10.1	**79,397**	60,252
Accrued mark-up - secured	10.2	**10,224**	25,652
Advances from customers		**26,199**	27,768
Deposits from dealers, contractors and suppliers		**9,932**	10,582
Royalty payable		**3,428**	1,206
Excise duty payable		**19,603**	16,058
Income tax provision		**34,412**	-
Sales tax payable		**30,981**	26,594
Income tax payable		**2,201**	1,770
Unclaimed dividend		**48,571**	3,225
Unpaid dividend		**280**	264
Other liabilities		**26,346**	17,727
		461,480	618,142

10.1 Workers' Funds

Workers' profit participation fund			
Opening balance		**37,915**	15,925
Charge for the year	25	**41,348**	37,915
		79,263	53,840
Less: Payment during the year		**37,915**	15,925
		41,348	37,915
Workers' welfare fund			
Opening balance		**22,337**	7,929
Charge for the year	25	**15,712**	14,408
		38,049	22,337
		79,397	60,252

10.2 Accrued mark-up - secured

Long term loans	**3,538**	10,796
Running finance	**6,686**	14,856
	10,224	25,652

11. CONTINGENCIES AND COMMITMENTS

11.1 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 wide its order dated 24 August 2009 allowed the CCP to issue its final order. The CCP accordingly passed an order on 27 August 2009 and imposed a penalty of Rs. 174.063 million on the Company. The Lahore High Court vide its order dated 31 August 2009 restrained the CCP from enforcing its order against the Company for the time being.

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

11.2 Commitments

	2014	2013
	(Rupees in '000)	
Outstanding letters of credit	**12,623**	121,412

12. OPERATING ASSETS

2014

Items	Cost				Accumulated depreciation				Written down value as at 30 June 2014
	As at 01 July 2013	Additions	Disposals/ Transfers	As at 30 June 2014	As at 01 July 2013	Charge for the year	Disposals/ Transfers	As at 30 June 2013	
	(Rupees in '000)								
Owned									
Freehold land	**160,356**	**-**	**-**	**160,356**	**-**	**-**	**-**	**-**	**160,356**
Factory building on freehold land	**327,715**	**-**	**-**	**327,715**	**235,216**	**5,177**	**-**	**240,393**	**87,322**
Non-factory building on freehold land	**124,339**	**-**	**-**	**124,339**	**77,420**	**2,766**	**-**	**80,186**	**44,153**
Plant, machinery and equipments	**3,237,632**	**1,155**	**-**	**3,238,787**	**1,557,557**	**81,846**	**-**	**1,639,403**	**1,599,384**
Quarry transport equipments	**118,631**	**6,183**	**-**	**124,814**	**82,231**	**6,744**	**-**	**88,975**	**35,839**
Furniture, fixtures and equipments	**43,950**	**2,763**	**-**	**46,713**	**36,103**	**2,870**	**-**	**38,973**	**7,740**
Motor vehicles	**81,690**	**9,494**	**-**	**91,184**	**54,084**	**7,126**	**-**	**61,210**	**29,974**
	4,094,313	**19,595**	**-**	**4,113,908**	**2,042,611**	**106,529**	**-**	**2,149,140**	**1,964,768**

2013

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

* Represents Inter company transfers.

		2014	2013
12.1 Allocation of depreciation		**(Rupees in '000)**	
Excavation cost		**21,665**	21,538
Manufacturing cost		**77,583**	77,699
Administrative expenses		**5,425**	5,912
Distribution cost		**1,856**	2,058
		106,529	107,207

13. CAPITAL WORK IN PROGRESS

		2014	2013
Building			
Opening balance		**-**	1,092
Expenditure incurred during the year		**-**	9,010
Transferred to operating assets		**-**	(10,102)
		-	-
Machinery and equipments			
Opening balance		**-**	-
Expenditure incurred during the year		**348**	-
Transferred to operating assets		**-**	-
		348	-

14. LONG TERM LOANS AND DEPOSITS

		2014	2013
Long term deposits	14.1	**4,533**	4,287
Advance against capital assets	14.2	**10,019**	-
Long term loan - unsecured, considered good			
- Employees - interest free	14.3	**4,982**	5,229
- Executives - interest free	14.4	**1,049**	1,010
- Sui Northern Gas Pipelines Limited	14.5	**12,188**	15,785
		18,219	22,024
Current portion	17	**(7,051)**	(6,581)
		11,168	15,443
		25,720	19,730

14.1 This includes security deposits maintained with certain government authorities and suppliers/vendors of the Company.

14.2 Advance against capital assets includes advance paid in respect of 15 MW coal fired power plant.

14.3 The maximum aggregate amount due from executives of the Company at the end of any month during the year was Rs. 1.650 million (2013: Rs. 1.323 million). The loan to executives and employees are in accordance with the terms of their employment.

14.4 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.

15. STORES AND SPARES

Stores		**300,988**	294,845
Spares	15.1	**571,332**	545,908
Stores in transit		**98,595**	48,305
Provision against slow moving and obsolete spares	15.2	**(15,000)**	(15,000)
		955,915	874,058

15.1 Spares mainly comprise of consumable stores held by the company for the purpose of maintenance of the plant to ensure continuous operations of the plant.

15.2 The Company performs an aging analysis of stores and spares as a result of which certain slow moving and obsolete spares were identified against which a provision of Rs. 15 million was recognized.

16. STOCK-IN-TRADE

	2014	2013
	(Rupees in '000)	
Finished goods	**32,878**	35,338
Work-in-process	**219,874**	212,319
Raw material	**347,240**	36,461
Packing material	**37,351**	24,448
	637,343	308,566

			2014	2013
17.	**LOANS, ADVANCES, DEPOSITS PREPAYMENTS AND ACCRUED MARK-UP**		**(Rupees in '000)**	
	Current portion of long term loans and deposits - unsecured, considered good	14	**7,051**	6,581
	Advances to Suppliers and contractors - unsecured, considered good		**5,706**	9,308
	Margin against bank guarantee	17.1	**11,000**	11,000
	Income tax payments less provisions		**108,342**	7,247
	Advance sales tax		**3,468**	-
	Deposits		**-**	60
	Prepayments		**1,599**	7,114
	Accrued mark-up		**112**	150
			137,278	41,460

17.1 This represents Rs. 11 million (2013: Rs. 11 million) margin given to Silkbank Limited against the bank guarantee of Rs. 110 million (2013: Rs. 110 million) issued in favour of Sui Northern Gas Pipeline Ltd. as security for the payment of gas bill.

		2014	2013
18.	**CASH AND BANK BALANCES**		
	In hand	**955**	1,448
	With banks in current accounts	**154,397**	46,933
		155,352	48,381
19.	**SALES - net**		
	Local sales	**4,411,240**	3,766,453
	Less:		
	- Sales tax	**704,617**	526,139
	- Excise duty	**195,482**	190,204
		900,099	716,343
		3,511,141	3,050,110
	Export sales	**1,207,540**	1,532,323
	Export rebate	**5,133**	5,631
		4,723,814	4,588,064

			2014	2013
20.	**COST OF SALES**		**(Rupees in '000)**	
	Raw and packing material consumed:			
	- Opening stock		**60,910**	36,467
	- Purchases		**384,164**	344,507
	- Excavation cost	20.1	**491,615**	261,952
			936,689	642,926
	Closing stock		**(384,591)**	(60,910)
			552,098	582,016
	Fuel and power		**2,351,546**	2,281,917
	Stores and spares consumed		**108,122**	122,375
	Salaries, wages and benefits	20.2	**268,220**	233,347
	Insurance		**26,179**	26,138
	Repairs and maintenance		**13,917**	2,831
	Depreciation	12.1	**77,583**	77,699
	Other manufacturing overheads		**54,025**	48,816
	Provision against slow moving and obsolete spares		**-**	15,000
			3,451,690	3,390,139
	Opening work-in-process		**212,319**	154,007
	Closing work-in-process		**(219,874)**	(212,319)
	Cost of goods manufactured		**3,441,135**	3,331,827
	Opening finished goods		**35,338**	37,025
	Closing finished goods		**(32,878)**	(35,338)
			3,446,595	3,333,514

20.1 Excavation cost includes salaries, wages and benefits and Company's contribution to provident fund amounting to Rs. 19.315 million (2013: Rs. 16.265 million) and Rs. 0.571 million (2013: Rs. 0.497 million) respectively.

20.2 This includes Company's contribution to provident fund amounting to Rs. 7.390 million (2013: Rs. 6.692 million).

			2014	2013
21.	**ADMINISTRATIVE EXPENSES**		**(Rupees in '000)**	
	Salaries, wages and benefits	21.1	**100,321**	83,559
	Travelling and conveyance		**6,001**	4,094
	Vehicles running expenses		**8,705**	8,262
	Communications		**2,860**	3,742
	Printing and stationery		**1,397**	1,058
	Rent, rates and taxes		**8,813**	9,410
	Utilities		**8,444**	9,749
	Repairs and maintenance		**1,832**	1,847
	Legal and professional charges		**7,160**	3,477
	Auditors' remuneration	21.2	**683**	711
	Donations	21.3	**3,648**	2,760
	Depreciation	12.1	**5,425**	5,912
	Miscellaneous		**14,310**	8,451
			169,599	143,032

21.1 This includes Company's contribution to provident fund amounting to Rs. 3.220 million (2013: Rs. 2.876 million).

21.2 Auditors' remuneration

Audit fee	**500**	500
Half yearly review	**75**	75
Other services	**50**	60
Out of pocket expenses	**58**	76
	683	711

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

22. DISTRIBUTION COST

Salaries, wages and benefits	22.1	**29,333**	25,180
Commission		**146,383**	168,435
Export expenses		**6,692**	15,977
Travelling and conveyance		**476**	62
Vehicles running expenses		**2,641**	2,665
Communications		**841**	808
Rent, rates and taxes		**2,148**	1,695
Repairs and maintenance		**510**	1,457
Advertisement		**90**	2,721
Marking fee		**4,763**	4,619
Depreciation	12.1	**1,856**	2,058
Miscellaneous		**2,095**	4,900
		197,828	230,577

22.1 This includes Company's contribution to provident fund amounting to Rs. 0.999 million (2013: Rs. 0.788 million).

			2014	2013
23.	**FINANCE COST**		**(Rupees in '000)**	
	Mark-up on:			
	- Long term loans		**38,478**	46,454
	- Lease finance		**-**	310
	- Running finance		**60,591**	92,571
	Legal documentation fee		**102**	47
	Bank commission and charges		**5,014**	3,919
	Loss / (gain) on derivative financial instrument	23.1	**-**	27
			104,185	143,328
23.1	Loss / (gain) on derivative financial instrument			
	Movement in the fair value of cross currency swap		**-**	(47,233)
	Settled during the year - unfavourable		**-**	47,260
			-	27
24.	**OTHER INCOME**			
	Mark-up on bank deposits		**4,125**	2,185
	Mark-up on long term advance		**229**	462
	Accretion of discount		**851**	1,056
	Gain on sale of operating assets		**-**	5,859
	Scrap sales		**15,942**	10,779
	Miscellaneous		**201**	337
			21,348	20,678
25.	**WORKERS' FUNDS**			
	Workers' profit participation fund		**41,348**	37,915
	Workers' welfare fund		**15,712**	14,408
			57,060	52,323
26.	**TAXATION**			
	Relationship between income tax expense and accounting profit before taxation		**769,895**	705,968
	Tax at the applicable rate of 35% (2013: 35%)		**269,463**	247,089
	Net tax effect of items taxed at different rate		**(76,689)**	(111,195)
	Tax effect of inadmissible expenses		**1,277**	966
	Tax effect of assessed loss		**(19,497)**	(14,042)
	Net tax charge for the year		**174,554**	122,818

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

27. EARNINGS PER SHARE - Basic and Diluted

	2014	2013
Earning after taxation	**595,341**	583,150
	(Number in '000)	
Weighted average number of ordinary shares	**50,160**	50,160
	(Rupees)	
Earnings per share	**11.87**	11.63

28. OPERATING SEGMENTS

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

- Revenue from sale of cement represents 100% (2013 : 100%) of the total revenue of the company.
- 79% (2013: 71%) gross sales of the Company relates to customers in Pakistan.
- All non-current assets of the Company at 30 June 2014 are located in Pakistan.
- The Company does not have any customer having sales of 10% or more during the year ended 30 June 2014.

29. REMUNERATION OF DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	**Director**	**Executives**	Chief Executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	**9,395**	**9,395**	**94,554**	5,274	5,274	75,784
Bonus	**1,210**	**1,210**	**12,758**	908	908	8,270
Retirement benefits	**-**	**-**	**6,054**	-	-	4,941
Reimbursable perquisites	**605**	**605**	**5,747**	726	726	4,482
Meeting fee	**-**	**105**	**-**	-	85	-
	11,210	**11,315**	**119,113**	6,908	6,993	93,477
	(Number)					
Number of directors & executives	**1**	**1**	**54**	1	1	41
Number of non-executive directors	**-**	**7**	**-**	-	7	-

The Chief Executive, one 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.

30. TRANSACTIONS / BALANCES WITH RELATED PARTIES

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

	2014	2013
	(Rupees in '000)	
Associated company (Frontier Paper Products (Private) Ltd.)		
Balance as on 1 July 2013	**26,470**	54,479
Purchases	**159,206**	155,277
Payment during the year	**(145,219)**	(183,286)
Balance as on 30 June 2014	**40,457**	26,470
Key Management Personnel:		
Disbursement of advances to key management personnel	**1,070**	625
Repayment of advances by key management personnel	**1,097**	825
Outstanding loans to key management personnel as on 30 June 2014	**1,049**	1,010
Others (Provident Fund)		
Payable to provident fund	**1,324**	1,168

31. PROVIDENT FUND RELATED DISCLOSURE

The Company operates approved funded contributory provident funds for both its management and non-management employees. Details of net assets and investments of these funds as per the unaudited accounts as at 30 June 2014 are as follows:

	(Unaudited) 2014	(Audited) 2013
	(Rupees in '000)	
Size of the fund - Net assets	**237,486**	220,073
Cost of the investment made	**223,672**	208,237
Percentage of the investment made	**94%**	95%
Fair value of the investment made	**223,672**	208,237

The break up of fair value of the investment is:

	2014 (Unaudited)		2013 (Audited)	
	Amount	%	Amount	%
Bank balances	**9,050**	4%	12,762	6%
Term deposit receipts	**170,000**	76%	177,483	85%
Mutual funds	**44,622**	20%	17,992	9%
	223,672		208,237	

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

32. CAPACITY, PRODUCTION (CLINKER) AND NUMBER OF EMPLOYEES

	2014	2013
	(Tons)	
Rated Capacity	**780,000**	780,000
Actual Production	**640,825**	689,937

The capacity utilization of the company during the current year remained under utilized due to market situation. The average number of employees for the year ended June 30 2014 were 883 (2013: 884).

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:

	2014		2013	
	Balance sheet	**Maximum exposure**	**Balance sheet**	**Maximum exposure**
	(Rupees in '000)			
Trade debts	**16,527**	**16,527**	15,125	15,125
Loans, advances, deposits and accrued mark-up	**33,864**	**33,864**	37,461	37,461
Cash and bank balances	**155,352**	**154,397**	48,381	46,933
	205,743	**204,788**	100,967	99,519

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

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

	2014	2013
	(Rupees in '000)	
Dealer / distributor	**15,796**	15,082
End-user customers	**731**	43

33.1.3 Impairment losses

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	--------(Rupees in '000)-------		--------(Rupees in '000)-------	
Not past due	**-**	-	**-**	-
Past due 1-60 days	**9,893**	-	**7,809**	-
Past due 61 days -1 year	**1,012**	-	**1,447**	-
More than one year	**5,622**	-	**5,869**	-
	16,527	-	**15,125**	-

33.1.4 Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due more than 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:

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
Non-Derivative	----------------	----------------	----------(Rupees in '000)	----------	----------------	----------------
Financial liabilities						
Long term financing	400,000	472,991	25,479	162,368	285,144	-
Short-term running finance	407,643	447,714	-	447,714	-	-
Trade and other payables	265,259	265,259	255,326	-	-	9,932
	1,072,902	1,185,964	280,805	610,082	285,144	9,932

2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
Non-Derivative						
Financial liabilities	----------------	----------------	----------(Rupees in '000)	----------	----------------	----------------
Long term financing	250,000	288,858	77,838	74,325	136,695	-
Short-term running finance	463,847	509,443	-	509,443	-	-
Trade and other payables	485,702	485,702	475,120	-	-	10,582
	1,199,549	1,284,003	552,958	583,768	136,695	10,582

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, 8 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 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 2014	2013
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	**12,188**	15,785
Financial liabilities	**-**	-
	12,188	15,785
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**807,643**	713,847
	807,643	713,847

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss	Equity
	(Rupees in '000)	
As at 30 June 2014		
Cash flow sensitivity - Variable rate instruments	8,076	8,076
As at 30 June 2013		
Cash flow sensitivity - Variable rate instruments	7,138	7,138

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).

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.

	2014	2013
	(Rupees in '000)	
Balance as at 1 July 2013	-	47,233
Settled during the year - unfavourable	-	(47,260)
Loss / (gain) on derivative financial instrument	-	27
Balance as at 30 June 2014	-	-

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 The Board of Directors in its meeting held on Sep 23, 2014 has proposed a final Cash Dividend of 15% for the year (2013: 15%) for approval of the members of the company in forthcoming Annual General Meeting. The Financial Statements for the year ended June 30, 2014 do not include the effect of the proposed Final Cash dividend which will be accounted for in the Financial Statement for the year ending June 30, 2015. The proposed Final Cash dividend is in addition to interim cash dividend of 10% (2013: Nil) already paid during the year.

34.2 These financial statements were authorised for issue in the Board of Directors meeting held on September 23, 2014

(MOHAMMED YASIN FECTO)
Chief Executive

(ROHAIL AJMAL)
Director

FORM OF PROXY

I/We ____

of ____

being a member of FECTO CEMENT LIMITED hereby appoint ____________________

____

(NAME)

of ____

who is also a member of the Company vide Registration Folio Number____________ as my/our proxy in my/our absence to vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held on Tuesday, October 28, 2014 at 12.00 Noon at Registered Office, 35-Darulaman Housing Society, Block 7/8, Shahra-e-Faisal, Karachi and at any adjournment thereof.

Member's Signature

Revenue Stamp

Folio No. / CDC Participant I.D No. & A/C No. ____________

Shares held (Nos.) ____________________

Place ____________________ Date ______________

Witness: ________________________

Signature

Name: ________________________

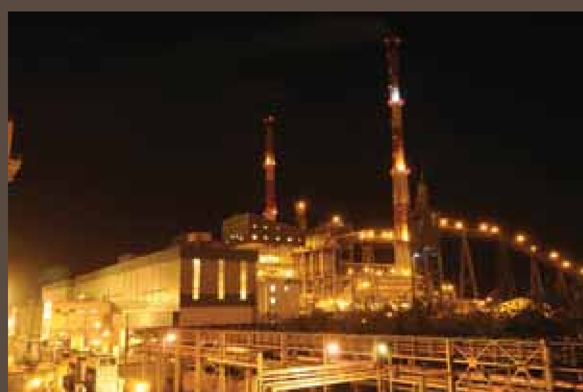
Address : ________________________

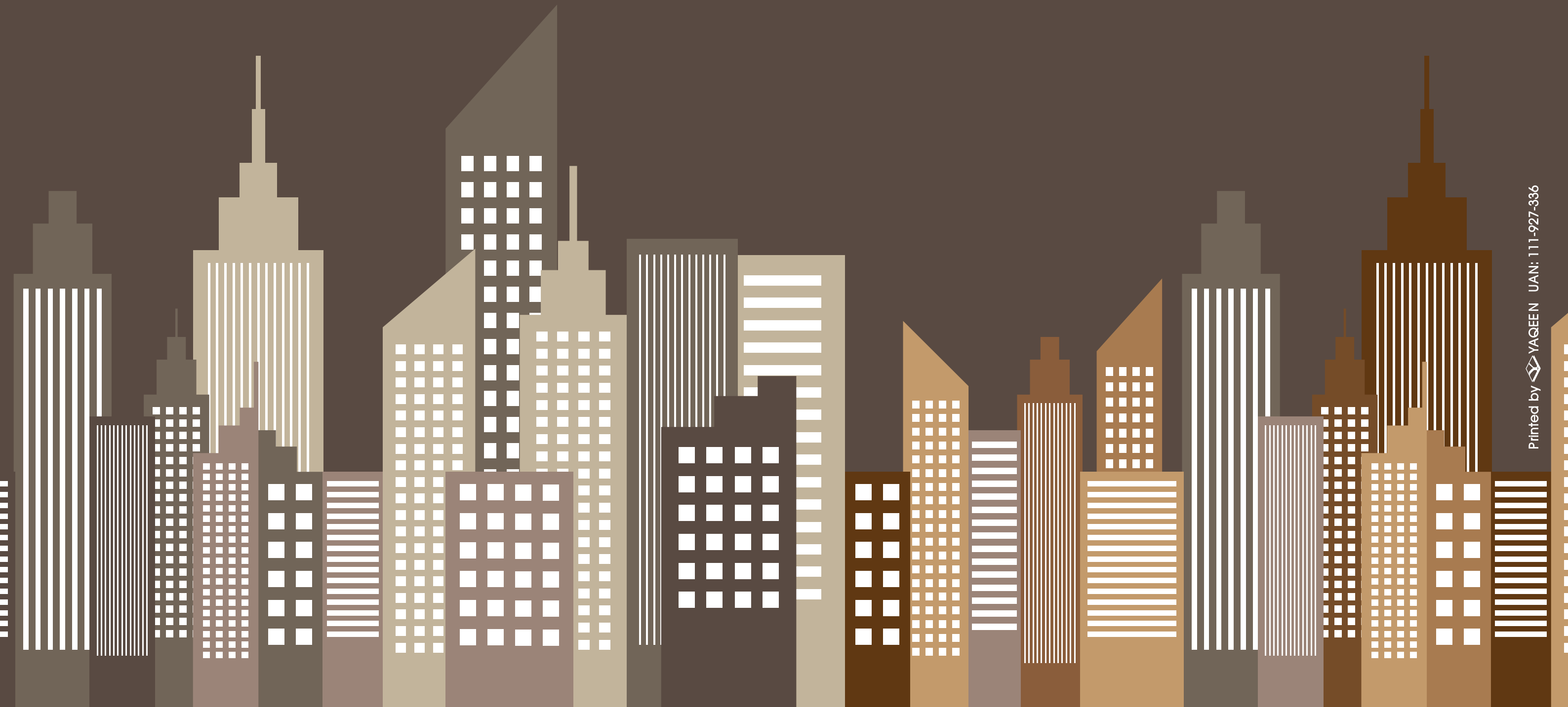
____

Note:

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

2. Member's signature must agree with the specimen signature registered with the Company.





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